Sinclair Pharma Limited

Annual Report and Financial Statements

Year ended 31 December 2021

Company Registration no. 03816616

Sinclair Pharma Limited

Contents

Company information

Sinclair Pharma Limited is registered as a private limited company, incorporated and domiciled in England and Wales and its registered number is 03816616.

Registered office
Sinclair Pharma Limited
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United Kingdom

Tel +44 20 7467 6920

Independent Auditors
Saffery Champness LLP
71 Queen Victoria Street
London
EC4V 4BE

Principal activities
The Group's principal activities are the development and commercialisation of medical aesthetic products through the Group's direct sales operations and through marketing partners on an international basis.

Sinclair's product portfolio includes global rights to the injectable brands Ellansé®, Silhouette Soft®/InstaLift®, and Perfectha®. Two new brands (MaiLi® and Lanluma®) were launched in Europe during 2021. The Group markets these products through its own direct operations in Western Europe, Brazil, Mexico, South Korea, and the UAE. And through a network of marketing partners in the Middle East, Asia, Central and Eastern Europe and Latin America. During 2021, the Group acquired companies with the IP for a range of energy-based devices ("EBD's) for use in aesthetic treatments. These form a new EBD division within the Group that is reported separately from the legacy business, which now forms the "Injectables" division.

Business review
There have been a number of significant events and transactions that have shaped the results for the year, and which will also have an impact on the Group for future years. These were as follows:

Acquisition of Cocoon Medical
On 10 February 2021, the Group signed an agreement to acquire the business of Cocoon Medical ("Cocoon"), a manufacturer of energy-based devices ("EBDs") for the aesthetics industry, based in Barcelona, Spain. Cocoon has created an innovative portfolio of non-invasive lasers and cryoadipolisis (freeze induced fat cell apoptosis) devices for both clinics and med-spas, all of which are manufactured at Cocoon's in-house facility in Sofia, Bulgaria. Cocoon has direct commercial operations in Europe, Columbia, Hong Kong and the US, and manages a network of over 60 distributors.

The acquisition subsequently completed on 12 April 2021. Sinclair agreed to pay initial cash consideration of €45 million. Followed by deferred consideration of €20 million, due in January 2024 and contingent consideration of up to a further €20 million, subject to various sales-based milestones being achieved in the period ending on 31 December 2024. The acquisition was funded by new debt facilities, which were put in place with the support of Sinclair's parent company.

Cocoon forms the cornerstone of a new EBD division of the Group which the Board expects to drive significant growth in the coming years, both on an organic basis and through further acquisitions of EBD assets which can complement the Cocoon product offering. The Board plans to leverage Sinclair's existing infrastructure to accelerate revenue and margin growth in the Cocoon business. Achieved by establishing a direct sales presence for EBD products in the markets where Sinclair is currently present (for example in Europe, South Korea, Mexico and Brazil), strengthening training and marketing activity including through the Sinclair College platform, and expanding into new markets including China with the support of Sinclair's parent organisation.

The commercial operations of Sinclair's existing injectable products are now managed through a separate Injectables division, with both the EBD and Injectables divisions supported by the existing corporate functions of the Group.

COVID-19
The COVID-19 pandemic continued to provide significant headwinds to the Group's operations in many markets, particularly during H1 2021. However, as restrictions gradually lifted across the globe, the Group has experienced a strong bounce back in demand for its products and aesthetic treatments generally.

MaiLi®
In March 2020, the Group entered into a product rights agreement with Kylane Laboratoires SA under which Sinclair agreed to acquire exclusive worldwide rights to a novel range of hyaluronic acid based dermal fillers with lidocaine. The range was successfully launched under the MaiLi® trademark in Europe in H1 2021 and with multiple launches expected to follow across all the Group's strategic markets, including China, over the next two to three years, MaiLi® is predicted to provide significant growth for many years and become a leading brand in the Sinclair portfolio.

Lanluma®
In July 2020, the Group entered into a licence agreement with GCS Co., Limited of South Korea for certain European rights to a poly-L-lactic acid based filler for facial and body indications. The product was launched in Europe under the trademark Lanluma® in Q1 2021, targeting at the growing market for body contouring procedures. In June 2021, the agreement was extended, giving Sinclair long-term rights to register and market Lanluma® on a worldwide basis. This extension of rights to Lanluma® provides Sinclair with the opportunity to register and launch the product through Sinclair's affiliates and marketing partners in multiple new territories in the coming years, significantly expanding the market opportunity for the Group.

Revenue Performance
Revenue from continuing operations for 2021 was £76.1 million, a 123% increase from the £34.1 million achieved in 2020, following a strong global recovery from the COVID-19 pandemic as well as new launches and initial contribution from the Cocoon business. Individual brand performance is discussed below.

Ellansé®
Ellansé® revenues grew by 92% in 2021 to £28.3 million compared to £14.7 million in 2020 following a strong recovery from the effects of the COVID-19 pandemic seen in the prior year, and supported by ongoing underlying growth in multiple markets as well as launch of the product in China. Sales in most markets now exceed those reported pre pandemic.

Approval for the product in China was granted by NMPA, the Chinese regulator, in H1 2021 enabling Huadong Medicine Co. Ltd, the Group's parent company and rights holder for China, to launch the product in Q3. Initial revenues for the Chinese market reached £3.9 million for Sinclair in 2021.

Sales in several key existing markets including Mexico, Korea and the Middle East more than doubled in the year. With the China launch only contributing in H2, the Board expects a further period of very strong growth for the Group's leading brand in the coming years.

Perfectha®
Revenues grew by 28% to £12.9 million in 2021 (2020: £10.1 million) as a result of the recovery from COVID. In Brazil, the product's largest market, revenues recovered by only 10% to £4.5 million, held back by delays at ANVISA in approving various regulatory changes which prevented imports from being cleared for several months, as well as further weakness of the Brazilian Real affecting reported revenue.

In the Middle East, the second most important region for Perfectha®, sales grew 48% to £3.9 million, benefitting from Sinclair's increased presence in the region as well as partner changes implemented over the last couple of years. In Mexico, sales again doubled reaching £1.3 million, despite COVID-19 effects, due to the ongoing expansion of Sinclair's presence in the market.

The CE Mark for Perfectha® Lidocaine was finally received during the year, paving the way for a launch in H1 2022 in Europe, followed by multiple other territories as soon as local approvals are in place.

Silhouette Soft® and InstaLift®
Sales of Silhouette grew by 16% to £10.8 million in 2021 (2020: £9.3 million).

Sales recovered in most markets following the COVID-19 induced declines in 2020. The Middle East region being the strongest performing, where sales more than doubled to £1.4 million as the benefits of partner changes over the last two years, and the opening of the Sinclair office in Dubai begin to be realised.

New Product Launches MaiLi® & Lanluma®
Sinclair successfully launched two new injectable products in Europe in 2021, which together generated revenue of £5.5 million, contributing to the growth reported in the year.

Cocoon
Revenues for Cocoon were £17.9 million for the period from acquisition on 12 April 2021. This represents a very strong initial contribution, which has been supported by a very strong recovery in the energy based device segment of the aesthetics market, as well as a significant new distribution agreement signed by Cocoon for the US market which contributed to revenue from Q3 onwards. On a full year constant currency basis, sales for Cocoon grew by 60% in 2021, demonstrating the strong underlying growth in the business.

Finance review
Following from the 123% growth in revenues to £76.1 million, gross profit pre-exceptional items improved by 126% to £52.1 million from £23.0 million in 2020. This represents a gross margin of 68.5% in 2021 compared with 67.5% in the prior year.

Selling, marketing and distribution costs increased by 33% to £25.8 million in 2021 due to the acquisition of Cocoon, launch of the new injectable products MaiLi® and Lanluma® as well as a general recovery in levels of marketing and training activity from the very low levels seen in 2020 following the COVID-19 lockdowns.

Administrative expenses, pre-exceptional items, were £28.7 million for the year, a 24% increase over 2020. This is a result of the acquisition of Cocoon, an increase in non-cash charges for depreciation and amortisation and increased salary and reward charges resulting from the growth achieved in the year.

There are a number of exceptional cost of sales and administrative expenses affecting the result in the year, see note 5 for further details. Overall, these amount to £4.5 million in 2021 (2020: credit of £0.8 million) and largely result from the acquisition of Cocoon.

Operating loss for the year pre-exceptional items reduced significantly to £2.4 million compared with £19.5 million in 2020, as a result of the recovery in sales and contribution from the newly acquired Cocoon business. Operating loss including exceptional items for 2021 is also significantly reduced to £6.9 million (2020: loss of £18.7 million).

Net finance expense
Net finance expenses increased significantly to £5.7 million in 2021 (2020: £1.2 million) as net debt increased to £79.9 million at 31 December 2021 compared to £18.7 million at 31 December 2020. As a result, interest payable increased to £3.9 million in 2021 from £0.5 million in 2020.

Discount unwind charges on contingent consideration also increased to £1.4 million (2020: £0.5 million) as a result of the additional contingent consideration that forms part of the acquisition of Cocoon.

Loss from continuing operations
The Group reported a net loss for the year on continuing operations of £13.9 million a 29% improvement on the loss of £19.6 million reported in 2020. This was driven by the significant improvement in operating performance and contribution from the Cocoon business, offset by one-off costs associated with the acquisition of Cocoon and increased financing costs.

Post Balance Sheet Events
On 3 February 2022, the Group acquired 100% of the shares of Viora Limited ("Viora"), a manufacturer of energy-based devices for the aesthetics industry, based in New York. The acquisition is expected to bring additional sales and growth opportunities to the group through its direct presence in the important US market as well as a network of international distributors. Viora achieved unaudited revenues of $16.8 million in the year ended 31 December 2021 representing growth of 69% versus 2020. Sinclair paid cash consideration of $27.5 million for the acquisition of Viora. At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

The acquisition is being funded by new debt facilities, which are being supported by Sinclair's parent company. On 13 January 2022, the Company drew $55 million under a new 3 year loan agreement with Standard Chartered Bank ('SCB'). These funds have been utilised to fund the acquisition of Viora as well as to repay short-term borrowings of €25 million from SCB used in 2021 for the acquisition of Cocoon.

On 15 March 2022, a judgement was reached by an independent expert to reduce the consideration payable on acquisition of Cocoon by €815,000, and payment was subsequently received from the vendor on 30 March 2022. Due to uncertainty in the outcome of this ruling It was not provided for at 31 December 2022 and will be adjusted against the goodwill balance in the year ended 31 December 2022.

On 1 April 2022, the £20m debt facility with HSBC was renewed, extending the term by a further three years. The renewal is not yet fully effective, and it is anticipated this process will be completed by 30 June 2022. As noted under going concern, our parent company has provided specific representation to the Board that they will provide financial support to bridge any gap caused by a delay.

Section 172 statement
The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Group for the benefit of its member as a whole and in doing so have had regard, amongst other matters, to:

- the likely consequences of any decision in the long-term;
- the interest of the Group's employees;
- the need to foster the Group's business relationships with suppliers, distribution partners, Sinclair partner physicians, end users and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and

The Directors give careful consideration to the factors set out above in discharging their duties under section 172 of the Companies Act 2006. The stakeholders we consider in this regard are the people who work for us, our distribution partners, partner physicians, end-users, and those in the supply chain with whom we engage, our owners, regulatory bodies and those that live in the societies within which we operate. The Directors recognise that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way.

We are committed to doing business responsibly and thinking for the long term. When making investment decisions the board considers not only the short term success but also the long term strategic plan, such as through the disposal of rights to Sculptra® and reinvestment into global rights for MaiLi®, as well as the acquisition of Cocoon establishing a presence in the fast growth EBD segment of the aesthetics market.

Employee Development and Employee Engagement
Our most important asset is our employees. We are committed to developing policies that encourage all employees to achieve their potential and to continue to contribute to the success of the Group.

Development
A formal human resources policy framework is followed throughout the Group. The framework includes a process of appraisal and development to ensure group companies get the best from their people; emphasis has been placed on career pathways with individual training and development programmes. The Group has run bespoke management training programmes for individuals it recognises as key to the future development of the business.

Our employees are encouraged to attend seminars, training courses, and are provided help in seeking necessary professional qualifications to further their careers. All new and existing employees have access to "Sinclair College", our online platform which provides details of our full product range, as well as a series of videos, that introduce each department and affiliate from the group, including their function, details of individuals within that department and how they interact with the wider group.

Engagement
We operate a global, cross-functional employee engagement committee. Their focus is to identify and run engagement activities, share ideas on local issues, and where necessary roll out solutions globally across Sinclair affiliates. This is supported by an annual employee survey, which gives an opportunity to provide anonymous feedback on different aspects of working at Sinclair, and management are then able to implement an action plan based on the findings of the survey. Following feedback from the 2019 survey, the Group worked during 2020 to provide an improved employee benefits package to our employees which launched in 2021.
The CEO hosts quarterly "town-hall" webinars across the group providing all employees with updates on the short and long-term business strategy, key developments across the business, and employees are invited to ask questions on any topic directly to the CEO either in the meeting or at any time.

Suppliers
We have consistent standards and procedures for the onboarding and use of external suppliers. We require suppliers to meet our compliance and financial stability requirements, as well as to meet our requirements around health and safety.

Partner physicians
We have developed "Sinclair College", an online educational resource which supports hands-on aesthetic training and provides additional practice development services to our partner physicians. Through individual registration, they have access to extensive training modules, expert webinars and general product information. This platform supports our partner physicians to deliver unparalleled clinical results, with industry leading safety standards.

Distribution partners
We view our distributors as trusted business partners and aim to work collaboratively with them to maximise market opportunities. We hold regular meetings to understand the local market place and sales performance, provide product training, and ensure we address any regulatory or supply issues in a timely manner.

Impact on community and environment
We continue to promote volunteering and charitable activities amongst our employees as part of our Corporate Social Responsibility. The Group recognises the importance of its environmental responsibilities and aims to control its impact on the environment. There is an ongoing project to address sustainability and reduce the Group's carbon footprint, which includes reducing the amount of global travel undertaken by employees as well as ways of reducing carbon emissions throughout the Group's supply chain.

Principal risks and uncertainties
The Group as a business depends on revenues generated through its own operations and marketing partners to build future revenues. The Group's performance and future prospects may be affected by risks and uncertainties relating to our business environment. Sinclair's internal controls include a risk management process to identify key risks and, where possible, manage those risks through systems and processes and by implementing specific mitigation strategies.

The most significant identified risks that could materially affect the Group's ability to achieve its financial and operating objectives are summarised below.

Area	Principal Risk	Mitigation
Risk associated with commercial success of products	The Group's revenues are from sales of its products. There can be no assurance that current product revenues can be maintained or increased in the future. Product sales may be affected by adverse market conditions or other factors including: price competition from other products, the withdrawal of a product because of a regulatory or other reason, or the financial or commercial failure of a marketing partner. Lack of commercial success could result in low profits and the potential impairment of goodwill and intangible assets.	The Group manages these risks through regular reviews of the performance of its direct affiliates and partners. In-market sales data is closely monitored in order to assess products and collaborate performance, and guide any corrective actions that may be required.
Interruption to product supply	The Group relies on third-party manufacturers for the supply of Silhouette, MaiLi® and Lanluma®. Ellansé®, Perfectha® and Cocoon products are manufactured by the Group at sites in the Netherlands, France and Bulgaria respectively. Problems at manufacturing facilities may lead to delays and disruptions in the supply chain, which could have significant negative impact on the Group.	The Group maintains a close dialogue with its manufacturing partners and regularly monitors inventory levels and customer demand to ensure that the effect of any interruption to product supply can be managed. The Group also purchases business interruption insurance and maintains a business continuity plan, which is regularly reviewed.

Principal risks and uncertainties (continued)

Area	Principal Risk	Mitigation
Product liability risk	The Group's products may produce unanticipated adverse side effects that may hinder their marketability.	Sinclair maintains product liability insurance and maintains a robust quality system covering the manufacture of its products, and also maintains pharmacovigilance procedures to monitor safety of its marketed products.
Competition and intellectual property risk	The position of Sinclair's products in the market is dependent on its ability to obtain and maintain patent and/or trademark protection for its products, preserve its trade secrets, defend and enforce its rights against infringement and operate without infringing the proprietary or intellectual property rights of third parties. The validity and enforceability of patents and/or trademarks may involve complex legal and factual issues resulting in uncertainty as to the extent of the protection provided. The Group's intellectual property may become invalid or expire before or during commercialisation of the product.	The Group continuously seeks to develop its products to ensure they are competitive and monitors its intellectual property rights to identify and protect against any infringements.
Regulatory risk	The Group must comply with the requirements of many different regulatory authorities in order to maintain product marketing licenses in all territories where its products are sold. These regulatory requirements are regularly changing and becoming more onerous in order to improve product quality and patient safety. If the Group does not continue to comply with the regulatory requirements in each market, including the significant switch to the new MDR requirements in Europe, products may be required to be withdrawn from certain markets, adversely affecting revenues.	The Group has an in-house regulatory and quality department, which maintains a close dialogue with regulatory authorities with key risks being reported to the Board on a regular basis.
Foreign exchange risk	The Group has transactional currency exposures as the majority of Group revenues and expenses are in currencies other than Sterling. Fluctuations in exchange rates between Sterling and these currencies could adversely affect financial results.	Sinclair seeks to match currency receipts and expenditure as far as possible. From time to time the Group also engages in short-term hedging transactions in order to hedge against changes in exchange rates during the financial year.

On behalf of the Board

Chengwei Liu
Chairman
26 May 2022

Sinclair Pharma Limited

Directors' Report
For the year ended 31 December 2021

The Directors present their Annual Report on the affairs of the Company and the Group, together with the audited consolidated financial statements for the year ended 31 December 2021. The strategic review of the business of the Company and its subsidiaries is given on pages 3 to 8. Certain information required for disclosure in this report is provided in other sections of this Annual Report. These include the Strategic Report and disclosures on financial risks included in note 24 of the Notes to the Financial Statements, and these are, accordingly, incorporated into this report by reference. An indication of the likely future developments of the business, and post balance sheet events are included in the Strategic Report.

Key performance indicators
The Board measures the Group's performance according to a wide range of key performance indicators ('KPIs'). The main KPIs at a Group level for the year ended 31 December 2021 and the prior year are as follows:

KPI	2021	2020	Definition, method of calculation and analysis
Revenue	**£76.1 million**	£34.1 million	Revenue increased by 123% in 2021, driven by the recovery from the COVID-19 pandemic which severely impacted operations in 2020, continuing growth in the Group's leading product, Ellansé® aided by the products launch in China, launch of two new Injectable products MaiLi® and Lanluma® and the acquisition of Cocoon.
Gross margin	**68.5%**	67.5%	Gross margin recovered in 2021. This was primarily driven by: 1. increasing sales of higher margin products, Ellansé® and Silhouette 2. an increase in production volumes reducing cost of goods at the Group's in-house manufacturing plants following the reduced volumes in 2020 as a result of COVID-19; and 3. offset by impact of sales of EBD products, which are typically at a lower margin to the injectable products.
(Loss)/profit for the year	**£(13.9 million)**	£14.2 million	The Group has reported a net loss of £13.9 million in 2021 following the net profit of £14.2 million in 2020, which was achieved as a result of the one-off profit of £33.9 million from discontinued operations. Net loss from continuing operations of £13.9 million compares with a loss of £19.6 million in 2020.

Results, earnings and dividends
The loss for the financial year ended 31 December 2021 was £13,938,000 (2020: profit of £14,246,000). The Directors do not recommend a dividend (2020: £Nil).

Risk management
The Group's operations expose it to a variety of financial risks, including the effects of changes in currency exchange rates, credit exposure and liquidity. More details can be found in note 24 to the financial statements and on page 8.

Going concern
The Group is reliant on borrowing facilities from external lenders as well as existing loans from its parent company, Huadong Medicine Co Limited ('HMC') in order to finance its ongoing operations. Some of the Group's external borrowing facilities contain certain financial covenants relating to the Company and HMC.

On 3 February 2022, the Group signed an agreement to acquire the business of Viora Limited for a consideration of $27.5 million (note 27). The consideration was financed from the proceeds of a new three-year loan facility from Standard Chartered Bank, with the support of HMC, which is a party to, and guarantor of, the facility.

On 1 April 2022, the £20m debt facility with HSBC was renewed for a further three years, however, the renewal is not yet fully effective, and it is anticipated this process will be completed by 30 June 2022.

The support of HMC for the Group's current bank facilities, (including the continuing ability of HMC to meet the ongoing financial covenants), as well as any delay in renewal of the £20m HSBC facility, the acquisitions of Cocoon and Viora and the support for the financing from HMC for these transactions, together with a letter of continuing support for the Group from HMC received by the Board, provide the Directors with sufficient certainty that the Group will be provided with the necessary facilities and funds to continue its operations for the foreseeable future.

As a result, the Directors consider it appropriate to continue to adopt the going concern basis in the preparation of these financial statements. The financial statements do not reflect any adjustments that would be required if they were prepared on a basis other than the going concern basis.

Directors
The Directors of the Company who served during the year and up to the date of this report were:

Chris Spooner	Chief Executive Officer	
Alan Olby	Chief Financial Officer	(resigned 2 April 2022)
Chengwei Liu	Chairman	
Shizheng Duan	Non-executive director	
Bo Chen	Non-executive director	
Miguel Angel Pardos Blanco	Chief Executive Officer	(appointed 28 April 2022)

On 19 May 2022, it was announced that Chris Spooner would be resigning from the Board of Directors with effect from 31 May 2022.

Directors' and officers' liability insurance
The Company has in place third party indemnity insurance for all Directors.

Structure of the Company's capital
The Company's share capital comprises a single class of 1p Ordinary shares, each carrying one vote and all ranking equally with each other. At 31 December 2021, the issued share capital was £5,801,571 comprising 580,157,084 1p Ordinary shares (2020: 580,157,084) allotted and fully paid. There are no restrictions on the transfer of shares in the Company or on voting rights.

Change of control
There are no agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment following a takeover of the Company.

Future developments
The Directors' plans for the future are to continue developing the existing brands and add new brands to the portfolio where appropriate. See the Strategic Report for specific discussion on the individual brands and post balance sheet events.

Research and development
The Group actively reviews technical development in its markets with a view of taking advantage of the available opportunities to maintain and improve its competitive position. The Group has continued to invest in the development of new products and line extensions during the year, with R&D costs, excluding salaries, of £362,000 in 2021 (2020: £445,000).

Employees
Our most important asset is our employees. We are committed to developing policies that encourage all employees to achieve their potential and to continue to contribute to the success of the Group. We seek to develop employees' potential by encouraging them to attend seminars, training courses, and providing help in seeking necessary professional qualifications to further their careers. We operate equal opportunities in recruitment, training and promotion regardless of gender, ethnic origin, nationality or disability. The Group operates internationally and therefore its employment practices are varied to meet local conditions and requirements. These are established on the basis of best practice for each individual country.

Employee engagement
See information set out under the section 172 statement of the strategic report.

Supplier and customer engagement
See information set out under the section 172 statememt of the strategic report.

Political donations
The Group made political donations totalling £Nil (2020: £Nil).

UK Streamlined Energy and Carbon Reporting
The Group's UK energy and carbon information is not disclosed as no group subsidiaries are required to prepare such information.

Independent Auditors
Saffery Champness LLP, who were appointed on 28 January 2021, have expressed their willingness to continue in office as auditors and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Statement as to disclosure of information to auditors
The Directors, in office at the date of this report, have confirmed that:
- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Statement of Directors' Responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted in the UK and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted in the UK. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted in the UK have been followed for the Group financial statements and IFRSs as adopted in the UK have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Directors' report for the year ended 31 December 2021 confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRSs as adopted in the UK, give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted in the UK, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Chengwei Liu
Chairman
26 May 2022

Opinion

We have audited the financial statements of Sinclair Pharma Limited (the 'company') and its subsidiaries for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes of equity, the consolidated and company cash flow statements, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Financial Reporting Standards.
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:
We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the group and parent company include The Companies Act 2006 and tax legislation as is applicable in the territories where the group operates.

Audit response to risks identified:
We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Saffery Champness LLP

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Richard Collis (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

26 May 2022

Sinclair Pharma Limited

Consolidated Income Statement and Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

		2021			2020		
	Note	Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000	Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000
Continuing operations							
Revenue	4	**76,073**	**–**	**76,073**	34,090	–	34,090
Cost of sales		**(23,995)**	**(2,460)**	**(26,455)**	(11,094)	–	(11,094)
Gross profit		**52,078**	**(2,460)**	**49,618**	22,996	–	22,996
Selling, marketing and distribution costs		**(25,790)**	**–**	**(25,790)**	(19,412)	–	(19,412)
Administrative expenses		**(28,700)**	**(2,033)**	**(30,733)**	(23,061)	810	(22,251)
Operating loss	6	**(2,412)**	**(4,493)**	**(6,905)**	(19,477)	810	(18,667)
Finance income	8	**3**	**–**	**3**	5	–	5
Finance expense	8	**(5,707)**	**–**	**(5,707)**	(1,199)	–	(1,199)
Share of loss from associate	14	**(146)**	**–**	**(146)**	(121)	–	(121)
(Loss)/profit before taxation		**(8,262)**	**(4,493)**	**(12,755)**	(20,792)	810	(19,982)
Taxation	9	**(1,183)**	**–**	**(1,183)**	335	–	335
(Loss)/profit for the year from continuing operations		**(9,445)**	**(4,493)**	**(13,938)**	(20,457)	810	(19,647)
Discontinued operations							
Profit for the year from discontinued operations	29			–			33,893
(Loss)/Profit for the year				**(13,938)**			14,246

	2021 £'000	2020 £'000
(Loss)/Profit for the year	**(13,938)**	14,246
Other comprehensive (expense)/income *(Items that may subsequently be reclassified to the income statement)*		
Currency translation differences	**(2,981)**	749
Total other comprehensive (expense)/income	**(2,981)**	749
Total comprehensive (expense)/income for the year attributable to the owners of the parent	**(16,919)**	14,995
Total comprehensive (expense)/income arises from:		
Discontinued operations	**–**	33,893
Continuing operations	**(16,919)**	(18,898)
	(16,919)	14,995

The notes on pages 21 to 50 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
NON-CURRENT ASSETS			
Goodwill	11	**88,765**	54,782
Intangible assets	12	**95,019**	74,518
Property, plant and equipment	13	**12,821**	7,869
Investment in associate	14	**5,207**	5,353
Other financial assets		**200**	176
		202,012	142,698
CURRENT ASSETS			
Inventories	16	**19,110**	7,758
Trade and other receivables	17	**19,122**	9,679
Current tax asset		**879**	–
Cash at bank		**10,893**	4,345
		50,004	21,782
TOTAL ASSETS		**252,016**	164,480
CURRENT LIABILITIES			
Borrowings	19	**(78,043)**	(23,043)
Trade and other payables	18	**(20,028)**	(14,239)
Lease liabilities	21	**(1,400)**	(759)
Other financial liabilities	20	**(374)**	(3,123)
Current tax liabilities		**(1,227)**	(3,449)
Provisions	22	**(4,542)**	(4,442)
TOTAL CURRENT LIABILITIES		**(105,614)**	(49,055)
NON-CURRENT LIABILITIES			
Borrowings	19	**(12,681)**	–
Lease liabilities	21	**(3,005)**	(1,976)
Trade and other payables	18	**(2,574)**	(2,575)
Other financial liabilities	20	**(30,431)**	(3,016)
Deferred tax liabilities	23	**(20,777)**	(14,005)
		(69,468)	(21,572)
TOTAL LIABILITIES		**(175,082)**	(70,627)
NET ASSETS		**76,934**	93,853
EQUITY			
Share capital	25	**5,802**	5,802
Share premium		**109,648**	109,648
Capital reserve		**2,819**	2,819
Merger reserve		**97,141**	97,141
Other reserves		**7,422**	10,403
Accumulated losses		**(145,898)**	(131,960)
TOTAL EQUITY		**76,934**	93,853

The notes on pages 21 to 50 are an integral part of these consolidated financial statements.

The financial statements on pages 16 to 50 were approved by the Board of Directors on 26 May 2022 and signed on its behalf by:

Chengwei Liu
Director
Sinclair Pharma Limited registered number 03816616

Sinclair Pharma Limited

Company Balance Sheet
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
NON-CURRENT ASSETS			
Investments	30	**150,470**	127,854
Trade and other receivables	17	**12,640**	–
		163,110	127,854
CURRENT ASSETS			
Trade and other receivables	17	**68,636**	37,675
Cash at bank		**67**	14
		68,703	37,689
TOTAL ASSETS		**231,813**	165,543
CURRENT LIABILITIES			
Borrowings	19	**(77,727)**	(23,043)
Trade and other payables	18	**(3,781)**	(1,497)
TOTAL CURRENT LIABILITIES		**(81,508)**	(24,540)
NON-CURRENT LIABILITIES			
Borrowings	19	**(11,616)**	–
		(11,616)	–
TOTAL LIABILITIES		**(93,124)**	(24,540)
NET ASSETS		**138,689**	141,003
EQUITY			
Share capital	25	**5,802**	5,802
Share premium		**109,648**	109,648
Capital reserve		**2,819**	2,819
Merger reserve		**102,241**	102,241
Accumulated losses			
At start of year		**(79,507)**	(80,992)
Loss for the year attributable to the owners		**(2,314)**	1,485
Other changes in retained earnings		**–**	–
		(81,821)	(79,507)
TOTAL EQUITY		**138,689**	141,003

The notes on pages 21 to 50 are an integral part of these consolidated financial statements.

The financial statements on pages 16 to 50 were approved by the Board of Directors on 26 May 2022 and signed on its behalf by:

Chengwei Liu
Director
Sinclair Pharma Limited registered number 03816616

Sinclair Pharma Limited

Consolidated and Company Statement of Changes in Equity
For the year ended 31 December 2021

Group	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2020	**5,802**	**109,648**	**2,819**	**97,141**	**9,654**	**(146,206)**	**78,858**
Exchange differences arising on translation of overseas subsidiaries	–	–	–	–	749	–	749
Profit for the year	–	–	–	–	–	14,246	14,246
Total comprehensive income for the year	–	–	–	–	749	14,246	14,995
Balance at 31 December 2020	**5,802**	**109,648**	**2,819**	**97,141**	**10,403**	**(131,960)**	**93,853**
Exchange differences arising on translation of overseas subsidiaries		–	–	–	(2,981)	–	(2,981)
Loss for the year	–	–	–	–	–	(13,938)	(13,938)
Total comprehensive income for the year	–	–	–	–	(2,981)	(13,938)	(16,919)
Balance at 31 December 2021	**5,802**	**109,648**	**2,819**	**97,141**	**7,422**	**(145,898)**	**76,934**

Company	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2020	**5,802**	**109,648**	**2,819**	**102,241**	**(80,992)**	**139,518**
Profit for the year	–	–	–	–	1,485	1,485
Total comprehensive expense for the year	–	–	–	–	**1,485**	**1,485**
Balance at 31 December 2020	**5,802**	**109,648**	**2,819**	**102,241**	**(79,507)**	**141,003**
Loss for the year	–	–	–	–	(2,314)	(2,314)
Total comprehensive income for the year	–	–	–	–	**(2,314)**	**(2,314)**
Balance at 31 December 2021	**5,802**	**109,648**	**2,819**	**102,241**	**(81,821)**	**138,689**

The notes on pages 21 to 50 are an integral part of these consolidated financial statements.

Sinclair Pharma Limited

Cash Flow Statements

For the year ended 31 December 2021

		Group		Company	
		2021	2020	**2021**	2020
		£'000	£'000	**£'000**	£'000
Continuing operations					
(Loss)/profit before tax		**(12,755)**	(19,982)	**(2,314)**	1,485
Exceptional Items		**4,493**	(810)	**567**	417
(Loss)/profit before tax and exceptional items		**(8,262)**	(20,792)	**(1,747)**	1,902
Adjustments for:					
Finance income		**(3)**	(5)	**(5,105)**	(2,748)
Finance costs		**5,707**	1,199	**3,912**	474
Depreciation		**2,206**	1,628	**–**	–
Amortisation of intangible assets		**7,183**	4,893	**–**	–
Impairment recognised in administrative expenses		–	1,164	**–**	–
Exchange losses/(gains)		**–**	–	**1,246**	(534)
Loss from associates		**146**	121	**–**	–
Loss on disposal of assets		**17**	–	**–**	–
Changes in working capital					
Increase in inventory		**(6,161)**	(660)	**–**	–
(Increase)/decrease in receivables		**(3,464)**	5,587	**(35)**	–
Decrease in payables		**(852)**	(443)	**(120)**	(1,122)
Net cash outflow from continuing operations before exceptional items		**(3,483)**	(7,308)	**(1,849)**	(2,028)
Exceptional costs paid		**(1,793)**	(193)	**–**	–
Net cash outflow from continuing operations		**(5,276)**	(7,501)	**(1,849)**	(2,028)
Discontinued operations					
Profit before tax		**–**	34,538	**–**	–
(Profit) on disposal		**–**	(33,732)	**–**	–
Changes in working capital					
Decrease in inventory		**–**	294	**–**	–
Decrease in receivables		**–**	1,279	**–**	–
Decrease in payables		**–**	(599)	**–**	–
Net cash inflow from discontinued operations		**–**	1,780	**–**	–
Net cash outflow from operations		**(5,276)**	(5,721)	**(1,849)**	(2,028)
Interest paid		**(1,113)**	(379)	**(979)**	(381)
Taxation paid		**(1,677)**	(3,379)	**–**	–
Net cash (used in)/generated from operating activities		**(8,066)**	(9,479)	**(2,828)**	2,409
Investing activities					
Purchases of property, plant and equipment		**(3,145)**	(2,209)	**–**	–
Purchase of intangible assets		**(7,190)**	(13,905)	**–**	–
Payment of deferred and contingent consideration		**(3,171)**	(826)	**–**	–
Proceeds from sale of discontinued operation	29	**–**	39,064	**–**	–
Acquisition of associate		**–**	(5,475)	**–**	–
Acquisition of subsidiary net of cash acquired		**(36,863)**	–	**–**	–
Purchase of shares in subsidiary		**–**	–	**(22,571)**	–
Loan to subsidiary companies		**–**	–	**(40,386)**	6,454
Net cash (used in)/generated from investing activities		**(50,369)**	16,649	**(62,957)**	6,454
Financing activities					
Proceeds from borrowings	19	**66,101**	23,000	**65,838**	23,000
Repayment of borrowings		**–**	(27,054)	**–**	(27,054)
Principal elements of lease payments		**(1,118)**	(1,186)	**–**	–
Net cash generated from/(used in) financing activities		**64,983**	(5,240)	**65,838**	(4,054)
Net increase/(decrease) in cash and cash equivalents		**6,548**	1,930	**53**	(9)
Cash and cash equivalents at start of year		**4,345**	2,415	**14**	23
Cash and cash equivalents at end of year		**10,893**	4,345	**67**	14

The notes on pages 21 to 50 are an integral part of these consolidated financial statements

Sinclair Pharma Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. General information

Sinclair Pharma Limited (the 'Company') is an international speciality pharmaceutical company focused on aesthetics. The Group has a direct sales and marketing presence in the UK, Spain, France, Germany, Brazil, South Korea and Mexico and a growing international division concentrated on key emerging markets through long-term multi-product and multi-country sales, marketing and distribution deals with key strategic partners.

The Group's principal activities are the development and commercialisation of medical aesthetic products through the Group's direct sales operations and through marketing partners on an international basis.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is Whitfield Court, 30–32 Whitfield Street, London W1T 2RQ, England.

The consolidated and Company financial information is presented in Sterling, which is also the functional currency of the parent company, and has been rounded to the nearest thousand (£'000).

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and IFRS Interpretations Committee ('IFRS IC') as adopted in the UK and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The consolidated and company financial statements have been prepared under the historical cost convention as modified to fair value for certain financial assets and liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

Under Section 479A of the Companies Act 2006, exemptions from an audit of the financial statements for the financial year ending 31 December 2021 have been taken by Sinclair Pharma Holdings Limited (08871117); Sinclair Pharma Management Limited (09142486), Sinclair Pharmaceuticals Limited (01007146); IS Pharmaceuticals Limited (02685820); IS Pharma Limited (03337415) and Acorus Therapeutics Limited (03976183). As required, the Company guarantees all outstanding liabilities to which the subsidiary companies listed above are subject at the end of the financial year, until they are satisfied in full and the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary companies listed above is liable in respect of those liabilities.

Going concern

The Group is reliant on borrowing facilities from external lenders as well as existing loans from its parent company, Huadong Medicine Co Limited ('HMC') in order to finance its ongoing operations. Some of the Group's external borrowing facilities contain certain financial covenants relating to the Company and HMC.

On 3 February 2022, the Group signed an agreement to acquire the business of Viora Limited for a consideration of $27.5 million (note 27). The consideration was financed from the proceeds of a new three-year loan facility from Standard Chartered Bank, with the support of HMC, which is a party to, and guarantor of, the facility.

On 1 April 2022, the £20m debt facility with HSBC was renewed for a further three years, however, the renewal is not yet fully effective, and it is anticipated this process will be completed by 30 June 2022.

The support of HMC for the Group's current bank facilities, (including the continuing ability of HMC to meet the ongoing financial covenants), as well as any delay in renewal of the £20m HSBC facility, the acquisitions of Cocoon and Viora and the support for the financing from HMC for these transactions, together with a letter of continuing support for the Group from HMC received by the Board, *provide the Directors with sufficient certainty that the Group will be provided with the necessary facilities and funds to* continue its operations for the foreseeable future.

The support of HMC for the Group's current bank facilities (including the continuing ability of HMC to meet the ongoing financial covenants), as well as the acquisitions of Cocoon Medical and Viora and the support for the financing from HMC for these transactions, together with a letter of continuing support for the Group from HMC received by the Board, provide the Directors with sufficient certainty that the Group will be provided with the necessary facilities and funds to continue its operations for the foreseeable future. As a result, the Directors consider it appropriate to continue to adopt the going concern basis in the preparation of these financial statements. The financial statements do not reflect any adjustments that would be required if they were prepared on a basis other than the going concern basis.

2. Accounting policies (continued)

Basis of consolidation
The consolidated financial statements of the Company incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are deconsolidated from the date on which control ceases. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

All transactions, balances and unrealised gains between Group companies are eliminated on consolidation. Unrealised losses are also eliminated except to the extent they provide evidence of impairment of the asset transferred.

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Business combinations
The acquisition method of accounting is applied to all business combinations made by the Group. The cost of an acquisition is measured as the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, at the rate of exchange (where applicable) on the date of acquisition. Acquisition costs are expensed as incurred and recognised within exceptional items.

Identifiable assets acquired and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values on the date of acquisition, based on the rate of exchange (where applicable) on the date of acquisition. The excess of the consideration over the fair value of the Group's share of identifiable net assets, including intangible assets acquired, is recorded as goodwill.

Foreign currency translation
Items included in the financial statements of each of the Group's entities are measured using the functional currency of the primary economic environment in which the entity operates (the functional currency). Transactions in foreign currencies are translated into the functional currency at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange prevailing at that date. Gains and losses arising on translation are included in the income statement. The results of operations that have a functional currency different from the presentation currency are translated at the average rate of exchange during the period and their balance sheets at the rates ruling at the date of the balance sheet. Exchange differences arising on translation from 1 July 2005 are taken directly to a separate component of equity, the cumulative translation reserve included within 'Other Reserves'. There is no tax impact on these transactions. Exchange differences on intra-group loan balances are taken to the income statement, unless they are considered long-term equity investments.

Revenue recognition
Revenue from product sales is recognised upon shipment to customers. Provisions for rebates, product returns and discounts to customers are provided for as reductions to revenue in the same period as the related sales occurred. The recognition of other payments received and receivable, such as licence fees, upfront payments and milestones, is dependent on the terms of the related arrangement, having regard to the ongoing risks and rewards of the arrangement, and the existence of any performance or repayment obligations, if any, with the third party. These payments are recognised as revenue in the period in which they are earned. Amounts received and receivable are recognised immediately as revenue where there are no substantial remaining risks, no ongoing performance obligations and amounts received are not refundable. Amounts are deferred over an appropriate period where these conditions are not met

Discontinued operations
A discontinued operation is a component of the business that represents a separate major line of business or major geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of income and statement of cash flows are reclassified as if the operation had been discontinued from the start of the comparative period.

2. Accounting policies (continued)

Goodwill
Goodwill represents the excess of the consideration over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill arising on the acquisition of a foreign entity is treated as an asset of the foreign entity denominated in foreign currency and translated at the balance sheet date according to the rate of exchange prevailing at that date.

Intangible assets
i) Licences and product rights
Licences and trademarks including product distribution rights and technical dossiers are recognised at their fair values at acquisition date (where acquired as part of a business combination) or cost (if acquired separately) and are amortised on a straight-line basis over their estimated useful economic lives (10 to 20 years) from the time they are available for use. Amortisation is included within Administrative expenses.

ii) Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development activities are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, status of regulatory approval, and costs can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the date of regulatory approval of the product on a straight-line basis over the period of its expected benefit, not exceeding 10 years.

Any contingent payments due on intangible assets are valued using the cost accumulation model, whereby contingent consideration is not considered on initial recognition of the asset, but is added to the cost of the asset initially recorded, when incurred, or when a related liability is remeasured for changes in cash flows.

Assets held for sale
Assets classified as held for sale are measured at the lower of their carrying value and fair value less cost to sell.

Property, plant and equipment
All property, plant and equipment are shown at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

- Leasehold improvements expensed over the lease period;
- Right of use assets are depreciated on a straight line basis over the period of the lease; and
- Office and laboratory equipment depreciated at 15% to 50% per year.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, over the term of the relevant lease.

Investments in subsidiary undertakings
Investments in subsidiary undertakings are carried at cost less impairment provision. Such investments are subject to review and any impairment is charged to the income statement.

Investments in associates
Under the equity method of accounting, investments in associates are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are eliminated unless the transaction evidences an impairment of the asset transferred.

2. Accounting policies (continued)

Impairment
Goodwill is tested annually for impairment and other intangible assets are tested where there is an indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying value of the asset (CGU) is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior periods. A reversal of an impairment loss is recognised as income immediately.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and a share of production overheads if appropriate at the relevant stage of production. Provision is made for obsolete, slow-moving or defective items where appropriate. Net realisable value is determined at the balance sheet date on commercially saleable products based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expenses that are taxable and deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determinations is made.

The tax charge recorded on the discontinued operations of the group is not wholly separable from the tax position arising from the groups continuing operations, therefore the tax losses arising on continuing operations has been allocated against the tax from discontinued operations.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. Accounting policies (continued)

Leases
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if it is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the exercising of that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of £Nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of £Nil.

Pensions
The Group operates a defined contribution pension scheme for its employees. The assets of the scheme are held in independently administered funds. Contributions are charged to the income statement as they become payable in accordance with the rules of the schemes.

Other employee benefits
The expected cost of compensated short-term absence (i.e. holidays) is recognised when employees provide services that increase their entitlement. An accrual is made for holidays earned but not taken.

Financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.The Group assesses, on a forward-looking basis the expected credit losses associated with classes of similar trade receivables, and provides for impairment accordingly.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2. Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. These items are subject to insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement only.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Exceptional items
Exceptional items represent significant items of income and expense which due to their nature, size, or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statements to give a better understanding to shareholders of the elements of the financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Other financial assets
Other financial assets include non-current rent deposits paid on leasehold properties.

Equity
Equity comprises the following:
"share capital" represents the nominal value of equity shares;
"share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
"capital reserve" represents the capital contribution received from the parent company in 2018
"merger reserve" represents the share premium in connection with historic acquisitions;
"other reserves"comprises all foreign exchange differences arising from the translation of foreign operations; and
"accumulated losses" represents cumulative retained losses.

New IFRSs standards and interpretations
There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Derivative financial instruments and hedging
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

3. Critical accounting estimates and judgements

Preparation of the Group's financial statements requires the use of estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. The Board bases its estimates and judgements on historic experience and on various other assumptions that it considers reasonable. Actual results may differ from these estimates under different assumptions and conditions. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgements
Impairment of goodwill
Determining whether goodwill and other intangibles are impaired requires an estimation of the value in use of the CGUs to which goodwill or other intangible assets have been allocated. The value in use calculation requires estimation of future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. There is a risk of a material adverse impact on the income statement should an impairment adjustment be required. The carrying value of goodwill at 31 December 2021 is £88,765,000 (2020: £54,782,000) (note 11), and an impairment of £Nil (2020: £Nil) was recognised in the year. Any reasonably possible change in assumptions is not expected to have a material impact on the carrying value of any individual CGU.

3. Critical accounting estimates and judgements (continued)

Valuation of contingent consideration
Determining the fair value of contingent consideration requires estimation of the probability and timing of future events such as regulatory approvals and sales milestones being achieved resulting in deferred consideration becoming payable. A suitable discount rate is then applied to the expected cash flows to calculate the present value. There is a risk of a material impact on the income statement in future periods should any key assumptions change which result in the expected value of the final consideration payable increasing or decreasing. The value of contingent consideration at 31 December 2021 is £30,805,000 (2020: £6,140,000). An increase/(decrease) of 10% to forecast sales of Silhouette would lead to an increase/(decrease) in contingent consideration of £359,000 /(£359,000).

Recoverable amounts of accounts receivable
Judgements have been made taking into account the age of overdue debt, order patterns, forecast trade, and the credit-worthiness of specific customers in order to assess the recoverable amount of accounts receivable balances. The carrying value of trade receivables at 31 December 2021 is £15,297,000 (2020: £8,247,000).

Legal provisions
The Group has a number of ongoing legal disputes, the outcome of which are uncertain, both in regards timing and the value of any potential settlements the Group may be required to make. The Group has therefore applied judgement to determine the most likely outcome of these disputes, and therefore any financial impact to the business. The carrying value of provisions at 31 December 2021 is £4,542,000 (2020: £4,442,000).

Investments in associate
A judgement has been made that there have been no indications of impairment, since the acquisition of the investment in associate in the prior year, which would trigger an impairment review to be completed on this value.

4. Revenue

Revenue relates solely to the principal activity of the Group. Revenues on a geographic basis were as follows:

	2021 £'000	2020 £'000
Western Europe	**33,376**	10,035
Asia Pacific	**14,475**	6,847
Brazil	**9,567**	6,653
United States of America	**4,537**	2,548
Rest of World	**14,118**	8,007
Total Revenue	**76,073**	34,090

Revenues on a product basis were as follows:

	2021 £'000	2020 £'000
Energy based devices	**17,935**	–
Injectables	**58,138**	34,090
	76,073	34,090

For revenues in relation to discontinued operations refer to Note 29.

5. Exceptional items

Exceptional items represent significant items of income and expense which due to their nature, size, or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the period, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

	2021 £'000	2020 £'000
Acquisition costs	**(1,901)**	(417)
Release of legal provision	**47**	1,227
Inventory uplift	**(2,460)**	–
Adjustments to the value of contingent consideration	**(179)**	–
Total exceptional income	**(4,493)**	810

Acquisition costs of £1,901,000 (2020: £417,000) includee legal and professional fees and insurance premiums incurred in relation to the acquisitions of the Cocoon business (note 15), and Viora Limited, which completed in February 2022.

On acquisition of Cocoon, In accordance with IFRS the acquired inventory was adjusted to fair value. This creates a non-cash accounting uplift of £2,460,000 to inventory value which artificially suppresses gross margin in the period post acquisition as acquired inventory is sold into the market. As this inventory has been sold this uplift has been recognised as an exceptional expense through cost of sales.

In 2021, certain legal disputes have been settled for less than the original provision recognised, resulting in a credit of £47,000 (2020: £1,227,000) being recognised

In 2021, adjustments to contingent consideration included a debit of £179,000 (2020: £Nil), as a result of changes to the forecast contingent consideration payments for the acquisition of Silhouette Lift SL, following reassessment of the sales profile for Silhouette InstaLift® in the USA.

6. Operating loss

The operating loss is stated after charging:

	2021 £'000	2020 £'000
Continuing operations:		
Cost of inventory recognised as an expense	**13,715**	7,963
Depreciation on leased assets	**1,120**	888
Depreciation of owned property, plant and equipment	**1,086**	740
Amortisation of intangible assets[1]	**7,183**	4,893
Impairment of intangible assets recognised in administrative expenses	**–**	1,164
Employee benefit expense (note 7)	**29,922**	21,152
Foreign exchange losses	**278**	1,267
Loss on disposal of Intangible assets	**17**	–
Research and development (excluding salary costs)	**362**	445

1 In line with the Group's accounting policy amortisation of intangible assets is included in the income statement under administrative expenses

Services provided by the Group's auditors
During the period the Group obtained services from the Group's auditors as described below.

	2021 £'000	2020 £'000
Fees payable to Company's auditors for the audit of Parent Company and consolidated financial statements	**298**	230
	298	230

7. Employees and Directors

The average monthly number of employees (including Executive Directors) employed by the Group during the period was:

	Group		Company	
	2021 Number	2020 Number	2021 Number	2020 Number
Sales and marketing	**164**	144	**–**	–
Production	**111**	43	**–**	–
Regulatory and quality	**51**	32	**–**	–
Administration	**123**	78	**4**	2
Continuing operations	**449**	297	**4**	2

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Wages and salaries	**24,854**	17,637	**1,059**	634
Social security costs	**4,365**	2,806	**140**	90
Other pension costs	**703**	709	**48**	16
	29,922	21,152	**1,247**	740

At 31 December 2021, the Group had unpaid pension contributions of £73,000 (2020: £65,000).

In the year ended 31 December 2021, the above staff costs include £196,000 (2020: £167,000) in respect of termination payments.

Key management compensation
Key management includes Executive Directors and members of the executive management team. Compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Salaries and short-term employee benefits	**3,188**	4,038	**1,247**	634
Post-employment benefits	**149**	148	**–**	–
	3,337	4,186	**1,247**	634

7. Employees and Directors (continued)

Directors
The directors' emoluments were as follows

	2021 £'000	2020 £'000
Aggregate emoluments	1,602	735
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	–	1,550
Contributions to money purchase pension scheme	80	80
	1,682	2,365

Highest paid Director
The amounts of the highest paid director are as follows:

	2021 £'000	2020 £'000
Total emoluments and amounts receivable under long-term incentive schemes	1,101	1,657

8 Finance income and finance expense

	2021 £'000	2020 £'000
Finance income		
Other finance income	3	5
Total finance income	3	5
Finance expense		
Discount unwind on deferred consideration	(1,376)	(487)
Other finance charges	(2)	–
Net foreign exchange losses on financing activities	(113)	–
Interest on bank loans and overdrafts	(3,895)	(474)
Interest on lease liabilities	(321)	(238)
Total finance expense	(5,707)	(1,199)
Net Finance expense	(5,704)	(1,194)

Discount unwind costs represent non-cash charges for the reversal of discounting on the Group's deferred consideration liabilities which are carried at their net present value, see note 20 for further details.

Net foreign exchange losses of £113,000 (2020: £Nil) arise from the difference in the Sterling: Euro exchange rates on borrowings from the date of drawdown and the period end or date of repayment.

9 Taxation

	2021			2020		
	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Current tax						
UK corporation tax	1,268	–	1,268	262	(1,866)	(1,604)
Overseas tax	(628)	–	(628)	(1,452)	–	(1,452)
	640	–	640	(1,190)	(1,866)	(3,056)
Deferred tax (note 23)						
Origination and reversal of temporary differences	(1,823)	–	(1,823)	1,525	1,221	2,746
	(1,823)	–	(1,823)	1,525	1,221	2,746
Tax (expense)/credit on loss before taxation	(1,183)	–	(1,183)	335	(645)	(310)

9 Taxation (continued)

Factors affecting the total tax charge for the period
The tax assessed on the profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax from continuing and discontinued operations	(12,755)	14,556
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(2,423)	2,766
Amortisation not allowed for tax purposes	517	435
(Income not assessable)/expenses not deductible for tax purposes	537	(27)
Tax losses utilised in the period not previously recognised	18	(3,264)
Reinvestment relief	1,377	(124)
Tax losses arising in the year not recognised	154	–
Tax rate difference	315	132
Unrelieved overseas tax losses	781	91
Change in overseas tax rates	381	–
Under provided in previous periods	(683)	575
Research and development tax credits	209	(274)
Total tax expense	1,183	310

10. Loss for the financial year

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's loss for the year ended 31 December 2021 was £2,314,000 (profit for the year ended 2020: £1,485,000).

11. Goodwill

	£'000
Cost and net book value	
At 1 January 2020	62,772
Exchange adjustments	241
At 31 December 2020	63,013
Additions due to business combinations (note 15)	36,355
Exchange adjustments	(2,276)
At 31 December 2021	97,092
Impairment	
At 1 January 2020	8,493
Exchange adjustments	(262)
At 31 December 2020	8,231
Exchange adjustments	96
At 31 December 2021	8,327
Net book value	
At 31 December 2021	88,765
At 31 December 2020	54,782

Exchange adjustments arise as a result of the impact of the difference in the Sterling: Euro exchange rate and the Sterling: US Dollar exchange rate, at the beginning and end of the period.

11. Goodwill (continued)

Goodwill has been allocated to cash generating units ('CGU's) on a product basis as these form an easily identifiable group of assets with independent cash flows. Goodwill has been allocated to the following CGUs:

	2021 **£'000**	2020 £'000
Silhouette	**28,059**	27,810
Ellansé®	**13,603**	*14,394*
Perfectha®	**11,901**	12,578
Cocoon	**35,202**	–
	88,765	54,782

Goodwill is not amortised but tested annually for impairment or more frequently if there are indications that it may be impaired.

Due to the acquisition of Cocoon having taken place in the year, the annual test for impairment was not required at December 2021.

Value In Use
For all CGUs, value in use calculations have been utilised to calculate recoverable amount. Value in use is calculated as the net present value of the projected pre-tax cash flows of each CGU.

The cash flow forecasts are based on a five year forecast extrapolated to perpetuity. Forecasts for 2022 are based on the approved annual budget, and forecasts for 2023-26 are based on management's five year plan.

For all CGUs growth rate assumptions have been applied at an individual product and market level. Long term growth-rate assumptions beyond year five are consistent with forecasts used in industry reports for aesthetic products for the markets where the Group is operating. The key assumptions for each CGU are as follows:

	2021			2020		
	Discount rate %	**Five-year compound growth rate %**	**Long-term growth rate %**	Discount rate %	Five-year compound growth rate %	Long-term growth rate %
Silhouette	**11.1**	**11.5**	**2.5**	10.3	21.3	2.4
Ellansé®	**9.5**	**20.1**	**2.0**	11.0	25.4	2.4
Perfectha®	**13.2**	**5.2**	**2.9**	12.0	20.0	2.8

For each CGU management have modelled four possible cashflow scenarios, and applied a weighted average assumption to determine the carrying value of the CGU. These scenarios are

- Upside - 5% weighting
- Base case - 70% weighting
- Severe downside - 20% weighting
- Very severe downside - 5% weighting

Scenarios have been run on all CGUs and no reasonably possible changes were expected at the balance sheet date that would remove the headroom.

12. Intangible assets

	Licences and product rights £'000	Other £'000	Total £'000
Cost			
At 1 January 2020	**95,592**	**2,577**	**98,169**
Additions	13,570	544	14,114
Exchange adjustments	373	6	379
At 31 December 2020	**109,535**	**3,127**	**112,662**
Additions arising on business combinations (note 15)	21,327	243	21,570
Additions	7,286	424	7,710
Disposals	(19)	–	(19)
Exchange adjustments	(2,084)	(7)	(2,091)
At 31 December 2021	**136,045**	**3,787**	**139,832**
Accumulated amortisation and impairment			
At 1 January 2020	**31,237**	**858**	**32,095**
Charge for the period	4,688	205	4,893
Impairment	1,164	–	1,164
Exchange adjustments	(13)	5	(8)
At 31 December 2020	**37,076**	**1,068**	**38,144**
Charge for the period	6,832	351	7,183
Disposal	(2)	–	(2)
Exchange adjustments	(496)	(16)	(512)
At 31 December 2021	**43,410**	**1,403**	**44,813**
Net book value			
At 31 December 2021	**92,635**	**2,384**	**95,019**
At 31 December 2020	72,459	2,059	74,518

Additions to licences and product rights in 2021 includes £3,442,000 to Kiomed for intellectual property rights for the development and manufacture of products on Sinclair's behalf. There are additional milestone events which could result in further payment being made of £8,400,000 over the next four years.

On 23 March 2020, the Group entered into a product rights agreement to acquire exclusive worldwide rights to MaiLi®. Additions to licences and product rights in 2020 included £12.9m for the acquisition of this product. There are three additional milestones events which could result in further payments being made. The first one of these is for €4,000,000; timing of this is uncertain but must be made within 7 years. The additional two payments, totalling €4,000,000, will be paid upon successful completion of future milestone events.

Exchange adjustments arise as a result of the impact of the difference in the Sterling: Euro exchange rate and the Sterling: US Dollar exchange rate, at the beginning of the period or the date of acquisition and at end of the period on balances recorded in Euros and US Dollars.

13. Property, plant and equipment

	Right of use assets			Owned assets		
	Leasehold property £'000	Car leases £'000	*Office* equipment £'000	*Leasehold* improvements £'000	Office and *laboratory* equipment £'000	Total £'000
Cost						
At 1 January 2020	**3,253**	**185**	**38**	**364**	**7,077**	**10,917**
Additions	468	72	–	–	2,258	2,798
Disposals	–	–	–	–	(968)	(968)
Exchange adjustments	–	–	–	–	251	251
At 31 December 2020	**3,721**	**257**	**38**	**364**	**8,618**	**12,998**
Additions arising on business combinations	1,566	72	–	1,668	108	3,414
Additions	1,090	112	–	135	2,990	4,327
Disposals	(863)	(61)	–	–	(77)	(1,001)
Exchange adjustments	(37)	(2)	–	(53)	(460)	(552)
At 31 December 2021	**5,477**	**378**	**38**	**2,114**	**11,179**	**19,186**
Accumulated depreciation						
At 1 January 2020	**673**	**65**	**17**	**197**	**3,392**	**4,344**
Charge for the period	790	81	17	22	718	1,628
Disposals	–	–	–	–	(944)	(944)
Exchange adjustments	–	–	–	–	101	101
At 31 December 2020	**1,463**	**146**	**34**	**219**	**3,267**	**5,129**
Charge for the period	1,033	83	4	105	981	2,206
Disposals	(721)	(61)	–	–	(53)	(835)
Exchange adjustments	(1)	–	–	(1)	(133)	(135)
At 31 December 2021	**1,774**	**168**	**38**	**323**	**4,062**	**6,365**
Net book value						
At 31 December 2021	**3,703**	**210**	–	**1,791**	**7,117**	**12,821**
At 31 December 2020	2,258	111	4	145	5,351	7,869

14. Fixed asset investments

On 17 September 2020, the Group entered into a share acquisition agreement with Kylane Laboratoires SA (Kylane) under which Sinclair agreed to acquire 20% of the issued share capital of Kylane for €6.0 million.

Kylane has share capital consisting of ordinary shares and preference shares. As at 31 December 2021, the Group held 20% of the share capital of the company, made up of ordinary share capital only. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	Principal activity	% of ownership interest 2020	Nature of relationship	Measurement method	Carrying amount 31 Dec 2021 £'000
Kylane Laboratoires SA	Switzerland	Development of medical aesthetic products	20	Associate	Equity method	5,207

The tables below provide summarised financial information for Kylane. The information disclosed reflects the amounts presented in the financial statements of Kylane, and not Sinclair Pharma Limited's share of those amounts They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2021 £'000	2020 £'000
Intangibles	730	833
PPE	204	250
Other non-current assets	16	17
	950	**1,100**
Cash and cash equivalents	6,108	10,602
Receivables	2,050	64
	8,158	**10,666**
Total assets	**9,108**	**11,766**
Trade and other payables	(967)	(197)
Corporation tax	(24)	(921)
	(991)	**(1,118)**
Net assets	**8,117**	**10,648**

Reconciliation to carrying amount:	**2021 £'000**
At 1 January 2020	–
Investment in associate	5,474
Group's share of loss	(121)
At 31 December 2020	5,353
Group's share of loss	(146)
At 31 December 2021	**5,207**

	2021 £'000	2020 £'000
Summarised statement of comprehensive income since acquisition	–	–
Loss from continuing operations and total comprehensive expense	(730)	(605)
Group's share of loss	(146)	(121)

15. Business combinations

On 12 April 2021, the Group acquired 100% of the shares of the following entities:

- High Technology Products S.L.U.
- Cocoon Medical International, EOOD
- Cocoon Medical Hong Kong Limited
- Cocoon Medical Italy S R.L
- Cocoon Medical USA LLC
- Cocoon Medical Colombia SAS

15. Business combinations (continued)

All of these entities are non-listed companies, together forming the "Cocoon Medical Group" of entities. The group is a manufacturer of energy-based devices ("EBDs") for the aesthetics industry, headquartered in Barcelona, Spain. The existing strategic management function and associated processes were acquired with the property and, as such, the Directors consider this transaction as an acquisition of a business, rather than an asset purchase.

The fair value of the identifiable assets and liabilities of the Cocoon Group at the date of acquisition were:

	Fair value recognised on acquisition £'000
Assets	
Non-current assets	
Intangible assets	21,570
Property, plant and equipment	3,414
Other financial assets	1,191
	26,175
Current assets	
Inventories	7,652
Trade and other receivables	4,859
Income tax assets	686
Cash and cash equivalents	2,273
	15,470
Liabilities	
Current liabilities	
Trade and other payables	(3,070)
Income tax liabilities	(194)
Provisions	(268)
	(3,532)
Non-current liabilities	
Financial liabilities	(1,117)
Other liabilities	(1,739)
Deferred tax liabilities	(5,332)
	(8,188)
Total identifiable net assets at fair value	**29,925**
Goodwill arising on acquisition	36,355
Purchase consideration transferred	**66,280**

The purchase consideration is made up of:

	£'000
Cash	39,136
Deferred consideration	15,713
Contingent consideration	11,431
	66,280

Transaction costs of £1,683,000 incurred in connection with the acquisition have been expensed and included in exceptional costs.

The fair value at the date of acquisition of the trade receivables amounts to £4,859,000. The gross amount of trade receivables is £5,344,000 The Directors do not expect to be able to collect £485,000 of these receivables

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

15. Business combinations (continued)

From the date of acquisition, Cocoon Medical Group has contributed a profit of £3,071,000 to the loss after tax and £17,935,000 to revenues of the Group. If the acquisition had taken place at the beginning of the year, the loss after tax for the Group would have been £14,368,000 and revenue would have been £81,518,000.

The goodwill of £36,355,000 arising on the acquisition of Cocoon is attributable to the presence that this gives Sinclair in the energy based device segment of the global aesthetics market, the benefit to be obtained by selling Cocoon products directly through Sinclair's infrastructure and the assembled workforce. The goodwill is allocated entirely to the Cocoon Group CGU. None of the goodwill is expected to be deductible for tax purposes.

Deferred consideration
As part of the acquisition agreement, deferred consideration of €20,000,000 is payable on 1 January 2024. The fair value of this deferred consideration has been estimated by applying a discount rate of 3.64%.

An increase/(decrease) in the discount rate of 2%, would result in a decrease/(increase) of the fair value of the liability by £588,000/(£623,000).

Contingent consideration
The acquisition agreement also provides for certain contingent consideration to be payable by 2024. There will be additional cash payments if net sales of products of the Cocoon Medical business reach the following targets in any of the financial years ending on 31 December 2024:

- €12,000,000, if net sales exceed €42,000,000
- €3,000,000, if net sales exceed €45,000,000
- €5,000,000, if net sales exceed €50,000,000

At the acquisition date, the fair value of the contingent consideration was estimated at £11,431,000. Management has assessed a number of potential scenarios regarding the contingent cash consideration payable and have estimated the fair value of the contingent consideration by applying a weighting to each scenario and applying a discount rate of 3.64%. Adjustments have been made for the unwinding of the consideration and FX leading to a year end value of £11,392,000.

An increase/(decrease) in the discount rate of 2%, would result in a decrease/(increase) of the fair value of the liability by £584,000/(£629,000).

16. Inventories

	Group	
	2021 £'000	2020 £'000
Raw materials	**5,798**	1,411
Work in progress	**3,831**	2,081
Finished goods	**9,481**	4,266
	19,110	7,758

The cost of inventories as an expense includes £735,000 (2020: £80,000) in respect of write-downs of inventory to net realisable value.

17. Trade and other receivables

	Group		Company	
Current assets	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Trade receivables	**17,479**	10,202	–	–
Less loss allowance of trade receivables	**(2,182)**	(1,955)	–	–
Trade receivables – net of provision	**15,297**	8,247	–	–
Amounts due from Group undertakings	**–**	–	**64,511**	37,672
Loans due from Group undertakings	**–**	–	**4,087**	–
Amounts due from parent undertaking	**1,057**	–	–	–
Other receivables	**572**	576	**38**	3
Prepayments and accrued income	**2,196**	856	–	–
	19,122	9,679	**68,636**	37,675
Non current assets				
Loans due from Group undertakings	–	–	**12,640**	–
Total	**19,122**	9,679	**81,276**	37,675

17. Trade and other receivables (continued)

Amounts due from group undertakings are unsecured trade balances which do not accrue interest.

Loans due from group undertakings are unsecured non trade balances, which accrue interest at EURIBOR +6.5%.

The fair value of trade receivables, other receivables and accrued income is considered to be equal to their carrying value.

Expected credit loss rate

The loss allowance for the company is calculated based on historic debts, factors specific to the region, and forward looking information such as the potential impact of COVID 19. Specific provisions are then in place for debtors not considered recoverable and so those amounts and the provision are not included in the table below. The ageing is split based on the due date of the debtor.

		2021	
		Receivables £'000	Loss Allowance £'000
0-180 days	2.2%	**14,012**	**307**
181-300 days	8.5%	**440**	**38**
301-360 days	7.6%	**482**	**37**
>360 days	49.1%	**1,526**	**750**
		16,460	**1,132**

		2020	
		Receivables £'000	Loss Allowance £'000
0-180 days	0.5%	8,097	90
181-300 days	5.7%	411	102
301-360 days	11.6%	193	79
>360 days	100%	552	552
		9,253	823

Movements on the Group's loss allowance for trade receivables as at 31 December 2021 reconcile to the opening loss allowance as follows:

	Group	
	2021 £'000	2020 £'000
At 1 January	**1,955**	1,319
Additions acquired on business combinations	**368**	–
(Release)/provision for receivables impairment	**(48)**	864
Reduction in provision for receivables	**(127)**	(213)
Exchange adjustments	**34**	(15)
At 31 December	**2,182**	1,955

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
GBP	**1,817**	1,558	**64,549**	36,813
EUR	**11,224**	2,951	**16,727**	–
USD	**355**	786	–	–
SGD	**829**	–	–	–
BRL	**3,867**	2,703	–	–
MXN	**194**	448	–	–
KRW	**836**	1,233	–	–
	19,122	9,679	**81,276**	36,813

18. Trade and other payables

	Group		Company	
Current liabilities	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Trade payables	**7,760**	3,658	**–**	–
Other taxes and social security costs	**1,964**	2,959	**–**	–
Other payables	**1,046**	690	**–**	1
Accruals and deferred income	**7,489**	6,932	**763**	859
Amounts due to parent undertaking	**1,769**	–	**1,769**	–
Amounts due to Group undertakings	**–**	–	**1,249**	637
	20,028	14,239	**3,781**	1,497
Non-current liabilities				
Accruals and deferred income	**2,574**	2,575	**–**	–
Total	**22,602**	16,814	**3,781**	1,497

Amounts due to group undertakings are unsecured trade balances which do not accrue interest

19. Borrowings

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Bank loans	**59,786**	17,000	**59,470**	17,000
Deferred arrangement costs	**(55)**	(34)	**(55)**	(34)
Amounts due to Parent undertaking	**18,312**	6,077	**18,312**	6,077
Current borrowings	**78,043**	23,043	**77,727**	23,043
Bank loans	**1,065**	–	**–**	–
Amounts due to Parent undertaking	**11,616**	–	**11,616**	–
Non-current borrowings	**12,681**	–	**11,616**	–
Total net borrowings	**90,724**	23,043	**89,343**	23,043
Borrowings are repayable as follows:				
On demand or within one year	**78,043**	23,043	**77,727**	23,043
Over one and under two years	**11,652**	–	**11,616**	–
Over two years and under five years	**185**	–	**–**	–
Over five years	**844**	–	**–**	–
Total gross borrowings	**90,724**	23,043	**89,343**	23,043

On 26 March 2019, the Group agreed a new three year £20.0 million revolving credit facility with HSBC UK Bank Plc. Proceeds of the facility were utilised to repay existing borrowings, and fund working capital.

On 4 January 2021, the Group agreed a further three year £15.0 million revolving credit facility with HSBC UK Bank Plc. Proceeds of the facility were utilised to fund working capital.

As these are both revolving credit facilities, the Group has flexibility over timing and amounts of drawdowns. At 31 December 2021, the Group had drawn down £35.0 million. (2020: £17.0 million), leaving £Nil still available (2020: £3.0million). Interest is charged at LIBOR+1.75%. Both HSBC facilities are subject to financial covenants over the parent company Huadong Medicine Co.Ltd.

On 8 April 2021, the Group agreed a one year €25.0 million loan with Standard Chartered Bank Plc. Proceeds of the facility were utilised to fund the acquisition of Cocoon. Interest is charged at EURIBOR+1.7%.

On 25 October 2021, the Group agreed a further six month €20.0 million loan with Standard Chartered Bank Plc. Proceeds of the facility were utilised to fund working capital. Interest is charged at EURIBOR+1.8%. €4.0 million from this facility was drawn as at 31 December 2021.

Both Standard Chartered loans have been re-financed post year end with a $55.0 million three year synidacted loan with Standard Chartered Bank Plc, see note 27.

All the Group's bank facilities are guaranteed by Huadong Medicine Co. Ltd.

19. Borrowings (continued)

The amounts due to parent undertaking relate to multiple loans, two of these loans, totalling £18,313,000 are unsecured loans payable in 2022 on which interest was charged at 5%. Of the further two loans, one is an unsecured loan of £6,387,000 which is due in 2024 and one is an unsecured loan of £5,229,000 due in 2023.

Movement in net debt for the Group is analysed as follows

	At 1 January 2021 £'000	Acquired in business combination £'000	Cash flows £'000	Interest expense £'000	New leases undertaken £'000	Leases disposed £'000	Exchange adjustments £'000	At 31 December 2021 £'000
Cash and cash equivalents	4,345	2,273	4,275	–	–	–	–	**10,893**
Bank borrowings	(16,966)	–	(42,130)	(953)	–	–	635	**(59,414)**
Amounts owed to parent undertaking	(6,077)	–	(22,729)	(1,123)	–	–	–	**(29,929)**
Government loans	–	(999)	(97)	–	–	–	30	**(1,066)**
Facility export line	–	–	(340)	–	–	–	8	**(332)**
Lease liability	(2,736)	(1,677)	1,118	(321)	(1,201)	247	165	**(4,405)**
Total net debt	**(21,434)**	**(403)**	**(59,903)**	**(2,397)**	**(1,201)**	**247**	**838**	**(84,253)**

20. Other financial liabilities

Other financial liabilities consist of deferred and contingent considerations payable in respect of the acquisition of the following group undertakings:

	2021 £'000	2020 £'000
Silhouette Lift SL	**374**	366
Sinclair Korea Ltd	**–**	2,757
Total current	**374**	3,123
Silhouette Lift SL	**6,917**	6,499
High Technology Products S.L.U.	**29,394**	–
Total non-current	**36,311**	6,499
Discount	**(5,880)**	(3,483)
Total other financial liabilities	**30,805**	6,139

Items of deferred and contingent consideration represents the Directors' estimate of the fair value of the assumed contractual minimum liabilities discounted to their net present value.

Deferred and contingent consideration is payable as follows

	2021 £'000	2020 £'000
On demand or within one year	**374**	3,123
Over one and under two years	**491**	392
Over two and under five years	**31,002**	1,408
Over five years	**4,818**	4,698
Discount	**(5,880)**	(3,482)
Total other financial liabilities	**30,805**	6,139

21. Lease liabilities

The following lease liabilities have been recognised by the group:

	2021 £'000	2020 £'000
On demand or within one year	**1,400**	944
Over one and under two years	**1,086**	517
Over two and under five years	**2,072**	1,051
Over five years	**679**	915
Discount	**(832)**	(692)
Total lease liabilities	**4,405**	2,735

22. Provisions

	Legal £'000
At 1 January 2021	4,442
Additions acquired on business combinations	268
Additional provision required	116
Credited to the income statement	(59)
Exchange adjustments	(225)
At 31 December 2021	**4,542**

All provisions relate to ongoing legal disputes and are expected to be utilised within the next year.

23. Deferred tax liabilities

Analysis of the Group's deferred tax assets and liabilities is as follows:

	Group	
	2021 £'000	2020 £'000
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**(18,866)**	(12,868)
– Deferred tax liability to be recovered within 12 months	**(1,911)**	(1,137)
Total deferred tax liabilities	**(20,777)**	(14,005)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax liabilities

	Business combinations £'000	Reinvestment relief £'000	Total £'000
At 1 January 2021	13,600	405	14,005
Exchange differences	(384)	–	(384)
Additions arising on business combinations (note 15)	5,332	–	5,332
Recognition of reinvestment relief	–	3,117	3,117
Change in tax rates	381	–	381
Amortisation of deferred tax liabilities	(1,459)	(215)	(1,674)
At 31 December 2021	**17,470**	**3,307**	**20,777**

The deferred tax liability arising on business combinations relates to the fair value adjustment to the carrying value of intangible assets recognised on historic acquisitions and the subsequent disposal, amortisation, exchange movement or impairment of balances within this category of intangible assets. On 12 April 2021, the Group acquired the Cocoon Group (note 15), resulting in recognition of deferred tax liability of £5,332,000.

The deferred tax liability arising on reinvestment reflects the taxable value of timing differences following the tax relief obtained through the reinvestment of the proceeds from the disposal of assets in earlier years. On 23 March 2020, the Group acquired the product rights to MaiLi®, assets on which reinvestment relief has been claimed and recognised in the current year.

Foreign exchange differences of £384,000 (2020: £91,000) arising on deferred tax liabilities from overseas business combinations are recognised as part of the movement in other reserves. All other movements are recognised in the income statement

23. Deferred tax liabilities (continued)

Unrecognised deferred tax assets
The Group and Company have potential deferred tax assets, which have not been recognised in the financial statements, due to uncertainties surrounding suitable future taxable profits. In the event that these assets are recognised in the future, changes in the rate of corporation tax in the UK would affect the potential value of these assets. There are currently no planned reductions in the rate of corporation tax. This potential deferred tax asset is analysed as follows:

	Group	
	2021	2020
	£'000	£'000
Tax losses	**57,529**	48,129
Decelerated capital allowances	**1,853**	1,853
Unrecognised deferred tax asset	**59,382**	49,982

The tax losses have no expiration date.

24. Financial instruments

The Group's activities expose it to a variety of financial risks. The main financial risks faced by the Group relate to market risk, foreign exchange movements, interest rate movements, the risk of default by counterparties to financial transactions and the availability of funds to meet business needs. These risks are managed as described below. Monitoring of financial risk is part of the Board's ongoing risk assessment process.

Market risk
Market risk is the risk that changes in market prices such as foreign exchange rates or interest rates will affect the Group's net income or value of its assets and liabilities.

Foreign exchange risk
The Group has transactional currency exposures as the majority of the Group's revenues, and certain expenditures, are in currencies other than the functional currency of the Group, mainly Euros, Brazilian Reals and US Dollars.

The Group finances the majority of its activities in the local currency, out of revenue receipts, excess currency receipts are then translated into Sterling either at the spot rate or through forward contracts. Where subsidiaries are funded centrally, this is achieved by the use of long-term loans, on which exchange translation differences are taken to reserves.

The Group's other financial liabilities include deferred and contingent consideration which is denominated in US Dollars, Euros and Korean Won. Cash reserves are held on deposit in US Dollars to hedge against the foreign exchange risk on items of deferred and contingent consideration payable in US Dollars which are expected to be settled over the next 12 months. In 2021, the Group settled the deferred consideration denominated in Korean Won in Sterling, thereby eliminating any foreign exchange exposure.

At 31 December 2021, if the Euro had strengthened/weakened by 5% against Sterling, with all other variables held constant, loss after tax would have been £309,000/£(279,000) lower/(higher) (2020: £(413,000)/£374,000 (higher)/lower). The impact on total equity would have been £2,631,000/(£2,381,000) higher/(lower) (2020: £1,992,000/(£1,801,000) higher/(lower)).

At 31 December 2021, if the US Dollar had strengthened/weakened by 5% against Sterling, with all other variables held constant, loss after tax would have been £(889,000)/£804,000 (higher)/lower (2020. £84,000/(£76,000) lower/(higher)). The impact on total equity would have been £2,335,000/(£2,113,000) higher/(lower) (2020: £1,390,000/(£1,258,000)).

At 31 December 2021, if the Brazilian Real had strengthened/weakened by 20% against Sterling, with all other variables held constant, profit after tax would have been £171,000/£(114,000) higher/(lower) (2020: £9,000/(£6,000) lower/(higher)). The impact on total equity would have been 650,000/(£433,000) higher/(lower) (2020: £514,000/(£343,000)).

Foreign currency exposure
At 31 December 2021, the Group's operating companies have financial instrument assets of £2,731,000 (2020: £939,000) and financial instruments liabilities of £4,411,000 (2020: £4,127,000) denominated in US Dollars, financial instrument assets of £17,991,000 (2020: £4,777,000) and financial instrument liabilities of £36,345,000 (2020: £6,764,000) denominated in Euros.

Interest rate risk
The Group does not have significant interest-bearing assets and therefore the Group's income and operating cash flows are substantially independent of changes in market interest rates.

24. Financial instruments (continued)

The Group's interest rate risk arises from short and long-term borrowings. At 31 December 2021, if interest rates on floating borrowing rates had been 0.5% higher/lower with all other variables held constant, loss after tax would have been £226,000 (2020: £60,000) higher/(lower).

Interest-bearing financial liabilities are made up as follows:

	2021		2020	
Financial liabilities	**Fixed £'000**	**Floating £'000**	Fixed £'000	Floating £'000
Borrowings – bank loan	**–**	**59,414**	–	17,000
Borrowings - amounts due to Parent undertaking	**29,929**	**–**	6,077	–

The effective interest rates on financial liabilities as at the balance sheet date are as follows:

	2021		2020	
	Fixed	**Floating**	Fixed	Floating
Bank loan - HSBC	–	LIBOR + 1.75%	–	LIBOR + 1.75%
Bank loan - Standard Chartered €20m	–	EURIBOR + 1.70%	–	–
Bank loan - Standard Chartered €4m	–	EURIBOR + 1.80%	–	–
Amounts due to Parent undertaking	5.0%	–	5.0%	–

Loans due from group undertakings are unsecured non trade balances, which accrue interest at EURIBOR +6.5%.

Trade and other receivables, trade and other payables and other non-current assets, liabilities, provisions are not interest bearing.

Credit risk
Credit risk is managed on a Group basis. The Group is exposed to credit risk through pre-wholesalers and marketing partners, such that if one or more of them is affected by financial difficulty, it could materially and adversely affect the Group's financial results. Concentration of credit risk in relation to trade receivables is analysed in note 17.

The creditworthiness of customers is assessed by reference to publicly available information, or information supplied by those customers. The Group continually assess the recovery of receivables against payment terms, and impose purchase limits where necessary.

Surplus cash deposits are invested with institutions which have a higher credit rating than A.

The Directors do not believe that the Group is exposed to significant concentrations of credit risk on other classes of financial instruments.

Price risk
The Group is not exposed to significant commodity or other market price risk. However like any trading company, the Group is exposed to the risk of unforeseen increases in the cost of goods purchased from suppliers. To mitigate this risk, the Group manages its relationships with suppliers closely such that pricing mechanism are controlled by contract, forecast demand is scheduled up to 12 months prior to delivery, and actual demand is confirmed in advance through purchase orders in accordance with pre-agreed pricing lists.

Liquidity risk
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due and can generate sufficient cash flows to meet covenant targets, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board reviews the forecast liquidity at every Board meeting using cash flow forecasts which are updated on a regular basis in line with the business plan. The Group and parent complied with the covenants on its borrowings throughout the period.

At 31 December 2021, the net cash balance is £10,893,000 (2020: £4,345,000).

24. Financial instruments (continued)

Capital management
The Group defines the capital that it manages as the Group's total equity. The Group and Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern; to provide an adequate return to investors based on the levels of risk undertaken; to have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefits and returns to investors; and to maintain sufficient financial resources to mitigate against risks and unforeseen events together with ensuring compliance with the Group's existing banking covenants on borrowings, which were complied with fully throughout the period.

The Group believes it has sufficient ongoing cash and cash equivalents to meet its stated capital management objectives and the Directors believe that the capital management objectives have been met throughout the financial year.

Fair value estimation
The Group analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's financial assets and liabilities measured at fair value at 31 December 2021:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total** **£'000**
Liabilities				
Financial liabilities at fair value through the profit or loss				
– Contingent consideration from business combinations	**–**	**–**	**15,145**	**15,145**

The Group's financial assets and liabilities measured at fair value at 31 December 2020 :

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total** **£'000**
Liabilities				
Financial liabilities at fair value through the profit or loss				
– Contingent consideration from business combinations	–	–	3,383	3,383

(a) Financial instruments in Level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. At 31 December 2021 and 31 December 2020 there were no financial instruments at Level 1.

(b) Financial instruments in Level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(c) Financial instruments in Level 3
The fair value of contingent consideration at 31 December 2021 related to the acquisitions of Silhouette Lift SL and Cocoon Medical. The fair value is calculated with reference to discounted future cash flows, which represent management's best estimate of the amount payable.

24. Financial instruments (continued)

The following table presents the changes in Level 3 instruments for the period ended 31 December 2021:

	Contingent consideration in a business combination £'000
Opening balance	3,383
Addition on business combination	11,431
Adjustments to fair value	179
Foreign exchange movements	(339)
Payments	(442)
Discount unwind recognised in profit or loss	933
Closing balance	**15,145**

The group uses a discount rate of 11.5% for contingent consideration on the Silhouette business combination, and a rate of 3.64% on the business combination with Cocoon.

The Group's financial instruments comprise: cash and cash equivalents, finance leases, borrowings and various trade and other receivables and trade and other payables that arise directly from its operations.

The Group had the following financial instruments at the period end:

	Assets		Liabilities	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Loans and receivables				
Other non-current financial assets	**200**	176	**–**	–
Cash at bank	**10,893**	4,345	**–**	–
Trade and other receivables	**15,297**	8,244	**–**	–
Financial liabilities measured at amortised cost				
Trade and other payables	**–**	–	**17,799**	13,210
Other financial liabilities	**–**	–	**30,805**	6,139
Lease liabilities	**–**	–	**4,405**	2,735
Borrowings – bank loans	**–**	–	**59,397**	16,966
Borrowings – amounts due to Parent undertaking	**–**	–	**29,929**	6,077
Government grants	**–**	–	**1,066**	–
Facility export line	**–**	–	**332**	–
	26,390	12,765	**143,733**	45,127

The following table details the Group's maturity analysis of its financial liabilities.

31 December 2021	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Trade and other payables	4,625	3,880	6,671	674	1,949	**17,799**
Other financial liabilities	139	–	235	31,493	4,818	**36,685**
Lease liabilities	106	211	1,082	3,158	679	**5,236**
Borrowings – bank loans	–	–	59,414	–	–	**59,414**
Borrowings – amounts due to Parent undertaking	–	–	18,313	11,616	–	**29,929**
Government grants	–	–	–	221	845	**1,066**
Facility export line	–	–	332	–	–	**332**
	4,870	**4,091**	**86,047**	**47,162**	**8,291**	**150,461**

31 December 2020	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Trade and other payables	1,212	2,669	6,697	684	1,948	**13,210**
Other financial liabilities	–	2,758	365	1,800	4,699	**9,622**
Lease liabilities	97	178	669	1,568	914	**3,426**
Borrowings – bank loans	–	–	16,966	–	–	**16,966**
Borrowings – amounts due to Parent undertaking	–	–	6,077	–	–	**6,077**
	1,309	**5,605**	**30,774**	**4,052**	**7,561**	**49,301**

24. Financial instruments (continued)

In accordance with IAS 39 'Financial instruments: Recognition and measurement' the Group has reviewed all contacts for embedded derivatives that are required to be separately accounted for. There were no such derivatives at 31 December 2021 or 31 December 2020. The Directors consider that the fair value of the Group's financial instruments do not differ significantly from *their book values.*

Company
The Company had the following financial instruments at the period end:

	Assets		Liabilities	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cash at bank	**67**	14	–	–
Borrowings - amounts due from Group undertakings	**81,276**	37,675	–	–
Trade and other payables	–	–	**2,013**	1,322
Borrowings	–	–	**59,414**	16,968
Borrowings – amounts due to Parent undertakings	–	–	**29,929**	6,077
	81,343	37,689	**91,356**	24,367

Trade and other payables and other non-current liabilities are non-interest bearing. The Directors consider that the fair value of the Company's financial instruments do not differ significantly from their book values.

Foreign currency exposure
At 31 December 2021, the Company has financial instrument assets of £11,608,000 (2020: £11,548,000) denominated in Euros and liabilities of £24,454,000 (2020: £Nil).

25. Share capital

Group and Company	2021 Number	2020 Number	2021 £'000	2020 £'000
Issued and fully paid				
Ordinary shares of 1.0p	**580,157,084**	580,157,084	**5,802**	5,802
At 1 January and 31 December 2021	**580,157,084**	580,157,084	**5,802**	5,802

26. Capital commitments

The Group and Company had no capital commitments at 31 December 2021 (2020: £Nil).

27. Post Balance Sheet Events

On 3 February 2022, the Group acquired 100% of the shares of Viora Limited ("Viora"), a manufacturer of energy-based devices for the aesthetics industry, based in New York. The acquisition is expected to bring additional sales and growth opportunities to the group through its direct presence in the important US market as well as a network of international distributors. Viora achieved unaudited revenues of $16.8 million in the year ended 31 December 2021 representing growth of 69% versus 2020. Sinclair paid cash consideration of $27.5 million for the acquisition of Viora. At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

The acquisition is being funded by new debt facilities, which are being supported by Sinclair's parent company. On 13 January 2022, the Company drew $55 million under a new 3 year loan agreement with Standard Chartered Bank ('SCB'). These funds have been utilised to fund the acquisition of Viora as well as to repay short-term borrowings of €25 million from SCB used in 2021 for the acquisition of Cocoon.

On 15 March 2022, a judgement was reached by an independent expert to reduce the consideration payable on acquisition of Cocoon by €815,000, and payment was subsequently received from the vendor on 30 March 2022. Due to uncertainty in the outcome of this ruling It was not provided for at 31 December 2022 and will be adjusted against the goodwill balance in the year ended 31 December 2022.

On 1 April 2022, the £20m debt facility with HSBC was renewed, extending the term by a further three years. The renewal is not yet fully effective, and it is anticipated this process will be completed by 30 June 2022. As noted under going concern, our parent company has provided specific representation to the Board that they will provide financial support to bridge any gap caused by a delay.

28. Related party transactions

Group
The following transactions were carried out with related parties:

Key management compensation
The compensation paid to key management for employee services is set out in note 7.

Transactions with parent undertaking
During the year a licence fee of £Nil was received from the parent undertaking (2020: £1,805,000). This has been recorded as deferred income bringing the total to £2,575,000 at 31 December 2021

The revolving facility in place for the group at the year end, and the facility agreed post year end have both been guaranteed by the parent undertaking.

During 2021 the Group made sales to the parent undertaking totalling £3,434,000 (2020: Nil), and a year end debtor in relation to this of £1,057,000 (2020: Nil).

Company
The following transactions were carried out with related parties:

Transactions with parent undertaking
During 2021 the company received 3 loans, totalling £22,750,000 from the parent undertaking (note 19), on which interest is charged at a fixed rate of 5% per annum.

During the prior year, the company received a loan of £6,000,000 from the parent undertaking (note 19), on which interest is charged at a fixed rate of 5% per annum. This loan was extended to a 3 year loan in January 2021.

Transactions with subsidiaries
The Company is responsible for financing the Group, managing Group funds and setting Group strategy. Finance is then provided to operating subsidiary undertakings where necessary.

Trade receivables and trade payables due from or to Group undertakings arise from the recharge of corporate services. Details of inter-company trade receivables and payables are set out in notes 17 and 18.

Amounts owed to and due from Group undertakings are unsecured, interest bearing and have no fixed repayment dates, but are not expected to be repaid within 12 months. Details of guarantees confirmed to subsidiary companies are provided in note 2 of the financial statements.

Transactions with associate
During 2021 the group paid R&D contributions of £857,000 (2020: £Nil) to Kylane Laboratoires SA ("Kylane"). The group also purchased £2,782,000 (2020: £Nil) of stock from Kylane Laboraties SA in the period, which resulted in a year-end creditor of £1,377,000 (2020: £Nil).

During 2021 the Group accrued royalties of £163,000 (2020: £Nil) to Kylane. At 31 December 2021 this was recorded In the balance sheet of the group as an accrual of £163,000. The royalties are due on net sales of MaiLi® at 8%.

29. Discontinued Operations

On 13 February 2020, the Group disposed of its Western European distribution rights to Sculptra to Galderma SA As a result all income and expenditure relating to the Sculptra asset for the current and the prior year have been disclosed as discontinued.

The financial performance and cash flow information presented are for the 44 days ended 13 February 2020. There were no amounts in respect of discontinued operations in 2021.

	2020 £'000
Revenue	1,294
Cost of sales	(475)
Gross profit	819
Selling, marketing and distribution expenses	(13)
Administrative expenses	–
Operating profit and profit before taxation	806
Taxation	1,221
Profit for the period from discontinued operations (attributable to owners of the company)	2,027
Pre tax profit on disposal	33,732
Attributable taxation	(1,866)
Profit for the period from discontinued operations (attributable to owners of the company)	33,893

Profit on disposal
The net assets of the disposal group at the date of disposal were as follows:

	£'000
Intangible assets	5,149
Inventory	183
Net assets	5,332
Profit on disposal recognised in profit for the period from discontinued operations	33,732
Total consideration - satisfied by cash and cash equivalents	39,064

Cash flows from discontinued operations (from operating activities)

	2020 £'000
Net cash inflows from operating activities	1,780
Net cash inflows from investing activities	39,064
Net cash flow from discontinued operations	40,844

30. Investments

	Shares in subsidiary undertakings £'000	Loans to Group undertakings £'000	Total £'000
Cost			
At 1 January 2020	**122,566**	**12,850**	**135,416**
Interest charged on loans to Group undertakings	–	719	719
Exchange adjustments	–	534	534
At 31 December 2020	**122,566**	**14,103**	**136,669**
Interest charged on loans to Group undertakings	–	692	692
Capital contribution	22,571	–	22,571
Exchange adjustments	–	(647)	(647)
At 31 December 2021	**145,137**	**14,148**	**159,285**
Accumulated impairment			
At 31 December 2021 and 31 December 2020	**8,592**	**223**	**8,815**
Net book value			
At 31 December 2021	**136,545**	**13,925**	**150,470**
At 31 December 2020	113,974	13,880	127,854

30. Investments (continued)

The Company's subsidiary undertakings are as set out below:

	Country of incorporation	Holding	Proportion held	Nature of business
Sinclair Pharmaceuticals Limited	England	Ordinary shares	100%	Pharmaceutical products
Sinclair Pharma France Holding SAS	France	Ordinary shares	100%	Holding company
Sinclair Pharmaceutical Espana SL	Spain	Ordinary shares	100%	Pharmaceutical products
Sinclair Pharma GmbH	Germany	Ordinary shares	100%	Pharmaceutical products
IS Pharma Limited	England	Ordinary shares	100%	Dormant
IS Pharmaceuticals Limited	England	Ordinary shares	100%	Dormant
Acorus Therapeutics Limited	England	Ordinary shares	100%	Dormant
Sinclair Life Sciences India Private Limited	India	Ordinary shares	100%	Dormant
Sinclair Pharma Holdings Limited	England	Ordinary shares	100%	Holding company
Sinclair Pharma Management Limited	England	Ordinary shares	100%	Holding company
Sinclair France SAS	France	Ordinary shares	100%	Pharmaceutical products
Sinclair Pharma Australia Pty Ltd	Australia	Ordinary shares	100%	Dormant
Sinclair Holdings BV	Netherlands	Ordinary shares	100%	Holding company
AQTIS Medical BV	Netherlands	Ordinary shares	100%	Pharmaceutical products
Sinclair Netherlands IP BV	Netherlands	Ordinary shares	100%	Pharmaceutical products
Building Health Distribuidora de Productos para a Saude Ltda	Brazil	Ordinary shares	100%	Pharmaceutical products
Sinclair Aesthetics de Mexico	Mexico	Ordinary shares	100%	Pharmaceutical products
Sinclair Korea Limited	Republic of Korea	Ordinary shares	100%	Pharmaceutical products
Silhouette Holding Iberia SL	Spain	Ordinary shares	100%	Holding company
Sinclair Pharma US Inc	USA	Ordinary shares	100%	Pharmaceutical products
Sinclair Chile SPA	Chile	Ordinary shares	100%	Pharmaceutical products
Sinclair Pharmaceuticals (Asia-Pacific) Pte Ltd	Singapore	Ordinary shares	100%	Pharmaceutical products
High Technology Products S.L.U.	Spain	Ordinary shares	100%	Pharmaceutical products
Cocoon Medical International	Bulgaria	Ordinary shares	100%	Pharmaceutical products
Cocoon Medical Hong Kong Limited	Hong Kong	Ordinary shares	100%	Pharmaceutical products
Cocoon Medical Italy S.R.L.	Italy	Ordinary shares	100%	Pharmaceutical products
Cocoon Medical USA LLC	US	Ordinary shares	100%	Pharmaceutical products
Cocoon Medical Colombia SAS	Colombia	Ordinary shares	100%	Pharmaceutical products

The investment in Sinclair Pharma Management Limited is held directly by the Company. The investments for all other subsidiaries are held indirectly through Sinclair Pharma Management Limited.

31. Registered addresses

The registered addresses of each of the group's subsidiary companies are as follows:

Sinclair Pharmaceuticals Limited	Eden House, Lakeside, Chester Business Park, Chester, CH4 9QT, UK
Sinclair Pharma France Holding SAS	44 Rue de la Bienfaisance, 75008 Paris, France
Sinclair Pharmaceutical Espana SL	Av De Castilla, Edeficio Dublin Planta 2, San Fernando De Henares, Madrid 28830, Spain
Sinclair Pharma GmbH	Kurfursten Anlage 3, 69115 Heidelberg, Germany
IS Pharma Limited	Eden House, Lakeside, Chester Business Park, Chester, CH4 9QT, UK
IS Pharmaceuticals Limited	Eden House, Lakeside, Chester Business Park, Chester, CH4 9QT, UK
Acorus Therapeutics Limited	Eden House, Lakeside, Chester Business Park, Chester, CH4 9QT, UK
Sinclair Life Sciences India Private Limited	Topiwala Center, CTS no. 746/7, Village-Pahadi, Goregaon (W), Mumbai City, MH 400062, India
Sinclair Pharma Holdings Limited	1st Floor, Whitfield Court, 30 - 32 Whitfield Street, London, W1T 2RQ, UK
Sinclair Pharma Management Limited	1st Floor, Whitfield Court, 30 - 32 Whitfield Street, London, W1T 2RQ, UK
Sinclair France SAS	8 Chemin du Jubin, 69570 Dardilly, France
Sincalir Pharma Australia Pty Ltd	Mazars, Level 12, 90 Arthur Street, North Sydney NSW 2060
Sinclair Holdings BV	Prins Bernhardplein 200, 1097 JB, Amsterdam, Netherlands
AQTIS Medical BV	Yalelaan 44, 3584 CM, Utrecht, Netherlands
Sinclair Netherlands IP BV	Yalelaan 44, 3584 CM, Utrecht, Netherlands
Building Health Distribuidora de Productos para a Saude Ltda	Rua Baraldi, 894, 1º Andar - Sala 1, Sao Caetano do Sul - SP, CEP 09510-005, Brazil
Sinclair Aesthetics de Mexico	Av. Insurgentes Sur 859, P2, Napoles, Benito Juarez, Mexico City, 03810
Sinclair Korea Limited	(Suseo-dong)#228, 62, Saemal-ro, Seoul, Republic of Korea
Silhouette Holding Iberia SL	Av De Castilla, Edeficio Dublin Planta 2, San Fernando De Henares, Madrid 28830, Spain
Sinclair Pharma US Inc	1 Technology Drive, STE F211, Irvine, CA 92648-5536, USA
Sinclair Chile SPA	Cerro El Plomo 5680 OF 301 PS 3 Comuna: Las Condes, Santiago De Chile; Chile
Sinclair Pharmaceuticals (Asia-Pacific) Pte Ltd	83 Clemenceau Avenue, #02-01, Singapore 239920
High Technology Products S.L.U.	C/ Gall 22 - 08950 Esplugues de Llobregat (Barcelona) - España
Cocoon Medical International	Parva Balgarska Armiya nº 18ª - 1220 Sofia
Cocoon Medical Hong Kong Limited	Unit 401, 29 Austin Road, TsimShaTsui HONG KONG (Hong Kong Island)
Cocoon Medical Italy S.R.L.	VIA ANTONIO GAMBACORTI PASSERINI, 2 2 - 20900 MONZA (Monza e Brianza)
Cocoon Medical USA LLC	2492 Walnut Avenue - Suite 120 - 92780 Tustin (California)
Cocoon Medical Colombia SAS	Calle 110 # 9 - 25 Oficina 612 - 110111 BOGOTA - COLOMBIA

32. Immediate and ultimate parent undertaking

The Immediate parent undertaking is Huadong Medicine Aesthetics Investment (Hong Kong) Limited, a subsidiary of Huadong Medicine Co. Ltd. Both companies are registered in China. There is no ultimate parent undertaking.

These financial statements are consolidated within the financial statements of Huadong Medicine Co. Ltd which is listed on the Shenzhen Stock Exchange. Information about the company including its annual report and financial statements is available on the company's website: www.eastchinapharm.com