Sinclair Pharma plc

Preliminary results for the 12 and 18 months ended 31 December 2016

51% growth in revenues; material progress in building a leading global pure-play aesthetics company with significant, long-term growth potential

21 March 2017, Sinclair Pharma plc (AIM: SPH.L), ("Sinclair" or the "Company") the international aesthetics company, announces its unaudited results for the 12 and 18 month period ended 31 December 2016.

As previously reported the Company changed its accounting reference date from 30 June to 31 December following the disposal of the non-aesthetics business in order to align itself with industry peers. The financial highlights and financial review below focus on the 12 months ended 31 December 2016 compared to the 12 months ended 31 December 2015; figures for the 18 month period to 31 December 2016 are also presented.

	Unaudited 12 months ended 31 December 2016 £'000	Unaudited 12 months ended 31 December 2015 £'000	**Unaudited 18 months ended 31 December 2016 £'000**	Audited 12 months ended 30 June 2015 £'000
Continuing operations				
Revenue	**37,817**	24,969	**45,489**	27,842
Gross profit	**26,726**	17,066	**31,815**	18,580
	70.7%	68.3%	**69.9%**	66.7%
Selling, marketing and distribution costs	**(21,690)**	(14,742)	**(29,799)**	(13,481)
Administrative expenses	**(18,391)**	(16,012)	**(27,289)**	(16,287)
Exceptional administrative expenses	**6,538**	(47)	**7,037**	(546)
Operating loss	**(6,817)**	(13,735)	**(18,236)**	(11,734)
Adjusted EBITDA*	**(6,124)**	(7,961)	**(14,890)**	(4,329)

* Adjusted EBITDA defined as earnings before interest, tax, depreciation, amortisation, impairment, share based payments, exceptional items and loss from discontinued operations

FINANCIAL HIGHLIGHTS for the 12 months ended 31 December 2016

- Delivered significant sales growth of 51% at £37.8 million, (2015: £25.0 million, 18 months £45.5 million)
- Underlying growth 37% on constant currency basis excluding InstaLift™ US launch and Brazil
    - **Silhouette Soft®** sales up 51% to £14.0 million (2015: £9.3 million)
    - **Silhouette InstaLift®** initial sales of £1.3 million (2015: £nil)
    - **Ellansé®** sales increased 84% to £8.1 million (2015: £4.4 million)
    - **Perfectha®** sales up 42% to £8.1 million (2015: £5.7 million)
- Gross profit increased 56% to £26.7 million (2015: £17.1 million, 18 months £31.8 million) as gross margin improved to 70.7% (2015: 68.3%, 18 months 69.9%)

- Adjusted EBITDA* loss narrowed to £6.1 million (2015: £8.0 million, 18 months £15.4 million)
- Adjusted EBITDA loss (ex US) of £0.8 million
- Net cash of £16.8 million at 31 December 2016

OPERATING HIGHLIGHTS

- Sale of non-aesthetics business for £132 million in late 2015 transformed Sinclair into a fast growth high margin pure-play aesthetics business, significantly reduced business complexity and a strengthened balance sheet
- Successful August 2016 US launch of Silhouette InstaLift® with partner ThermiGen LLC
    - Over 300 US physicians attended CME training by the end of 2016 and anticipate more than 1,000 additional physicians attending CME training by the end of 2017
    - High demand for physician training in Q1 2017
- Products launched in multiple new markets
    - Ellansé® and Silhouette Soft® launched in Mexico and Columbia
    - Ellansé® launched in Hong Kong, Malaysia and Singapore
- Established Brazilian affiliate with repatriated local rights for Silhouette Soft® and Perfectha®
    - Revenues of Perfectha® in Brazil up over 200% on 2015 following relaunch
    - Sales of Silhouette Soft® up 21% to £2.3 million (2015 £1.9 million).
- Successfully renegotiated Ellansé® milestone payments, significantly reducing the deferred consideration payable from €36.0 million to a one-off payment of €15.0 million resulting in a £8.5 million one-off exceptional gain
- Restructuring post disposal of non-aesthetic businesses to generate over £2 million in annualised cost savings.

POST PERIOD HIGHLIGHTS

- Trading in Q1 2017 in line with management expectations
- Acceleration in the number of CME training events including Silhouette InstaLift® physician training
- New £10.0 million debt facility secured to fund investment in future growth
- Warranty claim arising on disposal of non-aesthetics business to Alliance Pharma plc settled for £5.0 million

Chris Spooner, Sinclair's CEO commented: *"I am proud of what has been achieved at Sinclair Pharma in 2016. Following the disposal of the non-aesthetics assets, the Company is simplified as a fast growth and self-pay aesthetics business. During the period, Silhouette InstaLift® was launched in the US, a direct Brazilian affiliate was formed and revenue growth of 51% was recorded, beating management expectations.*

Looking ahead, the Board expects Sinclair to be adjusted EBITDA positive in 2017. Beyond this year, the Board believes that strong core revenue growth augmented by US, Brazil and China launches, combined with operational leverage through rising gross margins and a controlled cost base will position the Company well to deliver superior returns for shareholders".

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Sinclair's management team will discuss the Company's results at a presentation for analysts today at 11:00 which will be held at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD

About Sinclair Pharma plc – www.sinclairpharma.com
Sinclair Pharma plc is an international company operating in the fast growth, high gross margin, self-pay global aesthetics market. Sinclair has built a strong portfolio of differentiated, complementary aesthetics technologies, which are experiencing significant growth, targeting unmet clinical needs for effective, high quality, longer duration, natural looking and minimally-invasive treatments. The Company is planning entry to multiple new geographic markets and line extension launches over the next few years. Sinclair has an established sales and marketing presence in the leading EU markets, and Brazil and a network of international distributors including ThermiGen in the US.

"Safe Harbor" Statement under the US Private Securities Litigation Reform Act of 1995: Some or all of the statements in this document that relate to future plans, expectations, events, performances and the like are forward-looking statements, as defined in the US Private Securities Litigation Reform Act of 1995. Actual results of events could differ materially from those described in the forward-looking statements due to a variety of factors.

STRATEGIC REVIEW

2016 was an exceptionally busy and highly successful period for Sinclair. During the year, the Company concluded the Strategic Review, restructured the organisation and transitioned the entire non-aesthetics business, signed a distribution agreement with Thermi to launch Silhouette InstaLift® and created a direct affiliate in Brazil to sell Silhouette Soft® directly. These activities have transformed Sinclair into a sustainably fast growth, high gross margin and pure-play aesthetics company, and were executed during a period of dynamic revenue growth; 51% revenue growth in 2016 was ahead of management expectations.

Sinclair's product offering has been greatly simplified and now comprises Silhouette Soft®/ InstaLift™, Ellansé®, Perfectha® and Sculptra®/New-Fill®. The Company's strategy is to provide aesthetic physicians a portfolio of tools to clinically address the key drivers of patient satisfaction: safe and highly effective products which are minimally invasive in approach and thus create minimal downtime, produce natural looking and long-lasting results, but are not permanent. Commercially, the Company aims to generate compelling economics for the prescribing physicians. To this end, the predominant marketing activities during the period were aimed at training physicians how to optimally and safely use our brands and how to best promote the products within their clinics. More recently, Sinclair has increased its marketing emphasis directly to patients.

Conclusion of the Strategic Review and Use of Funds

In May 2016, Sinclair announced the result of a detailed strategic review by the Board. The Board concluded that due to Sinclair's unique product portfolio, underlying sales trends and future launch opportunities, and more generally dynamic aesthetic market fundamentals, the best shareholder returns would result from remaining an independent pure-play aesthetics company.

The £132 million proceeds from the non-aesthetics disposal in December 2015 created a net cash position. This was then used to pay down the Hayfin debt facility, fund the acquisition of various distribution rights including the creation of the Brazil affiliate, pay aesthetic brand acquisition milestones, fund US pre-marketing costs and the Thermi launch contribution and fund the budgeted 2016 EBITDA loss recorded by the standalone aesthetic business. The Ellansé® milestones (to the founders of Aqtis) were fully paid out in return for a €20 million discount on the total consideration. This led to an exceptional gain of £8.5 million during the period.

Transition of Non-Aesthetics to Alliance Pharma plc and Management Restructuring

The disposal and transition of the non-aesthetics activities to Alliance Pharma plc was a highly complex and time-consuming transaction. The product portfolio was transformed from 32, largely lower margin, low growth products to four high margin, high growth differentiated aesthetics brands; Sinclair significantly reduced external manufacturers from 19 to three; and exited over 40 distributor relationships, thereby significantly reducing business complexity. The Company's headcount and cost base also declined, with 39 employees transferring to Alliance alongside the non-aesthetics business. The financial year-end was also changed to 31 December to align with industry peers. Transitional services were due to be completed by year-end and although largely completed in the period, a few activities remain with full transition now expected by Q2 2017.

By mid-year, the dramatic simplification of Sinclair's activities allowed a downsizing of the Company's management structure. COO and European Head positions were eliminated, as were further senior positions in European commercial operations. Significantly increased investment in centralised marketing, with an emphasis on Sinclair's on-line and social media activities, was partially offset by a reduction in marketing spend at local level.

US Strategy and Recent Activities

The US injectable aesthetics market is approximately $1.4 billion and growing at 7%. With fewer approved products and tighter regulation than is found in other markets, product prices are higher than in Europe. The Board believes the US offers a transformational commercial opportunity for Sinclair over the next several years as Silhouette InstaLift® continues to grow and Ellansé® is launched; allowing for the potential establishment of a direct Sinclair commercial presence in the largest aesthetic market.

Silhouette InstaLift® was FDA cleared in May 2015; it is the only injectable aesthetic brand in the US market with a claim for lifting the mid-face. The Company's strategy is to ultimately establish a direct presence in the US for the launch of Ellansé® in late 2019 (clinical trials are currently planned for Ellansé® ahead of an anticipated FDA filing in 2019). The option to reacquire Silhouette InstaLift® distribution rights at the end of 2018 provides one route to achieve this goal.

Silhouette InstaLift® was launched in August 2016, approximately 15 months after it was cleared by the FDA. During the pre-launch period and before an exclusive US distribution agreement was signed with ThermiGen LLC ("Thermi", US aesthetics Almirall subsidiary), Sinclair developed a US Advisory Board comprising eight highly renowned Key Opinion Leaders from aesthetic dermatology and plastic surgery. The Company invested heavily in pre-launch activities largely with a focus on podium activity at dermatological congresses and the support of CME programmes which included physician training. These activities have had a very positive impact on product awareness, acceptance and reputation, and as a result, created significant physician demand for training and rapid adoption by those physicians in the post-launch period. Moreover, Silhouette InstaLift® has been profiled at multiple aesthetic and dermatology congresses and events since mid-2015. Most recently at the 2017 American Academy of Dermatology (AAD), Silhouette InstaLift® was included in all of the key aesthetic dermatology sessions including to circa 1500 physicians in the "*What's New In Dermatology?"* session. US Aesthetic physician and consumer awareness is already high, with the brand being the subject of numerous high profile discussions and citations on television, social media and published press.

US Launch of Silhouette InstaLift® with Partner Thermi

In May 2016, Sinclair announced an exclusive US Distribution Agreement with Thermi. Thermi is a world leader in minimally invasive thermistor-regulated energy solutions for aesthetics, dermatology and women's health, and is one of the fastest growing aesthetics companies in the US. It has excellent relationships with physicians and has an established installed base of more than 1,000 Thermi systems, a minimally invasive single treatment for skin laxity. The combination of Thermi's technology and Silhouette InstaLift® provides a highly effective and minimally invasive non-surgical alternative to the facelift and a potentially transformative approach to treating the aging neck. Both Sinclair and Thermi are committed to extensive physician training and actively sponsor CME certified education and training programmes.

Thermi signed a four-year arrangement with Sinclair, expiring in mid-2020. The agreement involves a material financial investment in the launch and marketing of Silhouette InstaLift® by Sinclair, in return for a structure that gives Sinclair an annual option, after year three, to repatriate the rights at a capped cost to Sinclair.

Thermi's 65-strong rep team began the initial commercial launch of Silhouette InstaLift® in mid-August 2016. They are supporting the Silhouette InstaLift® launch through a combination of field personnel dedicated to Silhouette InstaLift® and their consumable sales team. This broad team provides InstaLift™ a far greater footprint in the US than Sinclair would have been able to provide at this stage of launch. Thermi was chosen as the partner for the Silhouette InstaLift® launch due to their entrepreneurial, fast-moving approach in the US market, significant and recent success with the launch of ThermiTight®, a shared sense of urgency, and the opportunity to jointly leverage the excitement around both complementary technologies.

Silhouette InstaLift® revenues were £1.3 million in 2016, slightly ahead of Sinclair's budget. The single biggest rate-limiting step to revenue growth is physician training. As of 2016-end, over 300 physicians had received training, in excess of Sinclair's launch model. Subsequently in 2017 and in response to strong physician demand, Thermi has revamped its commercial model to accelerate the initial start-up of newly trained physicians and is supporting new and additional CME programming that will result in a greater number of training opportunities. As a result of these changes, it is expected that over 1,000 additional physicians will receive CME training during 2017 including almost 300 physicians attending CME programmes in Q1 2017. These numbers are well ahead of Sinclair's initial launch expectations and internal models.

Sinclair expects product reorder rates to rise over time as use rises with procedure familiarity. The 2016 average reorder rate is not a meaningful data point because the majority of physicians trained in 2016 were trained only towards the end of the period and had not had sufficient time to use their initial Silhouette InstaLift® inventory. More recent data from February 2017 shows the reorder rate by the initial cohort of physicians trained from August to October trending upwards and ahead of Sinclair's budget at around 60%.

Creation of Brazil Affiliate

Brazil is the world's second largest injectable aesthetics market with revenue of $260 million and growing at circa 10% despite an uncertain economic environment. In July 2016, Sinclair created a new Brazilian affiliate with a total commercial field force of 21 reps and bought back the distribution rights for Silhouette Soft®, allowing direct selling to clinics and physicians. Sales of Silhouette Soft® in Brazil grew in 2016 to £2.3 million (2015 £1.9 million), although growth was below historic trends while the switch from the distributor to Sinclair was negotiated and subsequently transitioned. With a fully established local infrastructure and revamped marketing under the Sinclair umbrella, the Company is confident for a strong performance in 2017. Sinclair now has the platform for future product launches in this important market. Most notably, regulatory applications are underway for Ellansé® ahead of a planned launch in H1 2018. The Board believes the launch of Ellansé® in Brazil is an important growth opportunity for Sinclair over the medium term.

OPERATIONAL REVIEW

Sinclair's current aesthetic portfolio comprises four products (Silhouette®, Ellansé®, Perfectha® and Sculptra®). The Company owns these assets globally with the exception of Sculptra, licensed on a long term basis for Western Europe from Galderma. Brands are marketed directly (in France, UK, Spain, Germany and Brazil) or through an established network of distributors (notably US, South Korea, UAE, Hong Kong, Russia and Mexico).

Sales for the 12 months to 31 December 2016 were £37.8 million, representing headline growth of 51%. Sterling weakness contributed £3.3 million to sales.

The adjusted EBTIDA loss for the 12 months to 31 December 2016 was £6.1 million. As expected selling, marketing and distribution costs increased to £21.7 million (2015 £14.7 million) due mainly to one-off US pre-launch costs for Silhouette InstaLift™, an initial contribution to marketing and training costs as part of the Thermi distribution agreement, and initial costs from the direct presence in Brazil. It is the Board's objective to become adjusted EBITDA positive in the year to 31st December 2017. With a relatively fixed operating cost base, a significant part of incremental sales is projected to convert to EBITDA. Improved product mix generated a record gross margin of 70.7% and this upward trend is expected to continue.

Following the non-aesthetics disposal, Sinclair's remaining business had pro-forma 2015 revenues of £25 million. Post-restructuring and including the annual contribution to Thermi training costs, Sinclair's breakeven revenue run-rate is approximately £47 million. While it was essential for the business to grow quickly in 2016, the business remains forecast to move to a positive adjusted EBITDA in the second half of 2017.

Silhouette Soft®

Silhouette Soft® delivered revenues of £14.0 million for the 12 months to 31 December 2016, growth of 51% (47% at constant currency excluding Silhouette InstaLift® and Brazil). This reflects strong growth across many markets, in particular South Korea, the Middle East, Spain, and Australia.

Sales of Silhouette Soft® in the APAC region demonstrated strong sales momentum, with revenues growing by 167% to £3.1 million in 2016. Despite a challenging competitive market, South Korea was the country with the highest sales in the region, with sales to our local partner growing strongly. Sinclair's partner was able to use a combination of clinician training excellence and messaging around Silhouette's clinical benefits to achieve revenue to Sinclair of £1.0 million (2015: £0.1 million).

Outside Korea, sales grew strongly in Australia, Malaysia and Indonesia, and additional sales were generated by new launches of the product into the Greater China region, with first sales occurring in Hong Kong in Q3 2016. The 2017 outlook for Silhouette Soft® in Asia remains encouraging and it is expected that sales will continue to be driven mainly by growth in Korea and Greater China and supported by double-digit growth in other key markets in the region.

In Sinclair's direct European operations Silhouette Soft® grew to £4.3 million from £3.4 million in 2015. Sales of Silhouette Soft® were especially strong in Spain, with sales growing annually by 31% at constant currency to £1.1 million. There was a successful local focus on cross selling to common customers, brand building through training excellence and the expansion of sales into major chain clinics. In Germany, France and the UK the benefits of 2016 restructuring are likely to come through in 2017.

Following the positive reception for Silhouette Soft® at both the European and Latin American *World Experts' Meetings ('WEM')* in H2 2015*,* Sinclair held its first Asia *WEM* in Bali in 2016. This event was attended by over 300 leading aesthetic physicians and plastic surgeons from the region, and included hands on training workshops.

The 2016 European *WEM* was held in Barcelona in September 2016, attracting in excess of 1,000 dermatologists and plastic surgeons from Europe, the US, Brazil, Middle East and Asia. The Company believes this to be the best attended single company educational event in the aesthetics industry. In 2017, the WEM agenda will be expanded to focus on Ellansé®, Perfectha® and combination treatments as well as both Silhouette brands.

Silhouette InstaLift™

Silhouette InstaLift™, launched by partner ThermiGen in the US in August 2016 recorded sales to Sinclair of £1.3 million during the period.

This figure was ahead of management expectations partly a result of larger initial stocking orders. Doctor training is ahead of our schedule and feedback from patients and doctors has been very positive, further reaffirming management's view of the significant potential for Silhouette InstaLift® in this key market. In the first quarter of 2017, physician training has accelerated, with Thermi targeting over 1,000 additional trained physicians during 2017. As at March 2017, Thermi's YTD sales are tracking in line with their budget and slightly ahead of Sinclair's expectation.

Ellansé®

Ellansé® delivered revenues of £8.1 million for the 12 months to 31 December 2016, growth of 87% (69% at constant currency)

South Korea remains the leading market for Ellansé® and following the de-stocking issues in 2015, sales into this territory grew by 54% in 2016 to £1.8 million. Sales into the Greater China region also grew strongly with revenues growing to £1.8 million (2015: £0.4 million). Consumer demand for premium aesthetic products in Greater China continues to accelerate and Ellansé® is well placed to take advantage of the burgeoning demand for premium aesthetic products in this market.

In Sinclair's direct operations in Europe, Ellansé® growth was 55% taking total revenue to £2.3 million 42% in constant currency. Sales in Spain were particularly strong (+80%) driven by strong clinician and consumer demand as the product becomes increasingly recognised for its safe and natural results.

The performance in the International markets has been a highlight for 2016. There are many countries with improved performance, with notably strong growth in Poland, Chile and Iran. Despite the economic and political situations in Russia and Turkey, Ellansé® revenues for these countries have grown by 41% and 69% respectively, albeit from relatively small bases, however this is very encouraging for 2017 and beyond.

Ellansé® was relaunched in Mexico in May 2016 through our new partner Farmapiel, which also has the rights to the rest of the Sinclair portfolio in Mexico and successfully launched Silhouette and Perfectha® in Q4 2016. In Q2 2017 Ellansé® will be launched in Colombia, the third largest market in LATAM. Physician training is already underway.

Perfectha®

Perfectha® delivered sales of £8.1 million for the 12 months to December 2016, growth of 43% (30% at constant currency).

Despite an increasingly competitive and price conscious Hyaluronic acid (HA) filler market Perfectha® performed well in many countries in 2016. In South Korea, the brand's leading market, a contract renegotiation and re-focusing on the product by partner DNC led to 123% growth to £1.7 million, following the period of de-stocking in 2015. However, in-market sales of Perfectha® in South Korea grew by just 5% in 2016 reflecting the highly competitive nature of this HA market where there are multiple low price local brands available. Following the recovery in sales in 2016, sales in 2017 for this key market are expected to reflect in-market performance.

Sales of Perfectha® in Sinclair's European direct operations grew by 47% in 2016 to £2.3 million with Spain and UK in particular performing well.

The relaunch of Perfectha® in Brazil through Sinclair's newly created direct operation delivered better than expected results, re-establishing the brand. Perfectha® revenues in Brazil reached £0.7 million for the year, increased from £0.2 million in 2015.

Revenues to Iran increased strongly in 2016 and with our partner in Iran now responsible for the full Sinclair portfolio, further growth is projected in 2017. Poland also performed exceptionally well in 2016. The launch in Mexico and a relaunch in the Nordics helped to provide new revenue streams for Perfectha® and offer strong prospective growth for 2017. Although Perfectha® sales were weak in Russia, where sales declined by 40% to £0.4 million, in-market sales stabilised in the fourth quarter and more recently have shown a modest rebound.

Sculptra®/New-Fill®

Sculptra® sales increased 11% (flat at constant currency) in the 12 month period to December 2016, achieving sales of £6.3 million.

Promotional activities for the products remain limited but sales volumes are supported by long-term and loyal users.

MARKETING

During 2016 the Company evolved its marketing strategy, with a significant shift of resources towards direct-to-consumer (DtC) marketing, largely via digital and on-line social media, driven by our centralized marketing team based in Paris.

Sinclair's marketing strategy and new DtC messaging have now been conveyed to Group affiliates and distribution partners. The aim for 2017 is to create an industry-leading digital offering to drive brand awareness to consumers. This will be in parallel to existing physician programmes which are designed to promote Sinclair product sales within clinics.

PRODUCT DEVELOPMENT AND REGULATORY

Product development activities are focused on improving and extending Sinclair's portfolio through developing line extensions and new indications, undertaking additional studies required to support new regulatory submissions and generating scientific data to support the marketing of our brands.

USA

Sinclair continues to liaise with the FDA to ensure that all necessary data is provided to meet the requirements of the Pre-Marketing Approval (PMA) for Ellansé®. Long-term pre-clinical studies have been initiated with the pivotal clinical trial likely to start in 2018 for an expected approval by late 2019.

Silhouette InstaLift® was the subject of a first-of-its-kind clinical study using 3D imaging to measure accurately mid-face tissue lifting. The data suggest that after the initial tensile lift, the onset of secondary collagen stimulation begins at around three months post implantation; it is intended to investigate this aspect at longer time points and to use the data to support a simplified Instructions for Use (IFU) label change.

LATAM

In LATAM there were eight registrations during 2016, including approvals in Mexico for Silhouette Soft® and Perfectha®. There is ongoing dialogue with ANVISA (Brazil) concerning the registration of Ellansé®, with approval in this key market expected in early 2018.

Asia

Sinclair continues to work in close collaboration with Asian distribution partners. In China, the pivotal clinical trial for Ellansé® will commence in mid 2017 and product approval is expected by late 2019. A slightly longer timetable is anticipated for Silhouette Instalift™.

Change of Notified Body

The de-designation of a number of Notified Bodies for certification of medical devices in Europe has unfortunately affected the existing registrations of numerous medical devices in the healthcare and aesthetic industries. Sinclair has also been affected and the Group has been working to obtain new certifications for Perfectha® and the Silhouette products in Europe. Perfectha® has already received its new CE mark certification and the dossier for the Silhouette products is currently under review. In-line with the move to a new Notified Body, the Board fully expects that the Silhouette products will receive their new CE mark certification ahead of the expiry of the current CE mark certification in Q4 2017.

Brand Development

The Company is actively pursuing opportunities to widen the Silhouette brand with alternative device designs to address potentially high volume new opportunities including breast, abdomen, buttocks and thighs.

Sinclair has started an Ellansé® clinical programme to quantify visible improvements to patients' skin quality and tone. The Company believes this is an area in which the unique benefits of Ellansé® can be distinguished over HA fillers. Sinclair is investigating extending the Ellansé® franchise to include a lower microsphere SKU for fine lines and resurfacing. As a consequence, the Atléan® development programme has been put on hold.

European CE mark approval for Perfectha® Lidocaine is expected in Q4 2017. Regulatory approval for Perfectha® Lips is targeted for mid 2018.

BOARD CHANGES

In July 2016 Jean-Charles Tschudin, Senior Independent Director left the Board, and in September 2016 Christophe Foucher, Chief Operating Officer also stepped down as part of a comprehensive business restructuring following the disposal of the non-aesthetics business. The Board would like to thank both Christophe and Jean-Charles for their valuable contributions to Sinclair over many years. In July 2016 Alan Olby was welcomed to the main Board as an executive member in his role as CFO. It is intended to add a new non-executive member to the Board during 2017.

OUTLOOK

Sinclair has established a portfolio of differentiated, high growth aesthetics brands that address patients' and physicians' needs, and have multiple line extensions and launches in new geographic markets scheduled over the next few years. The Board believes this will sustain robust medium term growth.

Physician training is key to the success of Silhouette InstaLift® in the US. The product continues to experience a high profile at industry congresses and in the media. This has resulted in strong demand from doctors for training. Over 1,000 physicians are planned to be trained during 2017, significantly ahead of Sinclair's original expectations.

In 2017 Sinclair expects revenue growth to remain strong and to receive an additional tailwind from Sterling weakness. The Board's objective is to deliver a positive adjusted EBITDA for 2017 through a combination of strong sales growth and high marginal profitability. Trading in the current quarter is in line with management expectations.

Over the next three years, product launches in the three biggest aesthetic markets, the US, Brazil and China are projected to substantially augment an already strong core revenue growth rate. Over the same period, the Board expects the gross margin to trend upwards due to improving product and geographical mix. Operating costs are budgeted to grow at a significantly lower rate than the sales growth rate. In addition, the option at 2018-end to reacquire US Silhouette InstaLift® distribution rights is a potential route for the creation of a direct US affiliate ahead of the anticipated Ellansé® launch in late 2019. With differentiated, high margin products in the sweet spot of the fast-growing, self-pay aesthetics market, the Company is well positioned to generate attractive returns for its shareholders. The Board believes that Sinclair's prospects have never been better.

FINANCIAL REVIEW

Change of accounting reference date

The Group changed its accounting reference from 30 June to 31 December following the disposal of the non-aesthetics business in order to align its reporting calendar with industry peers. The financial information within the Report and accounts therefore covers the 18 month period ended 31 December 2016. The financial review below includes numbers for the unaudited 12 months ended 31 December 2016 and comparatives for the unaudited 12 months ended 31 December 2015. This provides a more meaningful comparison and reflects the annual 12 month period for the Group going forward.

	Unaudited 12 months ended 31 December 2016	Unaudited 12 months ended 31 December 2015	**Unaudited 18 months ended 31 December 2016**	Audited 12 months ended 30 June 2015
	£'000	£'000	**£'000**	£'000
Continuing operations				
Revenue	**37,817**	24,969	**45,489**	27,842
Cost of sales	**(11,091)**	(7,903)	**(13,674)**	(9,262)
Gross profit	**26,726**	17,066	**31,815**	18,580
	70.7%	68.3%	**69.9%**	66.7%
Selling, marketing and distribution costs	**(21,690)**	(14,742)	**(29,799)**	(13,481)
Administrative expenses	**(18,391)**	(16,012)	**(27,289)**	(16,287)
Exceptional administrative expenses	**6,538**	(47)	**7,037**	(546)
Operating loss	**(6,817)**	(13,735)	**(18,236)**	(11,734)
Total finance costs	**(4,742)**	(15,891)	**(15,794)**	(12,695)
Loss before taxation	**(11,559)**	(29,626)	**(34,030)**	(24,429)
Taxation	**428**	952	**634**	1,058
Loss for the period from continuing operations	**(11,131)**	(28,674)	**(33,396)**	(23,371)
Reconciliation of adjusted EBITDA to operating loss				
Adjusted EBITDA*	**(6,124)**	(7,961)	**(15,369)**	(15,965)
Depreciation	**(476)**	(490)	**(707)**	(451)
Amortisation and impairment	**(4,933)**	(3,421)	**(7,001)**	(4,437)
Exceptional items	**6,538**	(47)	**7,037**	(546)
Share-based payments	**(1,822)**	(1,816)	**(2,675)**	(1,971)
Operating loss from continuing operations	**(6,817)**	(13,735)	**(18,236)**	(11,734)
Net Cash outflow from operations before exceptional items (continuing)	**(7,002)**	(12,186)	**(16,077)**	(10,262)

* Adjusted EBITDA defined as earnings before interest, tax, depreciation, amortisation, impairment, share based payments, exceptional items and loss from discontinued items

Revenue

In the 12 month period ended 31 December 2016, revenue totalled £37.8 million (2015: £25.0 million) representing 51% headline growth. On a constant currency basis, revenues were £34.3

million, the weakness of Sterling during the period contributed an additional £3.3 million to reported revenues. All three strategic products, Silhouette, Ellansé® and Perfectha® contributed to the strong growth, as detailed in the Strategic Report, with Sculptra®/New-Fill® sales broadly flat.

Gross profit

There was a 57% increase in gross profits in the year to 31 December 2016 to £26.7 million (2015: £17.1 million) driven by increases in revenue and an improving sales mix. The gross margin for the period of 70.7% is the best achieved to date and improved from 68.3% in 2015 as a result of the growth in higher margin products, Silhouette and Ellansé®. With sales of these two brands expected to drive the bulk of the Group's medium term growth, especially with Silhouette Instalift® growth in the US and also capturing the full Silhouette Soft® margin through our direct operation in Brazil, the Board expects gross margins to continue to improve in the coming periods.

Operating expenses

Selling, marketing and distribution costs were £21.7 million for the year ended 31 December 2016 which represents an increase of 47% over the £14.7 million in 2015. There has been a significant increase in sales and marketing investment arising from Sinclair's pre-launch activities for Silhouette Instalift in the USA, followed by the Group's financial commitment to support Thermi through the launch phase. Selling and marketing expense for the USA was £5.4 million in the period. The establishment of Sinclair Brazil from 1 July 2016 added a direct selling presence in a key global aesthetics market which added £0.9 million to sales costs for the period. A significant proportion of the Group's sales and marketing costs are incurred in Euro's and US Dollars to support the Group's direct operations in France, Spain and Germany and investment in the US launch of Instalift. The weakness of sterling has increased these costs on a reported basis in the second half of 2016.

One-off costs in 2016 of £1.5 million associated with the US Silhouette InstaLift® pre-launch activities will not be repeated in 2017. However, the Group expects marketing spend will be circa £2 million higher in 2017 due to the annualisation of Brazil affiliate costs, incremental (digital) marketing spend and Sterling weakness.

Administrative expenses pre exceptional items were £18.4 million for 2016, up from £16.0 million in 2015. Increases in non-cash charges for depreciation, amortisation and impairment accounted for £1.5 million of the increase and there were incremental costs of £1.1 million arising from additional headcount and presence in the US ahead of and post the launch of Silhouette Instalift.

Operating loss and adjusted EBITDA

The operating loss, pre exceptional items, for the year ended 31 December 2016 was £13.4 million (2015: £13.7 million). Adding back depreciation, amortisation, impairment and share based payments derives an adjusted EBITDA for 2016 of £6.1 million, reduced from £8.0 million in 2015.

Finance costs

Finance costs for the year ended 31 December 2016 of £4.7 million (2015: £13.0 million) represent the non-cash discount unwind charge linked to deferred consideration liabilities. There was no cash interest payable in the period following the repayment of all borrowings in December 2015.

Taxation

A tax credit of £0.4 million (2015: £1.0 million) has been recorded for the year to 31 December 2016. This is made up of corporation tax charges arising in overseas entities of £0.9 million (2015: £nil) and net deferred tax credits of £1.3 million (2015: £1.0 million). The deferred tax credits are linked to the amortisation of intangible assets acquired through business combinations.

Loss from continuing operations pre-exceptional items
There has been a significant reduction in the statutory loss pre exceptional items for the year to 31 December 2016 to £17.7 million from £25.8 million in 2015 which has been driven by the strong growth in revenues and gross profitability and reduction in finance costs.

Exceptional items for the 18 month period to 31 December 2016
There have been a number of exceptional items recorded in the statutory 18 month period which result in a net credit to the income statement of £4.2 million. The main components of this are:

- Acquisition and business development costs of £0.4 million principally relating to the repatriation of rights to Silhouette Soft® in Brazil and the establishment of a direct operation in this key market.
- A credit of £13.6 million has arisen from various adjustments to the value and expected timing of deferred considerations relating to the acquisitions of Aqtis Medical, Obvieline and Silhouette Lift. The major element of this credit arises from an agreement reached in February 2016 to early settle all future consideration for the acquisition of Aqtis Medical for a one-off payment of €15 million which resulted in a credit of £8.5 million from the reduction in deferred consideration. A credit of £2.1 million arose on the reduction in purchase consideration for the direct rights for Silhouette in the UK; this is offset by an impairment charge of £1.5 million against the intangible asset arising on the acquisition of these rights in 2014.
- Restructuring costs of £2.9 million have been incurred as a result of the internal restructuring of the Group post the disposal of the non-aesthetics business. This restructuring program has resulted in annualised cost savings in excess of £2.0 million being realised.
- An inventory provision of £1.8 million as a result of the decision to de-stock distribution partners and eliminate shorter shelf life product from distribution.
- Early repayment of the Group's borrowings in December 2015 results in the amortisation of all loan set up fees as well as an early repayment premium which in total amounted to £2.9 million.

Discontinued operations
A profit on discontinued operations of £3.8 million has arisen in the 18 month period to 31 December 2016. This consists of a post tax profit of £1.3 million for the non-aesthetics business for the five and a half month period prior to the sale in December 2015, a loss on disposal of £0.8 million and a tax credit of £3.4 million. In the first quarter of 2017, the Group received a claim from Alliance Pharma plc under the warranties contained in the sale agreement for the non-aesthetics business. A full and final settlement of the claim has been agreed for an amount of £5.0 million, £4.0 million of which is payable in the first half of 2017 and £1.0 million before 30 June 2018. The settlement has been provided for in the results for the period as a reduction in the consideration received.

Cash flow
Net cash outflow for continuing operations of £7.0 million for the year ended 31 December 2016 was considerably better than £12.2 million for the prior year. This was a result of the lower adjusted EBITDA loss and a significant reduction in working capital outflow which was limited to £1.6 million (2015: £6.4 million). In addition there were cash out flows in the year for exceptional items of £2.8 million and discontinued operations of £2.2 million.

Investing activities accounted for a cash outflow of £47.1 million in the year, this included the early settlement of all Aqtis deferred consideration for £11.8 million, Silhouette milestones and royalty buy back totalling £24.9 million, acquisition costs for Silhouette rights in Brazil of £6.8 million, offset by £3.7 million in deferred consideration received for the disposal of the non-aesthetics business linked to recovery of working capital balances and final inventory payment.

New debt facility

In March 2017, the Group entered into a new £10 million debt facility with Silicon Valley Bank to fund investment in future growth. The facility consists of a £5.0 million term loan maturing in September 2020 and £5.0 million two year working capital facility. Proceeds of the facility will be utilised to fund working capital as the Group continues its rapid growth, and to invest in expanding and upgrading manufacturing capacity and pre US clinical trial development activities for Ellansé®.

Balance sheet

The Group's balance sheet is considerably stronger at 31 December 2016 compared with 30 June 2015 following the disposal of the non-aesthetics business, repayment of all borrowings and settlement of a significant portion of overall deferred consideration liabilities.

Non-current assets were £150.7 million at 31 December 2016, down from £237.5 million at 30 June 2015 reflecting the disposal of intangible assets and goodwill that made up the non-aesthetics business and utilisation of deferred tax assets, net of additions from the acquisition of rights to Silhouette Soft® in Brazil and the impact of FX rates.

Current assets at 31 December 2016 were £33.9 million. Both inventories and receivables have been significantly reduced following the disposal of the non-aesthetics business and a drive to improve management of working capital. Inventories ended 2016 at a low point of £3.8 million. Cash at 31 December stood at £16.8 million (30 June 2015: £12.7 million).

Total liabilities have been reduced to £84.3 million at 31 December 2016, compared with £179.8 million at 30 June 2015. Borrowings of £51.8 million were fully repaid in December 2015 and total deferred consideration liabilities have been reduced to £37.7 million from £77.7 million. This is a result of payments made in the period, and agreed savings from early settlements, offset by the unwinding of discounting to reflect the time value of money and movements in FX rates. Trade and other payables have also reduced to £19.6 million at 31 December 2016, from £22.6 million at 30 June 2015 as a result of the disposal and reduced size of the current overall business.

Unaudited Consolidated Income Statement

For the 18 month period ended 31 December 2016

		Unaudited 18 months ended 31 December 2016			Audited 12 months ended 30 June 2015		
	Notes	Pre-exceptional items £'000	Exceptional items (note 3) £'000	Total £'000	Pre-exceptional items £'000	Exceptional items (note 3) £'000	Total £'000
Continuing operations							
Revenue	2	**45,489**	**–**	**45,489**	27,842	–	27,842
Cost of sales		**(13,674)**	**–**	**(13,674)**	(9,262)	–	(9,262)
Gross profit		**31,815**	**–**	**31,815**	18,580	–	18,580
Selling, marketing and distribution costs		**(29,799)**	**–**	**(29,799)**	(13,481)	–	(13,481)
Administrative expenses		**(27,289)**	**7,037**	**(20,252)**	(16,287)	(546)	(16,833)
Operating loss		**(25,273)**	**7,037**	**(18,236)**	(11,188)	(546)	(11,734)
Finance expense	5	**(12,933)**	**(2,861)**	**(15,794)**	(12,695)	–	(12,695)
(Loss)/profit before taxation		**(38,206)**	**4,176**	**(34,030)**	(23,883)	(546)	(24,429)
Taxation	6	**634**	**–**	**634**	1,058	–	1,058
(Loss)/profit for the period from continuing operations		**(37,572)**	**4,176**	**(33,396)**	(22,825)	(546)	(23,371)
Discontinued operations							
Profit for the period from discontinued operations	4			**3,821**			16,163
Loss attributable to the owners of the parent				**(29,575)**			(7,208)
(Loss)/earnings per share (basic and diluted)	7						
From continuing operations				**(6.7)p**			(4.7)p
From discontinued operations				**0.8p**			3.2p
Loss per share for the period				**(5.9)p**			(1.5p)

Unaudited Consolidated Statement of Comprehensive Income

For the 18 month period ended 31 December 2016

	Unaudited 18 months ended 31 December 2016 £'000	Audited 12 months ended 30 June 2015 £'000
Loss for the period	**(29,575)**	(7,208)
Other comprehensive income/(expense) (Items that may subsequently be reclassified to the income statement)		
Currency translation differences	**14,347**	(6,555)
Reclassification adjustment relating to foreign operations disposed of in the period	**7,703**	-
Total other comprehensive income/(expense)	**22,050**	(6,555)
Total comprehensive expense for the period attributable to the owners of the parent	**(7,525)**	(13,763)
Total comprehensive income/(expense) arises from:		
Discontinued operations	**11,524**	16,163
Continuing operations	**(19,049)**	(29,926)
	(7,525)	(13,763)

Unaudited Consolidated Balance Sheet

As at 31 December 2016

	Note	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
NON-CURRENT ASSETS			
Goodwill	8	**65,230**	122,072
Intangible assets	9	**83,650**	110,210
Property, plant and equipment		**1,679**	1,712
Deferred tax assets		**–**	3,308
Other financial assets		**102**	167
		150,661	237,469
CURRENT ASSETS			
Inventories		**3,840**	7,623
Trade and other receivables	10	**13,329**	27,664
Cash at bank		**16,769**	12,661
		33,938	47,948
TOTAL ASSETS		**184,599**	285,417
CURRENT LIABILITIES			
Borrowings	13	**–**	(19)
Trade and other payables	11	**(19,582)**	(22,606)
Other financial liabilities	14	**(5,421)**	(23,101)
Current tax liabilities		**(1,122)**	(393)
Provisions	12	**(758)**	(628)
		(26,883)	(46,747)
NON-CURRENT LIABILITIES			
Borrowings	13	**–**	(51,779)
Trade and other payables	11	**(1,000)**	–
Other financial liabilities	14	**(32,325)**	(54,615)
Deferred tax liabilities		**(24,071)**	(26,704)
		(57,396)	(133,098)
TOTAL LIABILITIES		**(84,279)**	(179,845)
NET ASSETS		**100,320**	105,572
EQUITY			
Share capital		**5,022**	4,974
Share premium		**86,128**	86,128
Merger reserve		**97,141**	97,141
Other reserves		**15,322**	(6,728)
Accumulated losses		**(103,293)**	(75,943)
Total shareholders' equity		**100,320**	105,572

Unaudited Consolidated Statement of Changes in Shareholders’ Equity

For the 18 month period ended 31 December 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 July 2014	**4,974**	**86,137**	**97,141**	**(173)**	**(70,162)**	**117,917**
Exchange differences arising on translation of overseas subsidiaries	–	–	–	(6,555)	–	(6,555)
Loss for the year	–	–	–	–	(7,208)	(7,208)
Total comprehensive expense for the year	–	–	–	(6,555)	(7,208)	(13,763)
Share-based payments	–	–	–	–	1,427	1,427
Share issue expenses	–	(9)	–	–	–	(9)
Total transactions with owners recognised directly in equity	–	(9)	–	–	1,427	1,418
Balance at 30 June 2015	**4,974**	**86,128**	**97,141**	**(6,728)**	**(75,943)**	**105,572**
Exchange differences arising on translation of overseas subsidiaries	–	–	–	14,347	–	14,347
Reclassification of foreign currency reserves relating to overseas operations disposed of in the period	–	–	–	7,703	–	7,703
Loss for the period	–	–	–	–	(29,575)	(29,575)
Total comprehensive expense for the period	–	–	–	22,050	(29,575)	(7,525)
Share-based payments	–	–	–	–	2,225	2,225
Issue of share capital	48	–	–	–	–	48
Total transactions with owners recognised directly in equity	48	–	–	–	2,225	2,273
Balance at 31 December 2016	**5,022**	**86,128**	**97,141**	**15,322**	**(103,293)**	**100,320**

Unaudited Cash Flow Statement

For the 18 month period ended 31 December 2016

	Note	**Unaudited 18 month period ended 31 December 2016 £'000**	Audited 12 month period ended 30 June 2015 £'000
Cash flows from operating activities including discontinued operations			
Net cash (outflow)/inflow from operations	15	**(16,331)**	9,978
Interest paid		**(2,850)**	(5,181)
Interest paid on finance leases		**–**	(3)
Taxation paid		**(97)**	(542)
Net cash (used in)/generated from operating activities		**(19,278)**	4,252
Investing activities			
Interest received		**47**	–
Purchases of property, plant and equipment		**(704)**	(826)
Purchase of intangible assets		**(1,230)**	(1,401)
Proceeds on settlement of financial instrument		**19**	–
Proceeds from sale of intangible assets		**–**	1,367
Net cash inflow from disposal of subsidiary undertakings	16	**134,114**	–
Payment of deferred and contingent consideration		**(46,255)**	(7,402)
Acquisition of subsidiary undertakings, net of cash acquired	17	**(6,759)**	(93)
Net cash generated from/(used in) from investing activities		**79,332**	(8,355)
Financing activities			
Repayments of borrowings	13	**(56,671)**	(973)
Payment of share issue expenses		–	(9)
Net cash used in financing activities		**(56,671)**	(982)
Net increase/(decrease) in cash and cash equivalents		**3,283**	(5,085)
Cash and cash equivalents at start of period		**12,661**	17,532
Exchange gains on cash and bank overdrafts		**825**	214
Cash and cash equivalents at end of period		**16,769**	12,661

1. Basis of preparation

During the period, the Group changed its accounting reference date from 30 June to 31 December. The preliminary financial information therefore covers the 18 month period ended 31 December 2016.

The preliminary financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Standards Interpretations Committee ('IFRS IC') interpretations as adopted for use in the European Union and with Companies Act 2006 applicable to Companies reporting under IFRS. In preparing this financial information management has used the principal accounting policies as set out in the Group's annual financial statements for the year ended 30 June 2015 and which will be used in preparing the financial statements for the 18 month period ended 31 December 2016. There have been no changes to the accounting policies during the year, except as described below:

The following new standards and amendments to standards are mandatory for the first time for the financial period ending 31 December 2016 and have been applied by the Group, but have had no impact.

- IAS 1 (amendment) Financial statement presentation
- IAS 19 (amendment) Employee benefits
- IAS 24 (amendment) Related party disclosures: Presentation
- IFRS 13 Fair value measurement

The preliminary financial information has not been audited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 30 June 2015 has been extracted from the Group's financial statements for the year ended 30 June 2015. The auditors' report on the financial statements for the year ended 30 June 2015 was unqualified and did not contain statements under either section 498 (2) or section 498 (3) of the Companies Act 2006. The financial statements for the year ended 30 June 2015 have been delivered to the Registrar of Companies.

The Directors are satisfied, after making appropriate enquiries that the Group has adequate resources to continue in business for the foreseeable future and accordingly considers that it is appropriate to adopt the going concern basis in preparing the financial statements.

This preliminary financial information was approved by the Board of Sinclair Pharma plc on 20 March 2017.

2. Segment information

The chief operating decision maker has been identified as the executive management team. This team reviews the Group's internal reporting in order to assess performance and allocate resources. Based on this, management has determined that following the disposal of the non-aesthetics business that the continuing business consists of one reportable segment, which is Aesthetics.

The executive management team assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation, amortisation, exceptional items and share-based payments.

Continuing operations

	Unauditd 18 months ended 31 December 2016 £'000	Audited 12 months ended 30 June 2015 £'000
Revenue[1]	**45,489**	27,842
Cost of goods sold	**(13,674)**	(9,262)
Gross profit	**31,815**	18,580
Adjusted EBITDA	**(14,890)**	(4,329)

[1] *The revenue analysis above is stated net of inter-company sales.*

The executive management team also monitors business performance based on geographic destination of sales. Revenues on a geographic basis were as follows:

	Unaudited 18 months ended 31 December 2016 £'000	Audited 12 months ended 30 June 2015 £'000
European direct	**18,952**	13,060
Asia Pacific (APAC)	**10,051**	4,933
United States of America	**1,446**	193
Intercontinental	**15,040**	9,656
Total Revenue	**45,489**	27,842

A reconciliation of total adjusted EBITDA to total operating loss is provided as follows:

	Unaudited 18 months ended 31 December 2016 £'000	Audited 12 months ended 30 June 2015 £'000
Adjusted EBITDA	**(14,890)**	(4,329)
Depreciation	**(707)**	(451)
Amortisation	**(6,521)**	(4,437)
Impairment	**(480)**	–
Exceptional items (note 3)	**7,037**	(546)
Share-based payments	**(2,675)**	(1,971)
Operating loss from continuing operations	**(18,236)**	(11,734)

3. 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.

	Unaudited 18 months ended 31 December 2016 £'000	Audited 12 months ended 30 June 2015 £'000
Acquisition and business development costs	**(351)**	(524)
Adjustments to the value of contingent consideration	**13,631**	–
Restructuring costs	**(2,898)**	(22)
Inventory provision	**(1,800)**	–
Impairment charges	**(1,545)**	–
Exceptional administrative expenses	**7,037**	(546)
Prepaid arrangement fees - finance costs	**(2,861)**	–
Total exceptional costs	**4,176**	(546)

Adjustments to contingent consideration in the 18 months to 31 December 2016 include a credit of £8,539,000 following early settlement of all remaining milestones on the acquisition of Aqtis Medical BV resulting in a reduction to the total purchase consideration. It also includes adjustments of £3,001,000 following changes to the forecast timing of payments for certain milestones payable following the acquisition of Obvieline SAS and Silhouette Lift SL.

Further adjustments to contingent consideration in the 18 month period to 31 December 2016 include a credit of £2,091,000 following a reduction in the contingent purchase consideration of Juvinessence Limited which held the distribution rights for Silhouette in the UK. This adjustment follows a review of the forecast value of royalty payments. This is offset by an impairment charge of £1,545,000 relating to the corresponding intangible asset recognised on the repurchase of these rights in 2014. These adjustments have been credited to the income statement as the changes were triggered more than twelve months after the original acquisition completion date. There is no tax impact of these adjustments.

Following the disposal of the non-aesthetic products to create a focussed aesthetics business, the Group has undertaken an internal restructuring resulting in £2,898,000 of one-off severance and redundancy costs being incurred.

In the 6 month period ended 31 December 2015, the Group took a decision to de-stock its distribution partners. As a result during this period of below average sales the Group's inventory increased and aged. A decision was then made to withdraw inventory with a limited shelf life from commercial sale in order to provide partners and doctors product with as long a shelf life as possible. This has resulted in a provision for short life inventory of £1,800,000 in the 18 months ended 31 December 2016.

Prepaid arrangement fees on the Group's debt facility totalling £2,861,000 were expensed to the income statement on the repayment of borrowings in December 2015. This charge is deductible for tax.

In the 18 month period to 31 December 2016, acquisition and business development costs include £224,000 relating to the acquisition of Sinclair Pharma Brasil Ltda, and certain other costs arising on acquisitions from prior periods.

In 2015, acquisition and business development costs of £524,000, included £463,000 legal and professional expenses incurred in relation to the strategic review announced by the Board in November 2014 and £61,000 incurred in the acquisition of Aqtis Holdings BV, Silhouette Lift SL, and Obvieline SAS. These are non deductible for tax purposes.

4. Discontinued operations

On 26 November 2015, the Group entered into a sale agreement to dispose of all of the non-aesthetics business of the Group to Alliance Pharma Plc ('Alliance') in order to create a fast growing pure-play aesthetics business. The disposal completed on 17 December 2015, on which date control of the non-aesthetics business passed to Alliance. The disposal included the Group's interest in Sinclair Pharma France SAS, Advanced Bio-Technologies Inc, Sinclair Pharma srl, and Maelor Laboratories Limited, as well as certain IP assets.

The results of the discontinued operations, which have been included in the consolidated income statement were as follows:

	Unaudited 18 months ended 31 December 2016 £'000	Audited 12 months ended 30 June 2015 £'000
Revenue	**15,211**	48,045
Cost of sales	**(7,421)**	(18,863)
Gross profit	**7,790**	29,182
Selling, marketing and distribution costs	**(1,791)**	(5,331)
Administrative expenses	**(4,785)**	(7,574)
Operating profit and profit before taxation	**1,214**	16,277
Taxation	**62**	(114)
Profit for the period from discontinued operations	**1,276**	16,163
Pre tax loss on disposal of non-aesthetic business (note 16)	**(797)**	–
Attributable taxation credit	**3,342**	–
Profit for the period from discontinued operations (attributable to owners of the company)	**3,821**	16,163

Cash flows from discontinued operations

	Unaudited 18 months ended 31 December 2016 £'000	Audited 12 months ended 30 June 2015 £'000
Net cash inflows from operating activities	**2,647**	21,250
Net cash inflows from investing activities	**134,561**	513
	137,208	21,763

5. Finance expense

	Unaudited 18 months ended 31 December 2016 £'000	Audited 12 months ended 30 June 2015 £'000
Finance income		
Other finance income	**45**	–
Net foreign exchange gains on financing activities	**–**	1,964
	45	1,964
Finance expense		
Discount unwind on deferred consideration	**(8,489)**	(8,790)
Net foreign exchange losses on financing activities	**(1,770)**	–
Interest on bank loans and overdrafts	**(2,651)**	(5,652)
Other finance charges	**(68)**	(217)
Total finance expense (pre-exceptional items)	**(12,978)**	(14,659)
Exceptional finance costs	**(2,861)**	–
Finance expense	**(15,794)**	(12,695)

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.

Net foreign exchange losses of £1,770,000 (2015: gains of £1,964,000) arise from the difference in the Sterling: Euro and the Sterling: US Dollar exchange rates from the date of drawdown date of the group borrowing facilities and the date of repayment.

6 Taxation on loss on ordinary activities

	Unaudited 18 months ended 31 December 2016			Audited 12 months ended 30 June 2015		
	Continuing operations	**Discontinued operations**	**Total £'000**	Continuing operations	Discontinued operations	Total £'000
Current tax						
UK corporation tax	**–**	**15**	**15**	–	–	–
Overseas tax	**(985)**	**(231)**	**(1,216)**	67	(401)	(334)
	(985)	**(216)**	**(1,201)**	67	(401)	(334)
Deferred tax						
Utilisation of brought forward losses	**(66)**	**(200)**	**(266)**	–	(642)	(642)
Timing differences arising in the period	**(228)**	**–**	**(228)**	361	390	751
Reversal of temporary differences	**1,913**	**350**	**2,263**	630	539	1,169
Disposal of discontinued operations	**–**	**3,470**	**3,470**	–	–	–
	1,619	**3,620**	**5,239**	991	287	1,278
Tax credit on loss before taxation	**634**	**3,404**	**4,038**	1,058	(114)	944

7. Loss per share

The basic loss per share has been calculated by dividing the loss for the period, by the weighted average number of shares in existence for the period. The loss and weighted average number of shares for the purpose of calculating the diluted loss per share are identical to those used for the basic loss per share at 31 December 2016 and 30 June 2015, as the exercise of share options and warrants would have the effect of reducing the loss per share and therefore is not dilutive.

	Unaudited 18 months ended 31 December 2016	Audited 12 months ended 30 June 2015
Loss attributable to equity shareholders (£'000)	**(29,575)**	(7,208)
Weighted average number of shares (number)	**497,791,375**	496,983,706
Diluted weighted average number of shares (number)	**497,791,375**	496,983,706
Basic and diluted loss per share (pence)	**(5.9)p**	(1.5)p
Loss from continuing activities (£'000)	**(33,396)**	(23,371)
Basic and diluted loss per share from continuing activities (pence)	**(6.7)p**	(4.7)p
Profit from discontinued activities (£'000)	**3,821**	16,163
Basic and diluted earnings per share from discontinued activities (pence)	**0.8p**	3.2p

8. Goodwill

	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
Cost		
At 1 July	**128,628**	133,862
Additions (note 17)	**2,281**	1,646
Adjustments to provisional goodwill	**(604)**	(2,568)
Disposals (note 16)	**(79,852)**	-
Exchange adjustments	**14,777**	(4,312)
At 31 December 2016 and 30 June 2015	**65,230**	128,628
Accumulated impairment		
At 1 July	**6,556**	6,556
Disposals (note 16)	**(6,556)**	–
At 31 December 2016 and 30 June 2015	**–**	6,556
Net book value at period end	**65,230**	122,072

During the period ended 31 December 2016, the Group acquired Sinclair Pharma Brasil Ltda (note 17). The goodwill valuation for this acquisition remains provisional.

During the year ended 30 June 2015, the company acquired Medicalio SL and Arkea BV. Adjustments to provisional goodwill of £604,000 have been made following changes in the directors' estimates to the timing of certain milestone payments included within contingent consideration**.**

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.

Goodwill has been allocated to cash generating units ('CGU's). Following the disposal of the non-aesthetic business, the Group has reviewed the CGUs, and determined that the most appropriate allocation of CGUs for the aesthetic portfolio is by product, rather than the previous allocation which was on a regional basis. Product CGUs form an easily identifiable group of assets with independent cash flows. Whilst the Group continues to sell into separate international regions, regional cash inflows are not considered independent of each other.

Goodwill has been provisionally allocated to the following CGUs:

	Unaudited 31 December 2016 £'000	Restated 30 June 2015 £'000
Silhouette	**39,909**	29,859
Ellanse	**13,175**	10,968
Perfectha	**12,146**	10,111
Disposed products	**–**	71,134
	65,230	122,072

Goodwill is not amortised but tested annually for impairment or more frequently if there are indications that it may be impaired. Value in use calculations have been utilised to calculate recoverable amount. Value in use is calculated as the net present value of the projected post-tax cash flows of each CGU, discounted at 11.5% (2015: 11.5%), the Group's estimated post-tax weighted average cost of capital. The same discount rate is applied to each CGU because the Group is centrally funded.

The cash flows, which have been approved by the Board, have been projected over five years for all CGUs, representing the Director's best estimate of future product revenues and margins. Growth rate assumptions have been applied at an individual product and market levels and range from 0% (2015: 0%) to 121% (2015: 141%) for certain key strategic products in new markets.

Long-term growth rate assumptions beyond year five are 3.0% (2015: 2.0%) for all CGUs. These growth rates are consistent with forecasts used in industry reports for aesthetic products and reflects growth rates in emerging markets.

Value in use calculations generate significant headroom over recoverable amounts for all CGUs. Whilst forecasts are sensitive to growth rates for specific products, the Directors believe that any reasonably possible change in the key assumptions on which the recoverable amounts are based for all CGUs would not cause the carrying amount to exceed their recoverable amount.

9. Intangible assets

	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
Cost		
At 1 July	**150,907**	155,123
Additions	**1,611**	1,622
Additions arising on business combinations (note17)	**5,818**	3,373
Disposals	**(74,617)**	(7,718)
Adjustments arising on business combinations	**(1,060)**	–
Exchange adjustments	**17,324**	(1,493)
At 31 December 2016 and 30 June 2015	**99,983**	150,907
Accumulated amortisation and impairment		
At 1 July	**40,697**	40,888
Charge for the period	**8,361**	8,511
Impairment charge	**2,025**	–
Eliminated on disposal	**(36,622)**	(7,706)
Exchange adjustments	**1,872**	(996)
At 31 December 2016 and 30 June 2015	**16,333**	40,697
Net book value at period end	**83,650**	110,210

Additions arising on business combinations are the fair value of the identifiable intangible assets acquired which primarily relate to the product rights and trademarks covering the acquired products. The amount recognised of £5,818,000 in the 18 months to 31 December 2016 is in respect of the acquisition of Sinclair Pharma Brasil Ltda, details of which are in note 17.

Adjustments to business combinations of £1,060,000 represents a change in the intangible asset arising on acquisition of Arkea BV, following a re-appraisal of the asset valuation during the 12 month period subsequent to acquisition.

Additions in the period include payments to acquire direct distribution rights for Silhouette and Ellanse in various local markets and payments to achieve FDA approval for Silhouette in the US market (2015: represents payments to acquire direct distribution rights for Silhouette, Perfectha, and Ellanse in various local markets across the globe).

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.

Included in the impairment charge is £1,545,000 recognised in exceptionals (note 3) and £480,000 in respect of development costs for other products which have not been launched.

10. Trade and other receivables

	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
Trade receivables	**11,883**	24,380
Less provision for impairment of trade receivables	**(700)**	(483)
Trade receivables – net of provision	**11,183**	23,897
Other receivables	**1,343**	1,523
Prepayments and accrued income	**803**	2,244
	13,329	27,664

11. Trade and other payables

Current liabilities	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
Trade payables	**4,880**	12,576
Other taxes and social security costs	**853**	1,289
Other payables	**780**	851
Accruals and deferred income	**13,069**	7,890
	19,582	22,606
Non-current liabilities		
Accruals and deferred income	**1,000**	–

Total	**20,582**	22,606

12. Provisions

	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
At 1 July	**628**	178
Charged to the income statement – continuing	**536**	492
Charged to the income statement - discontinued	**550**	–
Utilised in the period	**(956)**	–
Released in the period	**–**	(20)
Exchange adjustments	**–**	(22)
At period end	**758**	628

Additional provisions of £1,086,000 (2015: £492,000) were established during the period of which £758,000 are unutilised at the period end (2015: £628,000). Of these £536,000 relate to ongoing legal disputes and £222,000 relates to costs arising on discontinued activities. All provisions are expected to be utilised within the next year.

13. Borrowings

	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
Bank loans	**–**	51,779
Amounts due to Group undertakings	**–**	–
Non-current borrowings	**–**	51,779
Obligations under finance leases	**–**	19
Current borrowings	**–**	19
Total borrowings	**–**	51,798

Following the disposal of the Non-Aesthetic business to Alliance Pharma Plc all external Group borrowings were repaid on 18 December 2015. Movement on borrowings for the Group are analysed as follows:

	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
At 1 July	**51,798**	54,559
Repayment of borrowings	**(56,671)**	(973)
Release of prepaid arrangement fees	**2,861**	–
Amortisation of prepaid arrangement fees	**250**	383
Direct issue costs	**(8)**	(207)
Exchange adjustments	**1,770**	(1,964)
At end of period	**–**	51,798

14. Other financial liabilities

Other financial liabilities include deferred and contingent purchase considerations which are due as follows:

	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
Obvieline SAS	**–**	6,044
Silhouette Lift SL	**4,400**	15,795
Other deferred and contingent consideration	**1,021**	1,262
Total Current	**5,421**	23,101
Obvieline SAS	**7,146**	1,268
Aqtis Medical BV	–	26,953
Silhouette Lift SL	**39,649**	44,940
Other deferred and contingent consideration	**446**	10,643
Total non-current	**47,241**	83,804
Discount	**(14,916)**	(29,189)
Total other financial liabilities	**37,746**	77,716

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.

Other includes:
Deferred consideration payable to the previous owner of SEPI AG, the original developers of Haemopressin, in annual instalments until March 2017. On 31 December 2016, £798,000 (30 June 2015: £476,000) is current, and £Nil (2014: £756,000) is non-current.

Deferred consideration is payable to the vendors of Medicalio, the former distributors of Silhouette in Spain. On 31 December 2016, £223,000 is current (30 June 2015: £181,000) and £340,000 is non-current (30 June 2015: £462,000).

Contingent consideration is payable to the former distributors of Silhouette in certain territories, representing royalties payable on the future net revenue from Silhouette in those territories.

Deferred and contingent consideration is payable as follows

	Unaudited 31 December 2016 £'000	Audited 30 June 2015 £'000
On demand or within one year	**5,421**	23,101
Over one and under two years	**10,564**	17,149
Over two and under five years	**22,945**	51,530
Over five years	**13,732**	15,125
Discount	**(14,916)**	(29,189)
Total other financial liabilities	**37,746**	77,716

15. Cash flows from operating activities

	Unaudited 18 months ended 31 December 2016 £'000	Audited 12 months ended 30 June 2015 £'000
Continuing operations		
Loss before tax	**(34,030)**	(24,429)
Exceptional Items	**(4,176)**	(546)
Loss before tax and exceptional items	**(38,206)**	(23,883)
Adjustments for:		
Finance costs	**12,933**	12,695
Share-based payments	**2,675**	1,971
Depreciation	**707**	451
Amortisation of intangible assets	**6,521**	4,437
Impairment recognised in administrative expenses	**480**	–
Loss/(profit) on disposal of intangible assets	**30**	(415)
Increase in provision for doubtful debts	**–**	(101)
Changes in working capital		
Increase in inventory	**(232)**	(301)
Decrease/(increase) in receivables	**5,751**	(2,345)
(Decrease)/increase in payables	**(6,644)**	(2,771)
Decrease in provisions	**(92)**	–
Net cash (outflow)/inflow from continuing operations before exceptional items	**(16,077)**	(10,262)
Exceptional costs paid	**(2,901)**	(1,010)
Net cash inflow/(outflow) from continuing operations	**(18,978)**	(11,272)
Discontinued operations		
Profit before tax	**417**	16,277
Adjustments for		
Depreciation	**49**	52
Amortisation of intangible assets	**1,840**	4,074
Share-based payments	–	72
Loss on disposal	**797**	–
Changes in working capital		
Decrease in inventories	–	274
Decrease in receivables	**5,692**	4,628
Decrease in payables	**(6,370)**	(4,127)
Increase in provisions	**222**	–
Net cash inflow from discontinued operations	**2,647**	21,250

Cash (used in)/generated from operations including discontinued operations	**(16,331)**	9,978

16. Disposal of non-aesthetic business

As referred to in note 4, on 17 December 2015 the group completed the disposal of its non-aesthetics business to Alliance Pharma Plc. The net assets of the non-aesthetics business at the date of disposal were as follows:

	Unaudited £'000
Attributable goodwill	73,296
Intangible assets	37,989
Property, plant and equipment and other non-current assets	402
Inventories	5,169
Trade and other receivables	12,123
Cash and cash equivalents	541
Trade and other payables	(10,953)
Foreign currency reserves	7,703
Net assets	**126,270**
Other disposal costs	4,182
Loss on disposal included in profit for the period from discontinued operations (note 4)	(797)
Total consideration	**129,655**
Satisfied by	
Cash and cash equivalents	**129,655**

17. Business combinations

Sinclair Pharma Brasil Ltda

On March 29 2016, the Company acquired 100% of the share capital of "Building Health Distribuidora de Produtos para a Saude Ltda", an off-the shelf company registered in Brazil, which will subsequently be renamed "Sinclair Pharma Brasil Ltda" (Sinclair Brazil). On 30 June 2016, the Company completed it's re-acquisition of the distribution rights for Silhouette Soft in Brazil and has transferred all related trade and assets into the acquired entity.

As a result of the acquisition, the Group now has a direct presence for Silhouette in the key Brazilian market via a 16 reps sales force, and is now additionally using the sales force to launch Perfectha. The goodwill of £2,281,000 arising from the acquisition is attributable to the economies of scale expected from selling Silhouette and Perfectha through the Group's direct sales forces in Brazil. Goodwill is not deductible for tax purposes.

Details of the consideration paid, the fair value of assets acquired and liabilities assumed, and goodwill arising are as follows:

	Book value £'000	Adjustments £'000	Fair values £'000
Intangible assets	21	5,797	5,818
Property, plant and equipment	5	–	5
Inventory	482	(80)	402
Trade and other receivables	93	(93)	–
Deferred tax liability	–	(1,971)	(1,971)
Net assets	**601**	**3,733**	**4,254**
Goodwill			2,281
Total consideration			**6,535**
Satisfied by:			
Cash consideration			**6,535**
Net cash outflow arising on acquisition			
Cash consideration			6,535
Acquisition costs recognised within exceptional items			224
			6,759

Sinclair Brazil contributed £2,443,000 revenue and a profit before tax of £355,000 to the Group's loss for period from the date of acquisition to 31 December 2016.

If Sinclair Brazil had been acquired on 1 July 2015, additional revenue of £4,886,000 and a profit before tax of £709,000 would have been included in the group financial statements.

17. Business combinations (continued)

Arkea BV

The Company acquired 100% of the issued share capital of Arkea BV, on 21 November 2014. Arkea BV owns the exclusive distribution rights to Silhouette in France and Switzerland.

As a result of the acquisition, the Group expects to increase its control of the distribution of the Silhouette brand. The goodwill of £847,000 arising from the acquisition is attributable to the economies of scale expected from selling Silhouette directly through the Group's direct sales forces in France, and through partners in Switzerland, alongside the Group's existing aesthetic portfolio. Goodwill is not deductible for tax purposes.

Goodwill of £847,000 (30 June 2015 provisional of £1,358,000) has been recalculated following revisions in management's assumptions around the timing and achievement of certain items of contingent consideration. Contingent consideration was correspondingly reduced to £1,769,000 from a provisional amount of £3,127,000. All contingent consideration has been settled in the 18 months to 31 December 2016.
Details of the consideration paid, the final fair value of assets acquired and liabilities assumed, and goodwill arising are as follows:

	£'000
Intangible assets	1,474
Trade and other receivables (contractual)	298
Cash and cash equivalents	12
Trade and other payables	(336)
Deferred tax liabilities	(369)
Net assets	**1,079**
Goodwill	847
Total consideration	**1,926**
Satisfied by:	
Cash consideration	157
Contingent consideration	1,769
Total consideration	**1,926**

Net cash outflow arising on acquisition

Cash consideration	157
Less: cash and cash equivalent balances acquired	(12)
	145

Contingent consideration comprised;

- a royalty earned on Silhouette sales in France and Switzerland in the first four years of the agreement which is not expected to exceed €1.6m
- a one-off payment payable in year four, equivalent to a multiple of sales in France which is capped at €4.5m
- a one-off payment payable in year four which is equivalent to a multiple of sales in Switzerland and is capped at €0.8m.

Contingent consideration included in the calculation of total consideration is calculated by discounting the contracted contingent consideration amounts to present value at the date of acquisition using a discount rate of 11.5%. All contingent consideration was settled in the period to 31 December 2016.

Medicalio SL

The Company acquired 100% of the issued share capital of Medicalio SL, on 14 May 2015. Medicalio SL owns the exclusive distribution rights to Silhouette in Spain.

As a result of the acquisition, the Group expects to increase its control of the distribution of the Silhouette brand. The goodwill of £195,000 arising from the acquisition is attributable to the economies of scale expected from selling Silhouette directly through the Group's direct sales force Spain alongside the Group's existing aesthetic portfolio. Goodwill is not deductible for tax purposes.

Goodwill of £195,000 (30 June 2015 provisional of £288,000) has been recalculated following revisions in management's assumptions around the timing and achievement of certain items of contingent consideration. Contingent consideration has been reduced to £642,000 from a provisional amount of £735,000.

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17. Business combinations (continued)

Details of the consideration paid, the provisional fair value of assets acquired and liabilities assumed, and goodwill arising are as follows:

	£'000
Intangible assets	770
Deferred tax liabilities	(231)
Net assets	**539**
Goodwill	195
Total consideration	**734**
Satisfied by:	
Cash consideration	92
Deferred consideration	642
Total consideration	**734**
Net cash outflow arising on acquisition	
Cash consideration	**92**

Deferred consideration included in the calculation of total consideration is calculated by discounting the contracted deferred consideration to present value at the date of acquisition using a discount rate of 11.5% (note 20). On 31 December 2016, £223,000 is current (30 June 2015: £181,000) and £340,000 is non-current (30 June 2015: £462,000).

18. Post balance sheet events

In March 2017, the Group entered into a new £10 million debt facility with Silicon Valley Bank to fund investment in future growth. The facility consists of a £5.0 million term loan maturing in September 2020 and a £5.0 million two year working capital facility. Proceeds of the facility will be utilised to fund working capital as the Group continues its rapid growth, and to invest in expanding and upgrading manufacturing capacity and pre US clinical trial development activities for Ellansé.

Subsequent to the year end, the Group has settled a warranty claim with Alliance Pharma plc relating to the disposal of the non-aesthetics assets, whereby Sinclair will pay Alliance £5.0m (£4.0m in 2017, £1.0m in 2018).