Venture
Life
Emerge anew

Venture Life Group plc
Annual Report & Accounts 2013

About Venture Life

Venture Life is an international consumer self-care company focused on developing, manufacturing and commercialising products for the ageing population. The Group's product range currently includes **food supplements** for lowering cholesterol and maintaining brain function, **dermo-cosmetics** for addressing the signs of ageing, and **medical devices** for improving minor aches and pains, dry eyes and itchy skin. The products, which typically are recommended by pharmacists or healthcare practitioners, are available primarily through pharmacies supplied by the Group's international distribution partners.

Through its manufacturing company, Biokosmes, the Group also provides development and manufacturing services to companies in the medical devices and dermo-cosmetics sectors.

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Highlights

"2013 was a landmark year for Venture Life, and the strong progress continued into 2014 with the fundraising, admission to AIM and acquisition of Biokosmes, which completed in March 2014."

Highlights of the year

- Revenues increased 66% to £0.49 million (2012: £0.29 million).
- Gross profits up 55% to £0.19 million (2012: £0.12 million).
- First launch in four markets of five products including NeuroAge and Lissio Ha.
- Fourteen distribution partner agreements signed.
- Exclusive rights secured to use the Benecol® brand for certain food supplement forms in certain countries.

Post-period end highlights

- Successful fundraising of £5.4 million (before expenses).
- Admission to the Alternative Investment Market of the London Stock Exchange ("AIM").
- Acquisition and integration of Biokosmes S.r.l, an Italian development and manufacturing business.
- Five new products added to the portfolio.

Business Overview

Developing innovative products

Venture Life has developed and is commercialising a range of products that target key areas of health for the ageing consumer, ranging from skin-ageing to cardiovascular health.

The Group is focused on developing and commercialising products which are clinically tested, proprietary products with global appeal. Strong supporting science underpins our products and we aim to bring new products to market quickly and cost-effectively.

Our products are sold into pharmacies through the Group's international network of distribution partners.

In addition, the Group has a strong development pipeline including products for addressing diabetes, cardiovascular health, obesity, cognitive function and skin-ageing. Products coming from the pipeline are expected to have intellectual property protection and be supported by independent clinical evidence of efficacy.

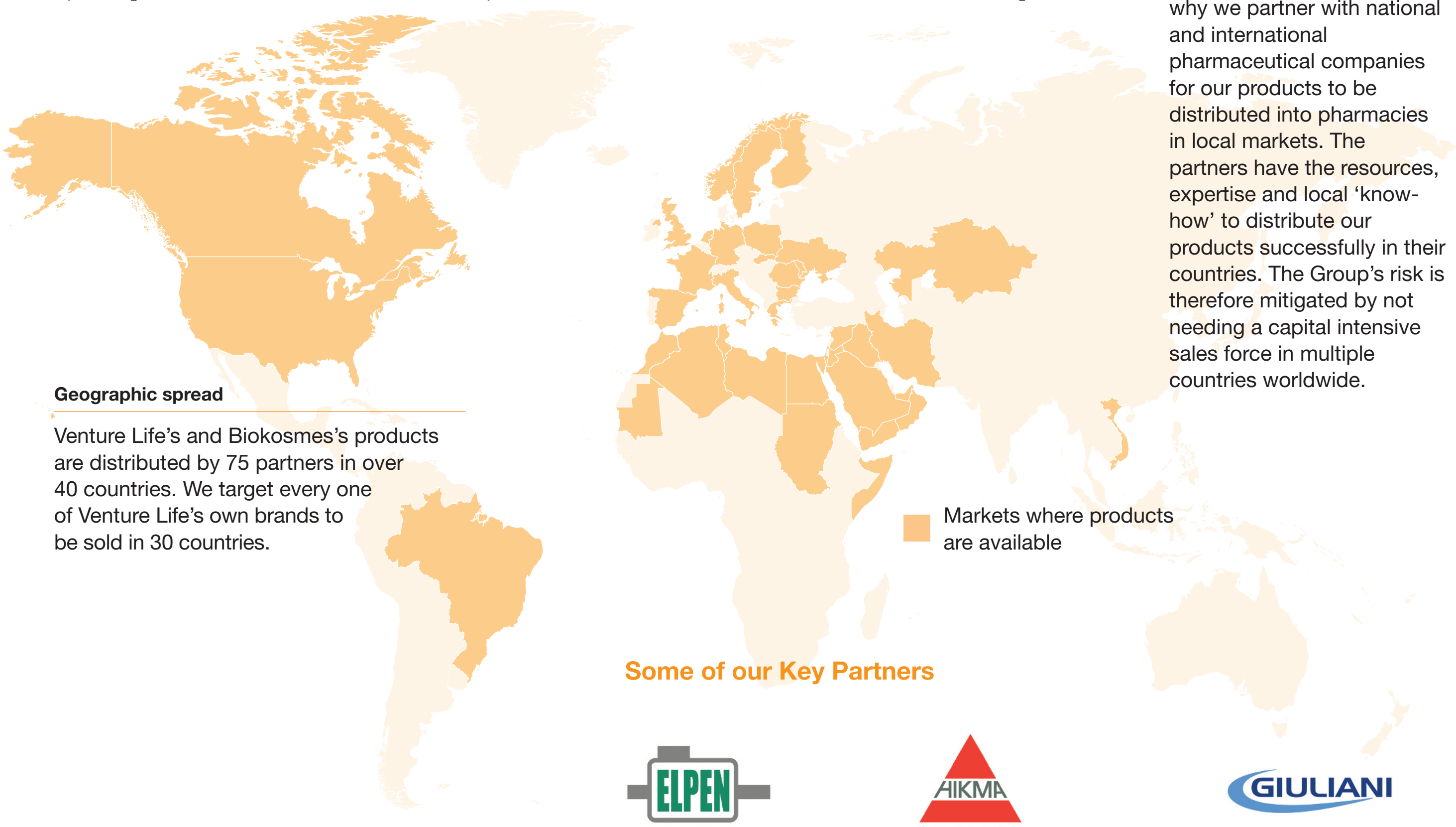
The Group's commercial strategy is focused on developing and commercialising innovative products for the international consumer self-care market, which are sold into pharmacies by the Group's international network of distribution partners.

The Group's product development strategy is focused on delivering products that are:

- consumer-facing and are attractive to distribution partners, pharmacies and consumers;
- safe, efficacious and satisfy significant unmet or poorly met market needs; and
- supported by objective clinical data, where appropriate, that validate the Group's products and differentiate them from the competition.

Partnering model

At Venture Life, we believe that our expertise lies in product development, manufacturing and product commercialisation. That's why we partner with national and international pharmaceutical companies for our products to be distributed into pharmacies in local markets. The partners have the resources, expertise and local 'know-how' to distribute our products successfully in their countries. The Group's risk is therefore mitigated by not needing a capital intensive sales force in multiple countries worldwide.



Geographic spread

Venture Life's and Biokosmes's products are distributed by 75 partners in over 40 countries. We target every one of Venture Life's own brands to be sold in 30 countries.

Some of our Key Partners

ELPEN
AIKMA QUALITY
GIULIANI
Ahran Co. Ltd.
HELSINN
RECORDATI

Product & Brand Overview

Meeting the needs of the ageing population

Venture Life has a range of products specifically formulated to address a number of the health issues associated with ageing. We intend to remain at the forefront of innovation and development in order to improve the well-being of individuals, and to create a worldwide presence for our portfolio of products.

	Product	Target	Therapeutic area
Medical Devices			
Procto-eze	**Procto-eze™**	Haemorrhoids	Proctology
Guma-eze	**Guma-eze™**	Dental gel	Dental
ZipClear	**ZipClear™**	Cold sores	Dermatology
Ox-eze	**Ox-eze™**	Aches and pains	Rheumatology
Calm-eze	**Calm-eze™**	Itchy skin	Dermatology
Immobilice	**Immobilice™**	Hair lice	Dermatology
dry-eze	**Dry-eze™**	Dry eyes	Ophthalmology
Food Supplements			
Benecol	**Benecol®**	Cholesterol reduction	Cardiovascular
NeuroAge	**NeuroAge™**	Brain/memory	Neurology
Dermo-cosmetics			
Bioscalin	**Bioscalin®**	Hair loss	Dermatology
Lissio Ha	**Lissio Ha™**	Fine lines/wrinkles	Dermatology
Lissio Light	**Lissio Light™**	Hyper-pigmentation	Dermatology
Lissio Pure	**Lissio Pure™**	Sensitive skin	Dermatology
lubatti	**Lubatti™**	Skin care	Dermatology

Benecol® is a registered trademark of Raisio plc.
All other trademarks are registered trademarks of the Group.

Our Objectives & Strategy

The Group's objective is to grow Venture Life into a leading international self-care products business, generating long-term and sustainable profits to benefit all stakeholders.
We plan to achieve this objective through implementing the following strategies:

1 Increase penetration and revenue through existing distribution partners

The Group's products (including those of Biokosmes) collectively are currently partnered in more than 40 countries.

The Group sees strong potential for organic growth in revenue coming from existing distribution partners, as products and product ranges are registered and launched and through Venture Life's continued product and customer service excellence.

2 Expand distribution partner network

The Group will continue to identify new distribution partners for the marketing of its current and future product portfolio. We are aiming for each of the Group's products to be marketed in 30 countries within five years of first launch.

Furthermore, Biokosmes products are currently sold in only a handful of countries under other customer brands and we believe that there are significant expansion opportunities for these products. The Group has recently invested in strengthening the commercial team across the business to help secure new distribution agreements for new countries.

3 Utilise in-house product development capabilities

The Group has an established, proven system for rapidly developing new products and bringing them quickly to market, at a relatively low cost. Historically, the Group has managed this process through the use of consultants and third-party contract manufacturers, but following the acquisition of Biokosmes in March 2014, the Group now has this capability for developing topical products in-house.

4 Improve gross margins

We aim to improve our gross margins across the business. Our manufacturing facility has largely fixed manufacturing costs, so increased revenues should naturally enhance gross margin on all products manufactured in-house. We intend to grow revenues by way of strengthening the commercial team and also by making modest infrastructure investment in the manufacturing facility. Furthermore we expect that, as our revenues grow, our own purchasing position with suppliers will be strengthened, leading to reduced supply costs and improved margins.

5 Expand international operations, including China and the Far East

China and the Far East represent potentially valuable markets for the Group. The Group has been working with a number of potential partners for over two years to distribute its products in China and anticipates that these discussions will lead to commercial agreements being signed in the near future. We intend to begin shortly the registration process for sales of our products in China. The Group is also in discussions with other Chinese companies regarding development and manufacturing opportunities.

The Group expects to execute its growth strategy through an integrated business model and the Group's core business processes are as follows:

1 New product development – innovation

The Group's new products are conceived through internal research and planning and are then refined collaboratively with the Group's Scientific Advisory Board, network of academic and commercial experts and market researchers. In some cases, product ideas are presented to the Group by distribution partners or third-party product technology licensors. The investment case for each product idea is assessed by the Group's new product development group against rigorous cost and market opportunity criteria before being progressed to the next stage.

2 New product development – creation

The Group develops the necessary formulation for new products, either through its in-house or external development facilities, using its own developed materials or those purchased or licensed from a third party. All product formulations are subject to feasibility, stability, safety, compatibility and production scale-up testing. Technical dossiers of the product are prepared and, where appropriate, clinical studies are commissioned.

Once the product is ready for manufacture and marketing, the product will initially be registered in Europe, and then subsequently in any further territories where the product will be launched.

3 Manufacturing

The manufacturing and packaging of topical products takes place at our manufacturing facility near Lecco, Italy. Control of the development, formulation and manufacturing processes enables the Group to deliver high quality customer service and improved profit margins. Manufacturing of our food supplements takes place at a number of third-party manufacturing plants.

4 Partner marketing

The marketing and sales of the Group's branded products are conducted through the Group's international network of distribution partners. Distribution partners are granted rights to distribute one or more of the Group's products in certain territories and they are obliged to provide sales and marketing support for the products. Distribution partners typically operate dual sales channels with teams marketing separately to healthcare providers, such as doctors and specialists, to obtain product endorsements, and to pharmacies for direct sales.

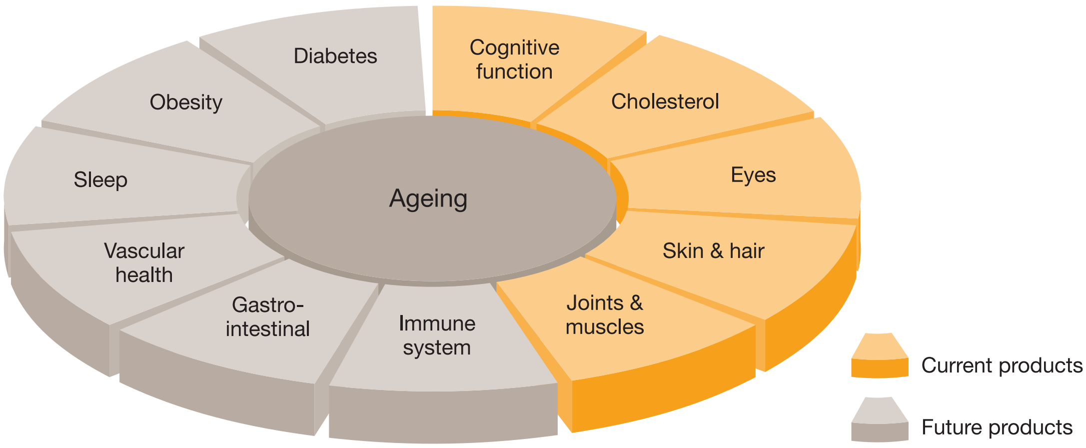
New Product Development

Venture Life's product portfolio currently addresses five therapeutic areas but we recognize the need to keep developing novel products that complement our existing range and meet consumer needs.

During 2013 the key new product launch was NeuroAge, a food supplement for maintaining cognitive function. We also entered the final phase of development of a food supplement form of plant stanol ester for the reduction of LDL cholesterol.

Additionally, we began development of product line extensions for NeuroAge and the plant stanol ester food supplement, as well as new food supplements including oral dosage forms for maintaining blood glucose control and improving sun-damaged skin.

A number of additional programmes directed to conditions affecting the eye, skin and hair, and endothelial dysfunction are expected to begin in 2014. These will include both food supplements and topical programmes.



Biokosmes S.r.l

On 27 March 2014 Biokosmes joined the Venture Life Group. Biokosmes is a long-established and profitable Italian company which develops and manufactures topical products, including cosmetics, dermo-cosmetics and medical devices. The Company offers full-service product development and manufacturing, from concept and creation through to providing a finished product ready for commercial scale manufacturing, with associated technical dossiers and clinical data packages.

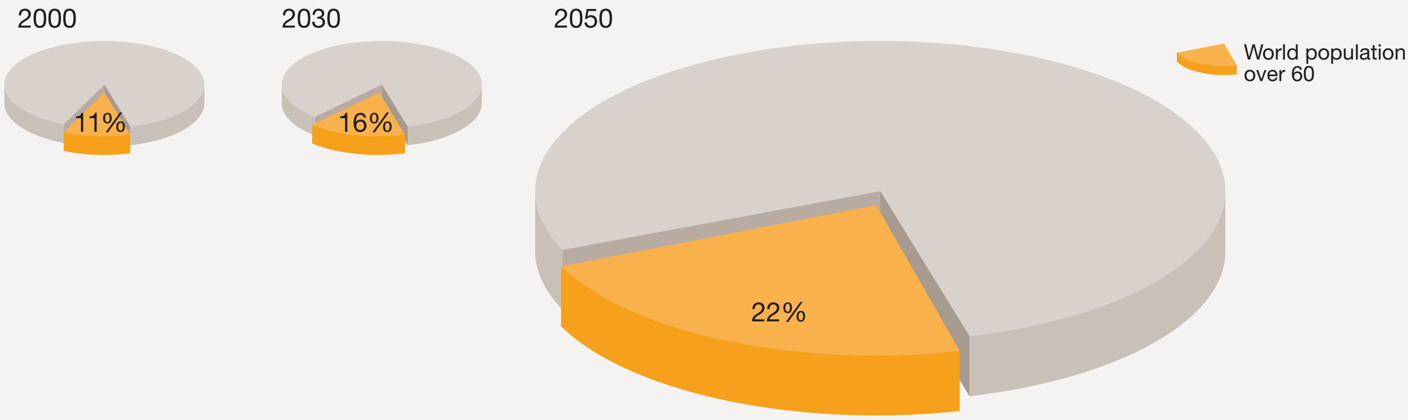
Biokosmes currently provides services to over 60 customers and has capacity to grow substantially. It owns over 1,000 product formulations and products manufactured by Biokosmes are sold in more than ten countries, including the United States.

The acquisition of Biokosmes brings together Venture Life's expertise in new product development, brand management and commercialisation, and Biokosmes's expertise in topical product development and manufacturing. In addition, we plan for Biokosmes's extensive library of proprietary formulations to be further profitably commercialised.

We believe that the Biokosmes business is very scalable and capable of handling larger order volumes without a significant increase in overhead costs. However, there is expected to be investment in Biokosmes's manufacturing capabilities as and when required to increase its capacity and range of product offering.

BIOKOSMES
SKIN CARE CONTRACT MANUFACTURER

The Market



Source: Global AgeWatch/HelpAge International

Increasingly ageing

The target market for the majority of the Group's products is the ageing population. According to Global AgeWatch, the segment of the world population that was over 60 years old in 2000 was 810 million (11% of the global population) and it is expected to grow to more than two billion by 2050 (22% of the global population).

Increasingly wealthy

One characteristic of the ageing population is that they control a significant proportion of financial wealth, and therefore have the ability to pay for self-care treatments. In the US, a recent study indicated that 77% of financial assets in the US were held by people aged 50 and over.

Healthcare budgets under pressure

This financial power of the ageing population is key as increasingly such consumers will be expected to fund more of their own self-care treatments. The pressures on the healthcare budgets of governments worldwide are expected to manifest themselves in a reduction in the number of medicines and treatments which governments are willing to fund, as well as the prices which they are prepared to pay. This is expected to affect both pharmaceutical companies and pharmacies alike and expectations are that they will increasingly be looking for products that provide an alternative source of profit.

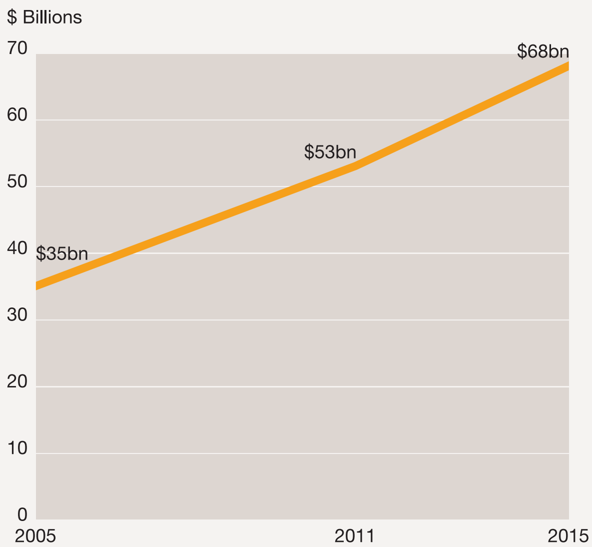
Many non-critical conditions are unlikely to receive funding support from governments, resulting in patients being expected to fund such treatment themselves. Evidence of consumers' preparedness to fund their self-care can be seen in the graph below which illustrates the historic and projected growth in the global food supplement market.

The pharmacy channel

The pharmacy is generally the retail setting where the ageing population will buy its non-critical medicines and the pharmacist is considered by consumers in many countries to be the first point of contact for non-critical ailments. As a result, the pharmacists seek to supply products that have demonstrable efficacy and generate a good margin, and consequently Venture Life is aiming to develop products that will prove attractive to pharmacists, as well as to consumers.

Projected growth of global food supplement market 2005-15

Source: A.T. Kearney www.atkearney.com



Chair's Statement

It gives me great pleasure to present my first statement as Chair of Venture Life Group plc.

The Group has made significant progress over the last 15 months, culminating recently in two transformational events, namely the admission to AIM and the acquisition of Biokosmes. The Group is now very well placed to capitalise on the opportunities presented by the growing ageing population and the move by consumers towards 'self-care'.

Venture Life's business model reduces financial and operational risk for the Group. We have developed our strategy to reflect the market opportunities and the Group's competencies, and believe that the business is highly scalable and capable of strong growth. We develop new products quickly and cost-effectively, and distribute them internationally through well-established and well-resourced distributors with strong local knowledge. The Venture Life team has negotiated and completed distribution agreements with 16 partners over the past three years and we expect those agreements to lead to growing and sustainable revenues.

We recognise the need to keep growing and build a long-term, sustainable business. To achieve this, the Group has been investing in its new product development pipeline, expanding the product range to include extensions of existing products as well as new products. We have also strengthened our commercial team to take advantage of the growing opportunities within the business. Early synergies from the Biokosmes integration have borne fruit with the recent launch of five new products by the Group based on existing Biokosmes formulations.

I have been impressed with the expertise, dedication and professionalism of the whole team at Venture Life and on behalf of the Board, I would like to thank them for their efforts and contributions.

I would like to take this opportunity to thank Dr Michael Flynn who stepped down as Chairman of the Board in November 2013. Michael has made a significant contribution to the Group's direction and growth since the Group was founded in 2010, both as Chairman and as a key contributor to the Group's product portfolio.

I would also like to thank Tony Ahearne and Andrew Sinclair, who stepped down from the Board of Venture Life in November 2013, for their valuable contribution and services to Venture Life over the past three years.

The Group has historically paid a dividend to shareholders and it is our intention to continue this policy. Consequently, the board will be proposing a final dividend of 0.04p (2012: 0.04p) per share for approval at this year's Annual General Meeting.

Venture Life has great momentum and is well-positioned for strong growth in 2014 and beyond. I look forward, with the rest of the Board, to reporting on our progress to shareholders.

Dr Lynn Drummond
Non-Executive Chair
4 June 2014

We believe that the business is highly scalable and capable of strong growth.

26

Number of distribution agreements signed by Venture Life since 2010.

Dr Lynn Drummond

Chief Executive Officer's Statement

2013 was a landmark year for Venture Life, and the strong progress continued into 2014 with the fundraising, admission to AIM and acquisition of Biokosmes, which completed in March 2014. The events of this period have been transformational for the Group. At the start of 2013, Venture Life was a small, private UK company, with a handful of international partners. Today, it is an international Group listed on the AIM market in London, with operations in two countries, nearly 70 employees, its own development and manufacturing facility for topical products, and 75 international partners with products distributed in over 40 countries.

The current growth phase really began in the first half of 2013 when the Group raised capital and expanded its international presence, such that by the end of 2013 it had 22 distribution deals in place. In March 2013, Venture Life signed a very significant long-term deal with Raisio Group to develop and market Benecol® as a food supplement in certain countries, under the Benecol® brand and using the patented plant stanol ester ingredient. Benecol® food products are currently sold in 27 countries. We believe that Benecol® food supplements sold through the pharmacy channel would have huge market potential.

During the second half of 2013, the commercial operations grew with further product launches. Alongside this, we intensified our corporate activity with the initiation of the process to acquire and integrate with Biokosmes, based near Lecco, Italy, as well as preparation for the fundraising and listing of the Company's shares on AIM.

Our products

The Group now has a range of 'ready for market' products that address the deterioration in the function or appearance of the human body across a number of therapeutic areas, including neurology, dermatology, and cardiovascular. We also have a developing pipeline of innovative products that will complement the existing range and we are excited about the opportunities that these new products will present through 2015 and 2016.

In addition, the acquisition of Biokosmes gives us access to a large portfolio of products that are available for international exploitation through our commercial team. We have already taken five of these formulations, branded them under the Venture Life umbrella, and signed our first distribution agreement covering four of these products.

We recognise that our business will only be successful if we develop products for which there is demand, and some of the proceeds from the recent fundraising have been allocated to support our new product development efforts. We pride ourselves on the speed and cost-effectiveness of our product development process and we look forward to updating shareholders on the progress of our pipeline.

Distribution of our products

Our commercial strategy is centred around establishing strong relationships with key distributors in territories across the globe to provide us with a scalable business without the drain on resources of an in-territory sales team. Our distribution partners are generally well-established pharmaceutical companies, providing local knowledge critical for enabling timely product registrations (where required) and for enabling swift access to the pharmacy channel through their existing relationships with buyers and decision makers. In the three years since it was founded, Venture Life has signed 26 distribution agreements with 16 distribution partners covering more than 30 territories and 14 brands. Of these agreements, 14 were signed in 2013 but with our recent fundraising we have been able to strengthen our commercial team significantly and we expect the number of new distribution partners to increase commensurately.

During 2012 and 2013 we laid the foundations for potential commercial deals in China through developing relationships with a number of Chinese companies. We have been encouraged by the nature of our discussions and the apparent demand for Western products from the Chinese market, which the Group is well positioned to meet now that it has in-house development and manufacturing capabilities.

40

The number of countries in which the Group's products are distributed.

Jerry Randall

Events following the balance sheet date

On 28 March 2014, Venture Life completed its £5.4 million fundraising (£4.2 million net of expenses) and the admission of its shares to AIM. As well as funding new product development and the strengthening of the Group's commercial team, the fundraising enabled the Company to complete the acquisition of Biokosmes, an Italian product development and manufacturing business.

The integration with Biokosmes brings together Venture Life's expertise in new product development, brand management and commercialisation, and Biokosmes's expertise in topical product development and manufacturing. One of the attractions of the Biokosmes business is its extensive library of proprietary formulations, some of which we believe can be profitably commercialised, and I am pleased to report that the initial response from our distribution partners to the first five such products that we have rebranded and repositioned has been very encouraging. Other benefits that we are expecting from the integration include the opportunity to bring more of our new product development and formulation work in-house, thereby reducing the cost incurred and time taken to develop certain types of new product. Similarly, we expect sales growth and gross margin improvement to be realised in two key ways. Firstly, Biokosmes currently manufactures 13 topical products for Venture Life, so we now bring the Biokosmes margin on these into the Group, which we expect to improve gross margin and to help our price competitiveness. Secondly, the cost base of Biokosmes is predominantly fixed, so by putting increased production volumes through the facility, the overall margin on all products manufactured there should improve.

Outlook

We have entered 2014 very optimistic about the future. We have great ambitions for Venture Life and believe that we are well-positioned for an exciting future and strong growth through:

- our business model, where the significant costs of selling and marketing products around the globe are borne by our partners;
- the markets in which we operate, as the rapidly growing ageing population and the changing landscape of healthcare funding mean there is strong demand for consumer-facing products sold through the pharmacy channel;
- our own in-house topical development and manufacturing, with capacity to grow output significantly; and
- our commercially focused team of experienced and motivated people.

We have a clear strategy for growth and the fundraising, admission to AIM and acquisition of Biokosmes demonstrate our ability to execute our strategy and build strong foundations for the future prosperity of your Company.

Jerry Randall
Chief Executive Officer
4 June 2014

NeuroAge™
NeuroAge is a food supplement designed to help the ageing brain. It supports alertness, cognitive function and mental performance.

The main ingredients of NeuroAge have been extensively tested in clinical studies.

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Financial Review

Statement of Comprehensive Income

Revenue for the year increased by 66% to £0.49 million (2012: £0.29 million). The increase in revenue from 2012 is largely attributable to new products being launched through six new distributors. Gross profit of £0.19 million (2012: £0.12 million) represented a gross margin of 38% (2012: 41%). The slight deterioration in the year-on-year gross margin resulted from a one-off additional cost incurred in fulfilling a customer order but we do not anticipate a recurrence of such cost. But for the one-off cost, gross margin in 2013 would have been 43%.

All sales are invoiced by the Group and all costs of sales are invoiced to the Group in euros and converted to sterling equivalent at the date of invoice using the £/€ exchange rate prevailing at that date. The average £/€ exchange rate during 2013 was £1/€1.18 compared to £1/€1.23 in 2012. The strengthening of the euro against sterling in 2013 by an average 4.8% would typically have improved gross profits by a similar amount. However, the strengthening of sterling against the euro that has started in 2014 will, if maintained, negatively affect reported revenues although we would expect cost of sales and euro denominated administrative expenses to be similarly reduced.

Administrative expenses, including an exceptional item of £0.1 million, were £1.28 million (2012: £0.9 million). The increase resulted largely from the investment in senior staff recruited across the business and one-off costs incurred during the year in relation to the Biokosmes acquisition which was agreed in November 2013 and completed in March 2014.

The loss after tax for the year amounted to £1.1 million (2012: £0.8 million), translating into a loss per share of 6.71p (2012: loss per share of 5.71p).

Statement of Financial Position

Total assets at the year-end were £2.0 million (2012: £0.69 million) with the principal movements during the year attributable to:

- an increase in intangible assets of £0.08 million (2012: decrease of £0.03 million), largely represented by an increase in development costs capitalised under IFRS;
- an increase in trade and other receivables of £0.75 million (2012: decrease of £0.03 million), relating to costs incurred in relation to the fundraising and admission to AIM which occurred after the period end and which will largely be offset against the Company's share premium account in 2014; and
- an increase in cash and cash equivalents of £0.37 million (2012: decrease of £0.01 million), following the issue of convertible loan notes and new shares.

The principal movements in Equity and Liabilities are accounted for as follows:

- an increase in share capital and share premium of £1.2 million (2012: increase of £0.53 million), following the issue of new shares in respect of new funds raised during the year;
- an increase in share-based payment reserve of £0.26 million (2012: increase of £0.08 million), following the grant of share options during the year;
- a decrease in retained earnings of £1.1 million (2012: decrease of £0.8 million), reflecting the loss made by the Group during the year;

The increase in revenue from 2012 is largely attributable to new products being launched through six new distributors.

James Hunter

Financial Review *continued*

- a decrease in the deferred licence provision of £0.15m (2012: decrease of £0.03 million), reflecting a reduction in deferred consideration payable in respect of an acquired intangible asset;
- an increase in convertible loan notes and loan note reserves of £0.39 million (2012: nil), following the issue of convertible loan notes; and
- an increase in trade and other payables of £0.68 million (2012: increase of £0.15 million), relating to costs incurred in relation to the fundraising and admission to AIM which occurred after the period end and which will largely be offset against the Company's share premium account in 2014.

Cash and treasury

Cash resources are made up of cash and cash equivalents, which include amounts on short-term deposits, and amounted to £0.45 million (2012: £0.08 million) at year end. Net cash inflow during the year was £0.37 million (2012: net outflow of £0.01 million).

The principal cash flows in the year were as follows:

Outflows:

- Operating cash outflow: £1.0 million (2012: £0.5 million).
- Purchases of intangible assets including capitalisation of development costs: £0.14 million (2012: £0.02 million).

Inflows:

- Issue of ordinary shares: £1.2 million (2012: £0.5 million).
- Issue of convertible loan notes: £0.38 million (2012: nil).

The Group has generally used short-term deposits so as to maintain liquidity of cash resources for utilisation in operations. The Group continues to monitor its treasury policy and position.

Dividends

The Group has historically paid a dividend and intends to continue doing so. The Board is recommending the payment of a dividend of 0.04 pence (2012: 0.04 pence) per share to shareholders on the register on 13 June 2014.

Events subsequent to the balance sheet date

On 27 March 2014, the Group completed the acquisition of Biokosmes. On 28 March 2014, the Group raised a total of £5.4 million (before expenses) through the issue of new shares and the Group's entire issued share capital was admitted to trading on the AIM market. The funds raised were used predominantly to fund the acquisition of Biokosmes and funds are also being applied to strengthen the Group's commercial team and new product development. Further information on events subsequent to the balance sheet date can be found in note 30 to the Consolidated Financial Statements.

James Hunter
Chief Financial Officer
4 June 2014

Lissio Ha™
Lissio Ha is a clinically-tested, anti-ageing dermo-cosmetic skincare range developed to reduce fine lines and deep wrinkles on the face and neck.

Lissio Ha contains a unique combination of three different types of Hyaluronic Acid to improve the firmness, compactness and elasticity of the skin.

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Principal Risks & Uncertainties

The principal risks and uncertainties that could have an adverse impact on the performance of the Group are detailed below.

Sales volumes being affected by a reduction in demand

Changes in demand for the Group's products could be caused by a number of factors, such as macro-economic factors, competition from other products, or the failure of a distribution partner to generate adequate sales. The Group aims to manage risk in this area by innovating with new products, by maintaining close and supportive relationships with its distribution partners, and by seeking new distribution partners in territories where the Group has no or little representation.

Sales volumes being affected by a delay in regulatory approval

The Group's products are primarily approved for use as functional cosmetics, food supplements and Class I medical devices that in certain regions, including Europe, require pre-market notification, but not pre-market authorisation or approval by the relevant authorities. If the Group does not comply with the regulatory requirements for these products, the products may be recalled and damage incurred to the relevant brand and/or the Group which in turn could affect the Group's revenues.

In other regions of the world where the Group either has distribution agreements in place or is actively seeking to establish them, the procedure for registering and having products authorised may differ from that in Europe. Other jurisdictions may require more lengthy registration and authorisation processes and the Group will be relying on its distribution partners to carry out this work in a timely manner. This in turn may lead to delays in product launches in certain territories but the Group works closely with its partners to support them through the process.

Gross margins being eroded by cost price inflation

Increases in the cost of goods would erode gross margins unless the Group was able to pass on any such increases to its distribution partners and customers. The Group aims to manage risk in this area by entering supply agreements with key suppliers which fix prices for specific periods and/or which agree the principles of any future price increases.

Adverse foreign exchange movements affecting profitability

The Group currently invoices all its customers in euros and the majority of the Group's cost of sales are denominated in euros and thus the Group is currently not unduly exposed to adverse movements in the euro/sterling exchange rate in relation to its gross profit. However, the Group's presentational currency is sterling and therefore the reported gross profit will depend on exchange rates prevailing during the relevant financial period. Furthermore a proportion of the gross profit generated in euros will need to be exchanged for sterling since a significant proportion of the Group's overhead costs are denominated in sterling and exchange rate gains or losses may arise owing to a difference in exchange rates between when transactions are booked and when currency is exchanged.

The Group actively monitors the principal foreign exchange rates and will adopt hedging strategies when it is felt to be appropriate.

Financial risk

The Group seeks to minimise its exposure to financial risk through issue of its own equity instruments to fund operating and investing activities. Where it is necessary to utilise debt funding, the terms of the financing is reviewed against future cash flow expectations to ensure that there are sufficient resources for the Group to meet its obligations under the financing arrangements. Further details relating to the Group's exposure to financial instrument risks are provided in note 27.

Key Performance Indicators

The Group uses a number of different key performance indicators (KPIs) across the business to facilitate performance management. The Group uses a combination of financial and operational KPIs and the principal financial KPIs used to manage the Group's performance during the year are set out below:

KPI	Description	2013	2012	Comment
Like-for-like revenue growth	Revenue growth excluding revenue growth from product acquisitions and disposals, any milestone or one-off licence fee payments and currency fluctuations	66%	(27)%	The increase in revenues in 2013 reflects the increase in the number of distribution agreements signed by the Company in 2012 and 2013.
Revenue growth	Growth in revenue between reporting periods	66%	(26)%	See comment above as all revenue growth was achieved from the same operations as in 2012.
Gross margin	Revenue less the cost of sale, expressed as a % of revenue	38%	41%	Gross margin achieved in 2013 was below the targeted 42%-46% as explained in the Financial Review.

Other financial KPIs will be employed as the business evolves and will be reported upon accordingly. The Group also uses a number of non-financial KPIs, including the number of new distribution agreements signed and new customer contracts secured, new product development output, customer and partner satisfaction levels, staff retention levels, and capacity utilisation levels at Biokosmes.

On behalf of the Board,

Jerry Randall
Chief Executive Officer
4 June 2014

Directors & Advisers

Dr Lynn Drummond

Non-Executive Chair

Lynn joined Venture Life as Non-Executive Chair in November 2013. Lynn has been non-executive chairman of Infirst Healthcare Limited since early 2013 and is also a non-executive director of Consort Medical plc, Allocate Software plc and Shield Therapeutics Limited. Previously Lynn spent 16 years at Rothschild in London most recently as a Managing Director within the investment banking division, with a particular focus on transactions within the healthcare sector. Prior to Rothschild, Lynn worked in the Cabinet Office in London as Private Secretary to the Chief Scientific Advisor.

Lynn holds a Bachelor of Science Degree in Chemistry from the University of Glasgow and a PhD in Biochemistry from the University of London. She is also a Fellow of the Royal Society of Chemistry and a Fellow of the Royal Society of Edinburgh.

John Sylvester

Non-Executive Director

John Sylvester joined the Venture Life board as Non-Executive Director in November 2013.

John is currently the Chief Commercial Officer for Interventional Medicine at BTG plc, following the £177 million acquisition of Biocompatibles by BTG. John joined Biocompatibles in 2005, taking responsibility for marketing, sales and business development, and was appointed to the Board as an executive director in the same year. His career covers a series of senior commercial roles for Rio Tinto Zinc plc, ICI plc and English China Clays plc where he was Managing Director prior to the acquisition by Imetal for £756 million.

Immediately before Biocompatibles, John was with Baxter Healthcare working out of their European HQ in Zurich where he was VP Marketing for their European Medication delivery business, a $750 million portfolio spanning both drugs and medical devices.

Jerry Randall

Chief Executive Officer

Jerry co-founded Venture Life in 2010. From 2000 to 2009, Jerry was CFO of Sinclair Pharma plc, an international specialty pharma business, now listed on the main market in London. Sinclair was founded in August 2000 when Jerry completed the management buy-in with Dr Michael Flynn.

Jerry enjoyed a career initially in corporate finance and was involved in buy-ins and acted as advisor to both private and quoted companies between 1993 and 2000, in capacities as nominated advisor and in practice with KPMG. Jerry has been involved in a number of flotations and transactions on the Official List, Unlisted Securities Market and AIM, as well as raising private equity. He qualified as a chartered accountant with KPMG in 1990.

Sharon Collins

Commercial Director

Sharon co-founded Venture Life in 2010 with Jerry Randall.

Sharon has more than 15 years' experience within the healthcare industry, predominately in marketing, international sales and business development roles. She worked for a leading dental manufacturer for eight years and launched many products during this time.

Sharon worked for Sinclair Pharmaceuticals for five years within the International Business Development field and successfully completed more than 35 international out-licensing deals during a two year period. She qualified from Lancaster University in 1996 with a degree in Marketing and gained her MBA (with Distinction) in 2005.

James Hunter

Chief Financial Officer

James joined the Group in September 2013 and was appointed to the Board on 10 October 2013. Prior to joining Venture Life, James was Finance Director at Proximagen Group plc, an AIM-listed biotechnology company. During his eight years at Proximagen, James was part of the management team that led Proximagen through an IPO and admission to AIM, undertook several company and product acquisitions, and oversaw the acquisition of Proximagen by Upsher-Smith Laboratories Inc. for £223 million in 2012.

Prior to Proximagen, James spent six years in the corporate finance team at Ernst & Young where he worked in mergers and acquisitions and corporate restructuring.

James has an MBA from Cranfield School of Management.

Directors & Advisers *continued*

Dr John Lucas
New Product Development & IP Director

Dr John Lucas joined the Group in September 2013 and was appointed to the Board on 10 October 2013. John has over 15 years of experience in the life sciences industry. Most recently, John held the position of Head of Patents, Biosimilars, at Boehringer Ingelheim Pharma GmbH & Co. KG. Before that, he was Chief Executive Officer of Cizzle Biotechnology. Prior to joining Cizzle, he was General Counsel and Vice President of Intellectual Property at Silence Therapeutics plc in London where he was responsible for a wide range of legal and business matters and played a key role in the corporate transaction with Intradigm Corporation.

John holds a law degree from George Washington University and a PhD in molecular genetics from The Ohio State University.

Gianluca Braguti
Manufacturing Director

Gianluca joined the Board on 24 March 2014 following the acquisition by Venture Life of Biokosmes, the company he founded.

Gianluca began this career working in his father's pharmacy, and then, after he graduated as a pharmacist, continued working for several years in the Milano University cosmetic Research and Development department researching cosmetic applications for raw materials used in different fields.

In 1990 he started developing formulations for Italian cosmetic brands mainly in the perfumery and pharmacy area and started his own contract manufacturing business, Biokosmes. In 1999 Biokosmes started developing and manufacturing medical devices, selling predominantly in Europe. In 2002 Biokosmes passed its first FDA inspection, and started exporting its products to the US.

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James Hunter

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BR3 4TU

Corporate Governance

Introduction

The Board sets out below its policies and procedures in respect of the Group's corporate governance activities. The Board is accountable to the Group's shareholders for good corporate governance and this statement describes how the principles of corporate governance are applied to the Group.

The Board

The Board of Venture Life Group plc comprises of two non-executive directors, one of whom chairs the Board, and five executive directors. The roles of Chairman and Chief Executive Officer are distinct and are held by different people to ensure a clear division of responsibility. The role of the non-executive directors is to bring valuable judgment and insight to Board deliberations and decisions. The non-executive directors are experienced and influential individuals whose blend of skills and business experience contributes to the proper functioning of the Board and its Committees, ensuring that matters are fully debated and that no individual or group dominates the Board's decision-making processes.

All Directors have access to the advice and services of the Company Secretary and are able in the course of their duties, if necessary, to take independent professional advice at the Company's expense. Committees have access to such resources as are required to fulfil their duties.

The Board receives regular reports detailing the progress of the Group's business, the Group's financial position and projections, as well as business development activities and operational issues, together with any other material deemed necessary for the Board to discharge its duties. The Chairman is primarily responsible for the effective operation and chairing of the Board and for ensuring that it receives appropriate information to make informed judgements.

The Board has a formal schedule of matters reserved to it for decision but otherwise delegates specific responsibilities to Committees, as described below. The terms of reference of the Committees are available on request from the Company Secretary. The Board is responsible for decisions, and the review and approval of key policies and decisions in respect of business strategy and operations, board appointments, budgets, items of substantial investment and acquisitions.

Board Committees

The Board has established an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee with written terms of delegated responsibilities for each. Details of these committees can be found on page 19.

Attendance at Board and Committee Meetings

The Directors attended the following Board meetings and committee meetings during the year:

Director	Board	Remuneration
Dr M Flynn[1]	11/11	2/2
Mr A Ahearne[1]	10/11	2/2
Mr A Sinclair[1]	8/11	2/2
Mr J Randall	11/11	–
Ms S Collins	10/11	–
Dr J Lucas[2]	3/3	–
Mr J Hunter[2]	3/3	–
Dr L Drummond[3]	1/1	–
Mr J Sylvester[4]	1/1	–
Total meetings held in the year	**11**	**2**

[1] Resigned from the Board on 29 November 2013
[2] Appointed to the Board on 10 October 2013
[3] Appointed to the Board on 20 November 2013
[4] Appointed to the Board on 5 November 2013

Under the Articles of Association all directors must offer themselves for re-election at least once every three years. One-third of the directors shall retire by rotation at every Annual General Meeting. All directors who retire by rotation are eligible for re-appointment.

Internal control and risk management

The Board has ultimate responsibility for the systems of risk management and internal control maintained by the Group and for reviewing its effectiveness.

The Board's approach is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss. It operates with principles and procedures designed to achieve the accountability and control appropriate to the business.

The Group does not consider it necessary to have an internal audit function due to the small size of the administrative function. Instead there is a detailed director review and authorisation of agreements and transactions. A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a regular basis and discussed in detail.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

The principal features of the Group's internal control system are as follows:

- an organisational structure is in place with clearly drawn lines of accountability and delegation of authority;
- Group employees are required to adhere to specified codes of conduct, policies and procedures;
- financial results and key operational and financial performance indicators are reported regularly throughout the year and variances from plans and budgets are investigated and reported;
- financial control protocols are in place to safeguard the assets and maintain proper accounting records; and
- risk management is monitored on an on-going basis to identify, quantify and manage risks facing the Group.

Shareholder relations

Venture Life aims to ensure a timely, open, comprehensive and consistent flow of information to investors and the financial community as a whole. By this approach we aim to help investors understand the Group's strategic objectives, its activities and the progress it makes.

Shareholders are welcome to attend the Group's Annual General Meeting ("AGM"), where they have the opportunity to meet the Board. All shareholders will have at least 21 days' notice of the AGM at which the Directors will be available to discuss aspects of the Group's performance and answer questions from shareholders. The Company also meets with its institutional shareholders and analysts as appropriate and uses the AGM to further encourage communication with shareholders. In addition, the Company uses the Annual Report & Accounts, Interim Statement and website to disseminate information to shareholders.

The 2014 AGM will be held on 30 June 2014 and a notice of meeting can be found enclosed with this report or on the Company's website.

The Audit and Risk Committee

The Audit and Risk Committee was formed at the start of the 2014 financial year in anticipation of the Company's admission to AIM and is chaired by John Sylvester with Lynn Drummond as the other member of the committee.

The committee has responsibility for considering all matters relating to financial controls and reporting, internal and external audits, the scope and results of the audits, the independence and objectivity of the auditor and keeping under review the effectiveness of the Company's internal controls and risk management.

The Audit and Risk Committee is expected to meet at least twice a year.

The Remuneration Committee

The Remuneration Committee is chaired by John Sylvester with Lynn Drummond as the other member of the committee.

The committee has responsibility for making recommendations to the Board on the Company's policy for remuneration of senior executives, for reviewing the performance of Executive Directors and senior management and for determining, within agreed terms of reference, specific remuneration packages for each of the Executive Directors and members of senior management, including pensions rights, any compensation payments and the implementation of executive incentive schemes.

Non-Executive Directors' fees are determined by the full Board.

The Remuneration Committee meets at least once a year. Further details of directors' remuneration are disclosed in the Directors' Remuneration Report.

The Nomination Committee

The Nomination Committee was formed at the start of the 2014 financial year in anticipation of the Company's admission to AIM and is chaired by Lynn Drummond with John Sylvester as the other member of the committee.

The committee has responsibility for considering the size, structure and composition of the Board, and the retirement and appointment of Directors, and will make appropriate recommendations to the Board about these matters. The Nomination Committee meets at least once a year.

Going concern

The Directors have prepared and reviewed financial forecasts. After due consideration of these forecasts and current cash resources, the Directors consider that the Company and the Group have adequate financial resources to continue in operation for the foreseeable future (being a period of at least twelve months from the date of this report). The Directors have therefore prepared the financial statements on a going concern basis.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
4 June 2014

Directors' Report

Financial statements

The Directors present their report and financial statements for the Company and Group for the year ended 31 December 2013.

Principal activities

The principal activities of Venture Life Group plc and its subsidiaries are the development and commercialisation of healthcare products, including food supplements, medical devices and dermo-cosmetics for the ageing population, the development and commercialisation of cosmetic products, and the manufacturing of a range of topical products for the healthcare and cosmetic sectors.

Business review

A detailed review of the business, its results and future direction is included in the Chair's and Chief Executive Officer's Statements.

New product development

Details of the Group's new product development programmes can be found on page 6. The accounting treatment is respect of costs incurred in carrying out the new product development programmes can be found in note 3.7 to the financial statements.

Political donations

The Group made no political donations in the year under review (2012: £nil).

Results and dividends

The results for the year and the financial position at 31 December 2013 are shown in the Consolidated Statement of Comprehensive Income on page 28 and the Consolidated Statement of Financial Position on page 29. The Directors recommend the payment of a dividend of 0.04p per share (2012: 0.04p per share). The results of the Group for the year are explained further in the Financial Review.

Directors

The following directors held office during the year and up to the date of this report:

Dr Lynn Drummond (appointed 20 November 2013)
John Sylvester (appointed 5 November 2013)
Jerry Randall
Sharon Collins
John Lucas (appointed 10 October 2013)
James Hunter (appointed 10 October 2013)
Gianluca Braguti (appointed 24 March 2014)
Dr Michael Flynn (resigned 29 November 2013)
Anthony Ahearne (resigned 29 November 2013)
Andrew Sinclair (resigned 29 November 2013)

Qualifying third-party indemnity provision is in place for the benefit of all directors of the Company.

External directorships

It is the Group's policy that its directors may take up other directorships provided that such appointments do not conflict with their employment with the Group. Individuals may retain any remuneration received from such services. External directorships held by the Directors who are in office as at the date of this report are detailed below:

Dr Lynn Drummond is a director of Consort Medical plc, Allocate Software plc, Infirst Healthcare Limited, Shield Holdings AG and Iron Therapeutic Holding AG.

John Sylvester is a director of Biocompatibles International Limited, Biocompatibles UK Limited, and Provensis Limited.

Jerry Randall is a director of Kinnier Dufort Design Limited, Kinnier Dufort Limited, Avantis UK Limited, Hootie Developments Limited and Stratton Ventures Limited.

Gianluca Braguti is a director of Immobiliare Cremasca di Parati Lucia e C. S.a.s. ("socio accomandante"), Farmacia S. Francesco dei dott. Braguti A. – L.G. S.n.c. ("socio amministratore"), A.Erre & Co. S.r.l, Biogenico Worldwide S.r.l, Biokosmes Immobiliare S.r.l, Di.Kosmes S.r.l in liquidazione (liquidation), Delife Pharma S.r.l and Grafco2 S.r.l.

Share capital

As at 31 December 2013, the issued share capital of the Company was:

	Number of Ordinary 0.3p shares	Amount £
Issued and fully paid up	16,961,424	50,884

Alterations to share capital

The Company issued bonus shares on 29 July 2013 at a ratio of 29 shares for each one share held. The ordinary shares were further consolidated and sub-divided in December 2013 resulting in a change in the nominal value of the ordinary shares from 1p to 0.3p. The disclosure above reflects these changes to the share capital of the Company.

Substantial share interests

At 30 May 2014, the Company had been advised or is aware of the following interests, held directly or indirectly, in 3% or more of the Company's issued share capital:

	Number of shares	Percentage of issued share share capital
J A P Randall and associated holdings	3,912,129	16.1
Dr M J Flynn and associated holdings	2,904,543	12.0
Aviva plc & its subsidiaries	2,422,018	10.0
A J Sinclair and associated holdings	2,145,943	8.8
Quilter Cheviot Limited	1,858,000	7.7
M A Ahearne	1,696,243	7.0
Miss S M Collins	1,384,166	5.7
L G Braguti	1,344,603	5.5

Employees

The Group is committed to providing equal opportunities in employment. All job applicants and employees receive equal treatment regardless of sex, race, colour, age, and nationality or ethnic origin.

The motivation of staff and the maintenance of an environment where innovation and team working is encouraged are seen as key objectives by the Board and all employees are given the opportunity to participate in the Company's share option scheme. We promote internal communication of the Group's progress by means of regular meetings held with staff where issues are discussed in an open manner.

The Board also recognises that a safe, secure and healthy working environment contributes to productivity and improved performance.

Environment

The Group is conscious of its responsibilities in respect of the environment and follows a Group-wide environmental policy. The Group disposes of its waste products through regulated channels using reputable agents.

Statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Events after the balance sheet date

On 28 March 2014 the ordinary 0.3p shares of the Company were admitted to trading on AIM in connection with a fundraising of £5.4 million (before expenses) in respect of which the Company issued a further 4,954,585 shares.

Prior to admission to AIM, the Company had committed to a number of share-based transactions which came into effect shortly before admission:

1. On 27 March 2014 the Company issued 821,421 ordinary 0.3p shares following the conversion of previously issued convertible loan notes into equity. Details of the loan notes, which had a nominal value of £375,000, can be found in note 22.
2. On 27 March 2014 the Company issued 168,526 ordinary 0.3p shares in respect of agreements it had entered into with suppliers for services that had been provided to the Group.
3. On 27 March 2014 the Company issued 1,358,185 ordinary 0.3p shares pursuant to the acquisition of Biokosmes as more fully described in note 30.

The total number of ordinary 0.3p shares in issue immediately following admission was 24,264,141.

On 28 March 2014, the Company announced that it had completed the acquisition of 100% of the share capital of Biokosmes, an Italian company which develops and manufactures topical products, including cosmetics, dermo-cosmetics and medical devices.

Further details of this transaction can be found in note 30 to the Consolidated Financial Statements.

General Meeting

The 2014 General Meeting will be held on 30 June 2014, the business of which is set out in the Notice of Annual General Meeting, which can be found enclosed with this report or on the Company's website.

On behalf of the Board,

Jerry Randall
Director
4 June 2014

Directors' Remuneration Report

This report sets out the remuneration policy operated by the Group in respect of the executive directors. Details of the members and meetings of the Remuneration Committee are disclosed in the Corporate Governance Report.

Remuneration policy overview

The aim of the remuneration policy of the Company is to encourage and reward superior performance by executives with performance being measured by reference to the achievement of corporate goals, strong financial performance and the generation of acceptable total shareholder returns.

The policy has been designed to offer rewards that:

- enable the Company to attract and retain the management talent it needs to ensure its success;
- incentivise the achievement of the Company's strategy and the delivery of sustainable long-term performance of the Company by the executives; and
- have flexibility that can accommodate the changing needs of the Company as it grows and as its strategy evolves.

During 2014 the Committee intends to undertake a review of its remuneration policy for the executive directors, to ensure that it remains appropriate as the Company develops. If the Committee proposes to make substantive changes to the executive director remuneration policy it will, as part of the review process, consult with shareholders. Any changes to the policy will be explained to shareholders in next year's report.

The remuneration policy

Remuneration levels are benchmarked against a sub-set of companies in the UK healthcare/small cap sector with the aim of achieving the following:

- base salary which is competitive, but not excessive;
- an annual cash bonus earned for the achievement of financial and non-financial objectives (part of which is discretionary);
- the grant of share options and long-term incentives with three year financial performance targets; and
- the provision of other benefits in line with market norms.

The Remuneration Committee believes that this policy enables the Group to retain and motivate the executive directors appropriately while still maintaining a strong 'pay for performance' culture within the Group. The Remuneration Committee will continue to review the policy on an annual basis to ensure that it is in line with the Group's objectives and shareholders' interests.

Executive service agreements

All executive directors (with the exception of Gianluca Braguti who has a five year fixed term contract) have rolling service contracts, details of which are summarised below:

Provision	Detailed terms
Contract dates	Jerry Randall – 12 December 2013 Sharon Collins – 12 December 2013 James Hunter – 12 December 2013 John Lucas – 12 December 2013 Gianluca Braguti – 27 March 2014 for five years until 28 March 2019
Notice period	All executives except Gianluca Braguti – Six months from the executive and thirty days from the Company. Gianluca Braguti – no notice period.
Remuneration entitlements	Jerry Randall: Salary, bonus tied to the performance of the Company's share price compared to the AIM All-Share index, contribution to a personal pension scheme, medical benefits, and a company car. Sharon Collins: Salary, bonus tied to the performance of the Company's share price compared to the AIM All-Share index and achievement of certain gross profit targets, contribution to a personal pension scheme, and medical benefits. James Hunter: Salary, bonus tied to the executive's personal performance, contribution to a personal pension scheme, and medical benefits. John Lucas: Salary, bonus tied to the executive's personal performance, contribution to a personal pension scheme, and medical benefits. Gianluca Braguti: Salary, bonus tied to the EBITDA performance of Biokosmes (effective from 27 March 2014), company car, medical benefits, and death in service insurance.

Directors' remuneration

At present, the executive directors, are entitled to receive salary, medical insurance, pension contributions, share options and a bonus. The remuneration paid to the directors in 2012 and 2013 is included in note 9 of the Notes to the Consolidated Financial Statements.

Salary

Basic salaries are reviewed annually and revised salaries take effect from the start of the financial year.

The Committee assesses the market competitiveness of pay primarily in terms of total remuneration, with less emphasis on base salary.

Pensions

The Group operates a Group Personal Pension scheme and also contributes to the personal pension plans of certain employees and directors. Under the scheme, the Group and employee will make contributions or the Group will make direct contributions under a 'salary sacrifice' arrangement. The scheme is open to executive directors and employees.

Share options

The Company issues share options to directors and staff to reward performance, to encourage loyalty and to enable valued employees to share in the success of the Company.

In setting up the share option schemes, the Remuneration Committee took into account the recommendations of shareholder bodies on the number of options to issue, the criteria for vesting and the desirability of granting share options to executive and non-executive directors.

All employees are generally offered share options under the Company's EMI or Unapproved share option scheme after three months' service. Option awards for employees are recommended by the executive directors and approved by the Remuneration Committee.

Share price related bonus payments

Mr Randall and Ms Collins are entitled to an annual bonus which is tied to the performance of the Company's share price compared to the AIM All-Share index. Relative performance will be measured in the first year after admission to AIM by comparing the performance of the Company's share price over the period between admission and the announcement of the 2014 preliminary results expected in March/April 2015 with the performance of the AIM All-Share index over the same period.

Other bonuses

The timing and amount of other bonuses are decided by the Remuneration Committee with reference to the individual's contractual entitlements, performance and contribution to the Group.

Non-executive directors

The non-executive directors have entered into letters of engagement with the Company, with the Board determining the fees paid to the non-executive directors. Non-executive directors do not participate in the Group's pension or bonus schemes in their capacity as non-executive directors. The appointments can be terminated upon three months' notice being given by either party.

Directors' share options

	Share option scheme	Options as at 31 December 2012	Options granted during the year	Options as at 31 December 2013	Date from which exercisable	Expiry date	Exercise price Pence	Performance conditions
Jerry Randall	EMI	705,700	–	705,700	31 Dec 2012	31 Aug 2022	45p	Non-market
Jerry Randall	EMI	–	162,187	162,187	1 Jul 2014	4 Nov 2023	41p	Non-market
Jerry Randall	Unapproved	–	483,333	483,333	1 Jul 2014	4 Nov 2023	41p	Non-market
Sharon Collins	EMI	705,700	–	705,700	31 Dec 2012	31 Aug 2022	45p	Non-market
Sharon Collins	EMI	–	162,187	162,187	1 Jul 2014	4 Nov 2023	41p	Non-market
Sharon Collins	Unapproved	–	483,333	483,333	1 Jul 2014	4 Nov 2023	41p	Non-market
James Hunter	EMI	–	300,000	300,000	9 Sep 2014	4 Nov 2023	82p	Non-market
James Hunter	EMI	–	300,000	300,000	1 Nov 2015	4 Nov 2023	82p	Non-market
John Lucas	EMI	–	200,000	200,000	1 Sep 2014	4 Nov 2023	82p	Non-market

No directors exercised any options during the year.

On behalf of the Board,

John Sylvester
Chairman of the Remuneration Committee
4 June 2014

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group.

In preparing each of the Group and Company financial statements, the Directors are required to:

a) Select suitable accounting policies and then apply them consistently.
b) Make judgements and accounting estimates that are reasonable and prudent.
c) For the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU and for the Company financial statements state whether applicable UK accounting standards have been followed subject to any material departures disclosed in the Company financial statements.
d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 corporate and financial information included on the Venture Life Group plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the members of Venture Life Group plc

We have audited the Group and parent Company financial statements ("the financial statements") on pages 28 to 60. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditor

As more fully explained in the Directors' Responsibilities Statement on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Colin Roberts FCA
(Senior Statutory Auditor)
For and on behalf of
Baker Tilly UK Audit LLP
Statutory Auditor
Chartered Accountants

Third Floor
One London Road
Cross Lanes
Guildford
Surrey
GU1 1UN

4 June 2014

Financial Information

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Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Notes	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Revenue	6	**486**	292
Cost of sales		**(301)**	(173)
Gross profit		**185**	119
Administrative expenses		**(1,178)**	(906)
Exceptional costs	7	**(105)**	–
Operating loss	8	**(1,098)**	(787)
Finance income		**1**	–
Finance costs		**(25)**	(1)
Loss before tax		**(1,122)**	(788)
Tax	11	**41**	–
Loss for the year		**(1,081)**	(788)
Other comprehensive income		**–**	–
Total comprehensive income for the year attributable to equity holders of the parent		**(1,081)**	(788)

All of the loss and the total comprehensive income for the year is attributable to equity holders of the parent.

		Year ended 31 December 2013 Pence	Year ended 31 December 2012 Pence
Loss per share			
Basic and diluted loss per share (pence)	12	**(6.71)**	(5.71)

Consolidated Statement of Financial Position

at 31 December 2013

	Notes	At 31 December 2013 £'000	At 31 December 2012 £'000
Assets			
Non-current assets			
Intangible assets	14	**457**	373
Property, plant and equipment	15	**10**	7
Available for sale financial assets	16	**31**	–
		498	380
Current assets			
Inventories	17	**174**	106
Trade and other receivables	18	**874**	122
Cash and cash equivalents	19	**453**	84
		1,501	312
Total assets		**1,999**	692
Equity and liabilities			
Capital and reserves			
Share capital	20	**51**	1
Share premium account	20	**2,668**	1,507
Other reserve	21	**50**	50
Convertible loan notes reserve	22	**39**	–
Share-based payment reserve	28	**338**	77
Retained earnings		**(2,589)**	(1,508)
Total equity attributable to equity holders of the parent		**557**	127
Liabilities			
Non-current liabilities			
Deferred licence provision	23	**35**	142
Convertible loan notes	22	**298**	–
		333	142
Current liabilities			
Trade and other payables	24	**1,051**	370
Deferred licence provision	23	**8**	53
Convertible loan notes	22	**50**	–
		1,109	423
Total liabilities		**1,442**	565
Total equity and liabilities		**1,999**	692

The financial statements on page 28 to 55 were approved and authorised for issue by the Board on 4 June 2014 and signed on its behalf by:

Jerry Randall
Director

James Hunter
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital £'000	Share premium account £'000	Other reserve £'000	Convertible loan reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2012	1	976	50	–	–	(715)	312
Comprehensive income:							
Total comprehensive income for the year	–	–	–	–	–	(788)	(788)
Transactions with shareholders:							
Issue of share capital	–	531	–	–	–	–	531
Share options charge	–	–	–	–	77	–	77
Dividends	–	–	–	–	–	(5)	(5)
Balance at 31 December 2012	1	1,507	50	–	77	(1,508)	127
Comprehensive income:							
Total comprehensive income for the year	–	–	–	–	–	(1,081)	(1,081)
Transactions with shareholders:							
Issue of share capital	1	1,210	–	–	–	–	1,211
Bonus issue	49	(49)	–	–	–	–	–
Issue of convertible loans	–	–	–	39	–	–	39
Share options charge	–	–	–	–	111	–	111
Share settled liability	–	–	–	–	150	–	150
Dividends	–	–	–	–	–	–	–
Balance at 31 December 2013	**51**	**2,668**	**50**	**39**	**338**	**(2,589)**	**557**

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Cash flow from operating activities		
Loss before tax	**(1,122)**	(788)
Finance income	**(1)**	–
Finance costs	**25**	1
Operating loss	**(1,098)**	(787)
Adjustments for:		
– Depreciation of plant, property and equipment	**4**	4
– Amortisation of intangible assets	**56**	52
– Finance cost	**(25)**	(1)
– Share-based payment expense	**111**	77
Operating cash flow before movements in working capital	**(952)**	(655)
Decrease in deferred consideration	**(2)**	(25)
Increase in inventories	**(68)**	(15)
(Increase)/decrease in trade and other receivables	**(711)**	29
Increase in trade and other payables	**698**	150
Net cash used in operating activities	**(1,035)**	(516)
Cash flow from investing activities		
Interest received	**1**	–
Proceeds on disposal of intangible assets	**–**	1
Purchases of property, plant and equipment	**(7)**	(5)
Purchases of intangible assets	**(140)**	(19)
Purchases of available for sale financial assets	**(31)**	–
Net cash used in investing activities	**(177)**	(23)
Cash flow from financing activities		
Proceeds from issuance of ordinary shares	**1,211**	531
Proceeds from issue of convertible loans	**375**	–
Dividends paid	**(5)**	(5)
Net cash from financing activities	**1,581**	526
Net increase/(decrease) in cash and cash equivalents	**369**	(13)
Cash and cash equivalents at beginning of period	**84**	97
Cash and cash equivalents at end of period	**453**	84

Notes to the Consolidated Financial Statements

for the year ended 31 December 2013

1. General information

Venture Life Group plc ("the Company") was incorporated on 12 December 2005 and is domiciled in the UK, with its registered office located at 2 Arlington Square, Downshire Way, Bracknell, RG12 1WA. The Company is the holding company for four wholly owned UK subsidiaries (together with the Company "the Group"), and since 27 March 2014 for Biokosmes S.r.l, its manufacturing subsidiary.

2. Basis of preparation

The principal activity of Venture Life Group plc and its subsidiaries is the development and commercialisation of healthcare products, including food supplements, medical devices and dermo-cosmetics for the ageing population, the development and commercialisation of cosmetic products, and the manufacturing of a range of topical products for the healthcare and cosmetic sectors.

The financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU, the International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and early adopted as at the time of preparing these financial statements and in accordance with the provisions of the Companies Act 2006.

The Consolidated Financial Statements included in the Company's Admission document, which is publicly available, are considered to be the first consolidated financial statements prepared in accordance with IFRSs and as such the disclosures required by IFRS 1 in respect of the change in reporting framework from Financial Reporting Standards for Smaller entities ("FRSSE") to IFRSs are not included in these Financial Statements.

The preparation of the Group's financial statements requires management to exercise its judgements in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.19.

3. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

3.1. Going concern

As part of its going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Going Concern and Liquidity Risk Guidance for UK Companies 2009".

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period. These forecasts include the funds raised on admission to AIM of £5.4 million (before expenses) and the acquisition of Biokosmes as detailed in note 30.

On the basis of the above projections, the Directors are confident that the Company and its Group have sufficient working capital to honour all of its obligations to creditors as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

3.2. Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company made up to the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

All subsidiary undertakings have year-end dates of 31 December.

3.3. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All subsequent changes in the fair value of contingent consideration classed as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

3. Summary of significant accounting policies *continued*

3.4. Foreign currencies

(a) Functional and presentational currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial information is presented in UK sterling (£), which is the Group's presentational currency. The functional currency of the Company is also UK sterling (£) which is the currency of the Company's funding arrangements and operating expenditure.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulting from such transactions are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.5. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

3.6. Property, plant and equipment

Equipment is stated at cost less accumulated depreciation and any provision for impairment.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following basis:

Office equipment over £500	25%-50% per annum, straight line
Fixtures and fittings over £500	20%-50% per annum, straight line

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The assets' residual values, useful lives and methods of depreciation are all reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation for the year has been charged to administrative expenses in the Statement of Comprehensive Income.

3.7. Internally-generated development intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated development intangible asset arising from the Group's product development is recognised if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Internally-generated development intangible assets are recognised at cost less accumulated amortisation and provisions for impairment. Amortisation is provided on a straight-line basis over the useful lives of the assets, commencing from the point where the final marketable product is completed, at the following rates:

Development costs	20% per annum, straight line

No amortisation has been provided in the current year as no products, for which costs have been capitalised, have reached the final stage of completion during the year.

3.8. Licences and trademarks intangible assets

Patents and trademarks are measured at purchase cost less accumulated amortisation and provision for impairment. Amortisation is provided on a straight-line basis over the estimated useful lives of the assets ranging from 5-10 years.

Amortisation for the year has been charged to administrative expenses in the Statement of Comprehensive Income.

3.9. Assets classified as available for sale

Assets available for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as Available for Sale if their carrying amount will be recovered through a sale transaction rather than through continuing use or in the case of financial assets they are not classified as being at fair value through profit and loss or held to maturity. Any revaluation on Available For Sale assets is recognised directly in equity through the Statement of Changes in Equity.

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3. Summary of significant accounting policies *continued*

3.10. Impairment of tangible and intangible assets

At each Statement of Financial Position date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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 market 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11. Inventories

Inventories are stated at the lower of historical cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first in first out method. Net realisable value represents the estimated selling prices less all estimate costs of completion and costs to be incurred in marketing, selling and distribution.

3.12. Financial Instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contracted rights to the cash flows from the financial asset expire or when the contracted rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the assets are impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Trade and other receivables are classified in the financial instruments note 27 as 'loans and receivables'.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified in the financial instruments note 27 as 'loans and receivables'.

(c) Equity instruments

Investments in equity instruments that are not key to achieving the strategic objectives of the Group are recognised as Available For Sale assets and are included at fair value less costs to sell with any changes in fair value being recognised in equity through the Statement of Changes in Equity.

Financial liabilities and equity

(a) Trade and other payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability. Trade and other payables are classified in the financial instruments note 27 as 'other financial liabilities'.

(b) Deferred licence provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that

3. Summary of significant accounting policies *continued*

reimbursement will be received and the amount of the receivable can be measured reliably.

(c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

3.13. Leases

Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease, except where another more systematic basis is more representative of the time pattern in which in which economic benefits from the lease asset are consumed.

3.14. Current and deferred tax

The tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years 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 dates of the Statements of Financial Position.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information 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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.15. Employee benefits

All employee benefit costs, notably holiday pay, bonuses and contributions to personal pension plans are charged to the Consolidated Statement of Comprehensive Income on an accruals basis.

3.16. Pension contributions

The Group contributes to the personal pension plans of certain employees. Contributions are charged to the Consolidated Statement of Comprehensive Income as they become payable.

3.17. Share-based payments

The Company issues equity-settled share-based payments (share options) to certain employees and others under which the Group receives services as consideration for those equity instruments in the Company. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense in the Group's Statement of Comprehensive Income over the vesting period on a straight-line basis, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation is adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the options at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Options over the Company's shares granted to employees of subsidiaries are recognised as a capital contribution by the Company to the subsidiaries.

When the options are exercised the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

When an agreement is reached for the settlement of a fixed liability for a fixed number of the Company's shares ("Fixed for Fixed") the value of the liability is de-recognised and is recognised in the share-based payments reserve at the date of the agreement.

3. Summary of significant accounting policies *continued*

3.18. Fair value estimation of financial assets and liabilities

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values because of the short-term nature of such assets.

3.19. Critical accounting estimates and judgements

The preparation of these financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported amounts of revenue during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting period are outlined below:

a) Recoverability of internally-generated intangible assets

In each of the years represented in these financial statements, there is a considerable balance relating to non-current assets – patents and trademarks. The Group's accounting policy covering the potential impairment of intangible assets is covered in note 3.10 to these financial statements.

An impairment review of the Group's patent and trademark balances is undertaken at each year end. This review involves the use of judgement to consider the future projected income streams that will result from the ownership of the aforementioned patents. The expected future cash flows are modelled over the remaining useful life of the respective assets and discounted present value in order to test for impairment. In each of the years ended December 2012 and 2013, no impairment charge was recognised as a result of these reviews.

b) Share-based payment charge

During 2013, the Group issued a number of share options to certain employees. There were no performance conditions attached to the issue of these options, hence the Black-Scholes model was used to calculate the appropriate charge for the year ended December 2013.

The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

c) Provisions

During the year ended 31 December 2010, a number of intangible assets were purchased on a deferred consideration basis. The Directors have analysed the terms of each agreement and modelled the expected consideration that they believe will be payable in the future. This involves the use of judgements by the Directors on expected future revenue streams and the use of an appropriate discount rate.

d) Fair values on acquisition

When acquiring a business, the Directors have to make judgements and best estimates about the fair value of the assets, liabilities and contingent liabilities acquired. These are estimated regardless of whether or not they were recognised in the financial statements of the subsidiary prior to acquisition. The valuation of externally acquired assets such as products, data or technologies requires judgements regarding the estimated future cash outflows required to commercialise the asset(s) and the cash inflows expected to arise from such commercialisation, discounted at a suitable rate reflecting the time value of money and the risks inherent in such activities.

3.20. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Directors.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

4. Financial Risk Management

4.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk Management is carried out by management under policies approved by the Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating segments. The Directors provide principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, non-derivative financial instruments and investment of excess liquidity.

a) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

b) Credit risk

Credit risk is the financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash reserves. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

4.2. Capital risk management

The Group's capital structure is comprised entirely of shareholders' equity.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions.

The Group funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders equity and loan arrangements which are linked to equity. There are no externally imposed capital requirements.

Financing decisions are made by the Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

5. Accounting developments

a) New standards, amendments and interpretations issued and adopted

The accounting policies, presentation and methods of computation are the same as those applied in the Group's Admission Document published in March 2014.

No accounting standards adopted in the year have had a significant impact upon the financial statements.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

The IASB and IFRIC have issued the following standards and interpretations with effective dates as noted below. The standards and interpretations to existing standards are mandatory for the Group's accounting periods beginning on or after 1 January 2014. The Group intends to adopt these standards when they become effective.

Standard	Key requirements	Effective date
IFRS 10, Consolidated Financial Statements	The standard's objective is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.	1 January 2014
IFRS 11, Joint Arrangements	IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures.	1 January 2014
IFRS 12, Disclosures of Interests in Other Entities	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2014
IAS 27 (revised 2011), Separate Financial Statements	IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	1 January 2014
IAS 28 (revised 2011), Associates and Joint Ventures	IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	1 January 2014
IAS 32, Offsetting Financial Assets and Financial Liabilities	The amendments clarify existing application issues relating to the offsetting requirements.	1 January 2014
IAS36, Impairment of Assets	The amendment provided clarification of disclosures required for recoverable amount of non-financial assets.	1 January 2014
IAS39, Financial Instruments: Recognition and Measurement	The amendments clarified the treatment of derivatives and hedge accounting	1 January 2014

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

It is expected that none of the above interpretations would have a material impact on these financial statements if applied.

Notes to the Consolidated Financial Statements *continued*
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6. Segmental Information

IFRS 8, Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the CODM to allocate resources to the segments and to assess their performance.

The Directors consider the business from a line-of-service perspective and uses operating profit/(loss) as its profit measure. The operating profit of operating segments is prepared on the same basis as the Group's accounting operating profit.

6.1 Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Sales of cosmetics £'000	Sales of healthcare products £'000	Consolidated Group £'000
Year ended 31 December 2013			
Revenue			
External sales	**31**	**455**	**486**
Total revenue	**31**	**455**	**486**
Results			
Operating loss	**(62)**	**(644)**	**(706)**
Year ended 31 December 2012			
Revenue			
External sales	73	219	292
Total revenue	73	219	292
Results			
Operating loss	(102)	(576)	(678)

The reconciliation of segmental operating loss to the Group's loss before tax is as follows:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Operating loss	**(706)**	(678)
Central administrative costs	**(392)**	(109)
Finance income	**1**	–
Finance costs	**(25)**	(1)
Loss before tax	**(1,122)**	(788)

Four customers generated revenue which accounted for more than 10% of total revenue, being £148,000, £76,000, £65,000 and £50,000 respectively. (2012: Four customers generated £71,000, £60,000, £56,000 and £37,000.)

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Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

6. Segmental Information *continued*

6.2 Segmental assets and liabilities

	At 31 December 2013 £'000	At 31 December 2012 £'000
Assets		
Sales of healthcare products	**1,091**	503
Sales of cosmetics	**111**	121
Unallocated assets	**797**	68
Consolidated total assets	**1,999**	692
Liabilities		
Sales of healthcare products	**375**	516
Sales of cosmetics	**6**	33
Unallocated liabilities	**1,061**	16
Consolidated total liabilities	**1,442**	565

6.3 Other segmental information

	Depreciation and amortisation £'000	Additions to non-current assets £'000
Year ended 31 December 2013		
Sales of healthcare products	**52**	**144**
Sales of cosmetics	**8**	**3**
	60	**147**
Year ended 31 December 2012		
Sales of healthcare products	50	21
Sales of cosmetics	6	3
	56	24

No impairment losses have been incurred on any assets.

6.4 Geographical information

The Group's revenue from external customers by geographical location of customer is detailed below:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Revenue		
UK	**31**	69
Europe (EEA)	**306**	136
Rest of the World	**149**	87
Total revenue	**486**	292

Notes to the Consolidated Financial Statements *continued*
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7. Exceptional costs

The Company has incurred professional services costs totalling £105,204 during the year in respect of the acquisition of Biokosmes. The purchase agreement was finalised and signed in November 2013 with the final acquisition subject to the admission to AIM which occurred on 28 March 2014.

8. Operating loss

Operating loss for the year has been arrived at after charging:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Depreciation of property, plant and equipment included in administrative expenditure	**4**	4
Amortisation of intangible assets included in administrative expenditure	**56**	52
Research and development costs	**48**	272
Operating lease rentals	**33**	27
Staff costs (note 9)	**738**	419
Auditor's remuneration		
– Fees for the audit of the Company and Consolidated Financial Statements	**27**	2
– Fees for the audit of the Company's subsidiaries	**10**	6
Net loss on foreign currency transactions	**20**	8

The Company paid £183,000 to Baker Tilly Corporate Finance LLP, an associate of the Group's auditor, for corporate finance services rendered for the purposes of the admission to AIM and fundraising. This cost has been deferred to the following year and will be deducted from the share premium raised from the fundraising in March 2014.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

9. Employee information

The average numbers of staff including executive directors employed by the Group during the year are as shown below.

	Year ended 31 December 2013 Number	Year ended 31 December 2012 Number
Sales and marketing	**3**	2
Directors	**5**	5
Other	**1**	1
	9	8

Their aggregate remuneration comprises:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Wages and salaries	**531**	283
Social security costs	**47**	27
Other pension costs	**37**	26
Other	**12**	6
Equity settled share-based payments	**111**	77
	738	419

Directors' remuneration 2013

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive directors							
Jerry Randall	135,000	15,000	10,126	160,126	24,000	11,291	195,417
Sharon Collins	102,500	15,000	1,313	118,813	10,250	15,554	144,617
James Hunter[1]	33,666	9,231	–	42,897	–	5,654	48,551
John Lucas[2]	29,167	6,666	–	35,833	1,458	4,589	41,880
Non-executive directors							
Lynn Drummond[3]	6,276	–	–	6,276	–	772	7,048
John Sylvester[4]	3,423	–	–	3,423	–	430	3,853
Michael Flynn[5]	41,000	–	–	41,000	–	–	41,000
Anthony Ahearne[5]	2,750	–	–	2,750	–	–	2,750
Andrew Sinclair[5]	–	–	–	–	–	–	–
Total	**353,782**	**45,897**	**11,439**	**411,118**	**35,708**	**38,290**	**485,116**

[1] Joined the Group on 9 September 2013.
[2] Joined the Group on 2 September 2013.
[3] Appointed as a director on 20 November 2013.
[4] Appointed as a director on 5 November 2013.
[5] Resigned as a director on 29 November 2013.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

9. Employee information *continued*

Directors' remuneration 2012

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive directors							
Jerry Randall	120,000	–	3,082	123,082	24,000	861	147,943
Sharon Collins	90,000	–	1,581	91,581	9,000	14,745	115,326
Non-executive directors							
Michael Flynn	2,250	–	–	2,250	–	–	2,250
Anthony Ahearne	2,250	–	–	2,250	–	–	2,250
Andrew Sinclair	–	–	–	–	–	–	–
Total	214,500	–	4,663	219,163	33,000	15,606	267,769

10. Pension costs and other post-retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in employees' own independently administered funds. The pension charge represents contributions payable by the Group and amounted to £37,104 (2012: £34,236). At year end an amount of £435 (2012: £185) was payable in respect of pension contributions charged during the year.

11. Income tax expense

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current tax		
Current tax on profits for the year	**–**	–
Adjustments in respect of earlier years	**(41)**	–
Total current tax expense	**(41)**	–
Deferred tax		
Origination and reversal of temporary differences	**–**	–
Total deferred tax expense	**–**	–
Total income tax credit	**(41)**	–

Tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Loss before tax	**(1,122)**	(788)
Loss before taxation multiplied by the small companies rate of corporation tax of 20% (2012: 20%)	**(224)**	(158)
Expenses not deductible for tax purposes	**–**	17
Research and development tax credit from earlier years	**(41)**	–
Change in unrecognised deferred tax asset	**224**	141
Income tax credit	**(41)**	–

There are no enacted or substantively enacted changes to the small profits tax rate.

As at the balance sheet date, the Group has unused tax losses of £2,436,000 (2012: £1,428,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the uncertainty of its recoverability.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

12. Earnings per share

A reconciliation of the weighted average number of ordinary shares used in the measures is given below:

	Year ended 31 December 2013 Number	Year ended 31 December 2012 Number
For basic and diluted EPS calculation	**16,118,556**	13,794,849

A reconciliation of the earnings used in the different measures is given below:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
For basic and diluted EPS calculation	**(1,081)**	(788)

The resulting EPS measures are:

	Year ended 31 December 2013 Pence	Year ended 31 December 2012 Pence
Basic and diluted EPS calculation	**(6.71)**	(5.71)

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted loss per ordinary share are identical to those used for basic loss per share. This is because the exercise of share options and conversion of the convertible loan notes would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33.

13. Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Final dividend	**–**	5

The directors recommend the payment of a dividend of 0.04p per share (2012: 0.04p per share).

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

14. Intangible assets

	Development costs £'000	Patents and trademarks £'000	Total £'000
Cost or valuation			
At 1 January 2012	–	466	466
Additions	–	19	19
Disposals	–	(1)	(1)
At 1 January 2013	–	484	484
Additions	120	20	140
At 31 December 2013	**120**	**504**	**624**
Amortisation			
At 1 January 2012	–	59	59
Charge for the year	–	52	52
At 31 December 2012	–	111	111
Charge for the year	–	56	56
At 31 December 2013	**–**	**167**	**167**
Carrying amount			
At 31 December 2012	–	373	373
At 31 December 2013	**120**	**337**	**457**

Included within patents and trademarks is £243,195 (2012: £279,169) relating to a licence agreement between the Group and Permapharm AG entered into on 30 September 2010. As at 31 December 2013, this licence had a remaining amortisation period of six years. Included within the capitalised cost of this licence is deferred consideration of £43,130 (2012: £194,872), see note 23 for further details.

All other trademarks, licences and patents are amortised over their estimated useful lives, which is on average five years.

All amortisation has been charged to administrative expenses in the Statement of Comprehensive Income.

15. Property, plant and equipment

	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost or valuation			
At 1 January 2012	1	8	9
Additions	–	5	5
At 1 January 2013	1	13	14
Additions	–	7	7
At 31 December 2013	**1**	**20**	**21**
Depreciation			
At 1 January 2012	–	3	3
Charge for the year	1	3	4
At 1 January 2013	1	6	7
Charge for the year	–	4	4
At 31 December 2013	**1**	**10**	**11**
Carrying amount			
At 31 December 2012	–	7	7
At 31 December 2013	**–**	**10**	**10**

All depreciation has been charged to administrative expenses in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

16. Available for sale financial assets

	Unlisted Investments £'000
Cost or valuation	
At 1 January 2013	–
Additions	31
At 31 December 2013	**31**
Accumulated impairment	
At 1 January 2013	–
Charge for the year	–
At 31 December 2013	**–**
Carrying amount	
At 31 December 2012	–
At 31 December 2013	**31**

The available for sale investments were acquired on 23 December 2013 for a consideration of €37,500 (£31,224). The Directors are not aware of any factors or events occurring between date of acquisition and the year end which would have a significant effect on the fair value of this investment and so are confident that there cost of the investment approximates its fair value at year end. Under IFRS the valuation inputs are categorised as level three inputs.

17. Inventories

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Raw materials	**86**	10
Finished goods	**88**	96
	174	106

During the year inventories with a cost of £262,950 (2012: £91,335) were expensed as cost of sales in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

18. Trade and other receivables

	At 31 December 2013 £'000	At 31 December 2012 £'000
Trade receivables	**82**	67
Prepayments and accrued income	**674**	17
Corporation tax recoverable	**41**	–
Other receivables	**77**	38
	874	122

Contractual payment terms with the Group's customers are typically 30-75 days.

As at the reporting date, no allowance had been made for overdue receivables (2012: nil).

The following is an analysis of trade receivables that are past due but not impaired. These relate to a number of customers for whom there is no recent history of defaults. The ageing analysis of these trade receivables is as follows:

	At 31 December 2013 £'000	At 31 December 2012 £'000
31 to 60 days	**–**	1
60 to 90 days	**8**	2
90 to 120 days	**–**	–
> 120 days	**1**	1
Trade receivables – net	**9**	4

The Directors consider that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on the Group's credit risk management policies, refer to note 27(d).

No allowance has been made against the overdue receivables based on historic default experience.

The Group does not hold any collateral as security for its trade and other receivables.

The amounts of trade and other receivables denominated in currencies other than pounds sterling are shown in note 27(c).

19. Cash and cash equivalents

	At 31 December 2013 £'000	At 31 December 2012 £'000
Cash and cash equivalents	**453**	84

All UK sterling denominated balances are held at National Westminster Bank (Moody's long term credit rating: A) and Barclays (Moody's long term credit rating: A) whilst the euro-denominated balances are solely held at National Westminster Bank.

The Directors consider that the carrying value of cash and cash equivalents approximates their fair value. For details on the Group's credit risk management policies, refer to note 27(d).

The amounts of cash and cash equivalents denominated in currencies other than pounds sterling are shown in note 27(c).

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

20. Share capital and share premium
Share capital
All shares are authorised, issued and fully paid.

	Ordinary shares of 0.3p each Number	£	Share premium £'000
At 1 January 2012	13,314,200	1,332	976
Share issue	1,179,800	118	531
At 1 January 2013	14,494,000	1,450	1,507
Share issue	2,467,424	807	1,210
Bonus issue	–	48,627	(49)
At 31 December 2013	**16,961,424**	**50,884**	**2,668**

The Group has one class of ordinary shares which carry no fixed income.

The Company issued bonus shares on 29 July 2013 at a ratio of 29 shares for each one share held. The ordinary shares were further consolidated and sub-divided in December 2013 resulting in a change to the nominal value of the ordinary shares from 1p to 0.3p. The disclosures above reflect these changes to the share capital of the Company.

The Company issued 2,274,100 ordinary 0.3p shares prior to the bonus issue noted with 1,022,000 of those shares being issued to Directors and connected parties. The shares were issued for a consideration of 45 pence per share.

Following the bonus issue the Company issued a further 193,330 ordinary 0.3p shares with a consideration of 97 pence per share. No shares were issued to Directors of the Company.

21. Other reserve
In 2010 the Company acquired 100% of the issued share capital of Venture Life Limited from Shareholders of the Company. The other reserve represents the share premium of Venture Life Limited at the time of acquisition.

22. Convertible loan notes and loan notes reserve
The notes are convertible into ordinary shares of the Company at any time between 31 December 2013 and the notes settlement date. If the notes have not been converted, they will be redeemed on 30 April 2016 at par. Interest of 7.5% will be paid quarterly up until that settlement date.

The net proceeds received from the issue of the convertible loan note have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company, as follows:

	£'000
Proceeds of issue of convertible loan notes	375
Equity component	(39)
Liability component at date of issue	336
Interest charged	12
Liability component at 31 December 2013	**348**

The current portion of the loan notes of £50,000 has been included in current liabilities.

The equity component of £39,000 has been credited to convertible loan note reserve.

The interest expensed for the year is calculated by applying an effective interest rate of 12% to the liability component for the period since the loan notes were issued. The liability component is measured at amortised cost.

As more fully described in note 30, the loan notes were converted into 821,421 ordinary 0.3p shares shortly before Admission on 28 March 2014.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

23. Deferred licence provisions

Provisions relating to deferred consideration on the purchase of intangibles are due as follows:

	At 31 December 2013 £'000	At 31 December 2012 £'000
Non-current	**35**	142
Current	**8**	53
	43	195

Movements in the deferred licence provisions balance have occurred as follows:

	2013 £'000	2012 £'000
At 1 January	**195**	220
Payments	**(5)**	(21)
Settled through share issue	**(150)**	–
Foreign exchange movements	**3**	(4)
At 31 December	**43**	195

The deferred licence provision relates to a licence agreement between the Group and Permapharm AG entered into on 30 September 2010 for the rights to certain Bioscalin products and their associated intellectual property. The Group has capitalised all costs attributable to the licence agreement.

As at 31 December 2013 the provision for deferred licence payments is £43,130 (2012: £194,872)

24. Trade and other payables

	At 31 December 2013 £'000	At 31 December 2012 £'000
Trade payables	**421**	157
Accruals and deferred income	**569**	191
Social security and other taxes	**24**	11
Dividend payable	**–**	5
Loans from Directors (note 29)	**4**	4
Other payables	**33**	2
	1,051	370

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 60-day terms.

The Directors consider that the carrying value of trade and other payables approximates their fair value.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the year.

The amounts of trade and other payables denominated in currencies other than pounds sterling are shown in note 27(c).

Notes to the Consolidated Financial Statements *continued*
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25. Operating lease arrangements

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	At 31 December 2013 £'000	At 31 December 2012 £'000
Within one year	**43**	18
After one year and within five years	**5**	–
	48	18

The operating lease payments are in respect of:

- The Group's UK head office in Bracknell which is renewable on an annual basis in November each year and does not have any contingent lease payments or restriction.
- The company car provided to the Group's Chief Executive Officer. This lease has a two year term where-upon the leased asset is required to be returned to the lessor.

26. Contingent liabilities

The Group entered into a manufacturing and license agreement with Biokosmes S.r.l on 4 August 2010 for the rights to certain pigmentation products. Under the agreement the Group is required to pay a royalty calculated at a rate of €0.50 per unit sold with a maximum royalty payable under the agreement of €180,000. No royalties were paid during the year (2012: £2,000). At year end the balance of the licence was £127,000 (2012: £125,000). The balance on the licence at the start of the year increased by £2,000 as a result of movements in foreign exchange rates. The Group is only obligated to pay the licence fee once the underlying products are sold and thus the liability for future royalties has not been recognised.

The Group entered into a manufacturing and license agreement with Biokosmes S.r.l on 4 August 2010 for the rights to certain anti-ageing products. Under the agreement the Group is required to pay a royalty calculated at a rate of €0.50 per unit sold with a maximum royalty payable under the agreement of €300,000. During the year £13,000 (2012: £4,000) was paid and recognised as a royalty in the profit and loss. At year end £205,000 (2012: £214,000) was payable in respect of the licence. The licence payable at start of the year increased by a net £4,000 as a result of movements in foreign exchange rates. The Group is only obligated to pay the licence fee once the underlying products are sold and thus the liability for future royalties has not been recognised.

27. Financial instruments

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them.

a. Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises are as follows:

- Trade and other receivables (excluding prepayments).
- Cash and cash equivalents.
- Trade and other payables (excluding accruals and deferred revenue).
- Deferred license provisions.
- Convertible loan notes.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

27. Financial instruments *continued*

Details of financial instruments by category are set out below:

	2013 £'000	2012 £'000
Financial assets		
Loans and receivables:		
Trade and other receivables	**237**	105
Cash and cash equivalents	**453**	84
	690	189
Financial liabilities		
Other financial liabilities:		
Trade and other payables	**632**	179
Deferred license provisions	**43**	195
Convertible loan notes (excluding equity component)	**348**	–
	1,023	374

Disclosures in respect of the Group's financial risks are set out below.

b. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk of foreign exchange fluctuations, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's policies for financial risk management are outlined in note 4.

c. Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk on sales, purchases, and translation of assets and liabilities that are in a currency other than the functional currency of its operating units.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities in euros and Swiss francs are shown below in the Group's presentational currency, (£).

At 31 December 2013	US$ £'000	SFr £'000	Euro £'000	**Total £'000**
Assets				
Trade and other receivables	–	25	45	**70**
Cash and cash equivalents	–	–	35	**35**
	–	25	80	**105**
Liabilities				
Deferred license provisions	–	–	43	**43**
Trade and other payables	66	–	233	**299**
	66	–	276	**342**
Net position	(66)	25	(196)	**(237)**

At 31 December 2012	US$ £'000	SFr £'000	Euro £'000	Total £'000
Assets				
Trade and other receivables	–	52	14	66
Cash and cash equivalents	–	–	1	1
	–	52	15	67
Liabilities				
Deferred license provisions	–	–	195	195
Trade and other payables	16	21	186	223
	16	21	381	418
Net position	(16)	31	(366)	(351)

27. Financial instruments *continued*

The following table details the Group's sensitivity to a 10% increase and decrease in the foreign currencies used by the Group against sterling. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% weakening or strengthening of the foreign currencies against sterling.

	£ currency impact strengthening £'000	£ currency impact weakening £'000
At 31 December 2012		
Assets	6	(6)
Liabilities	(41)	41
At 31 December 2013		
Assets	**11**	**(11)**
Liabilities	**(34)**	**34**

d. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and deposits with financial institutions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has an established credit policy under which each new customer is analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, and in some cases bank references.

An allowance for impairment is made when there is an identified loss event, which based on previous experience, is evidenced in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. At each reporting date, the Group had a significant concentration of cash held on deposit with certain banks in the United Kingdom. At December 2013, the concentration of credit risk held with these banks was £453,108 (2012: £83,630).

The Group considers its credit risk by counter party and geography.

At 31 December 2013, the Group was also owed £68,387 (2012: £51,961) from four (2012: two) of its major customers, the balance being shown under trade receivables.

No impairment was made against any of the above amounts at any of the Statement of Financial Position dates.

The carrying amount of financial assets recorded represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. In the Director's opinion there have been no impairments of financial assets in the periods in this financial information.

No collateral is held by the Group in relation to any of its financial assets.

e. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

The Directors manage liquidity risk by regularly reviewing the Group's cash requirements by reference to short term cash flow forecasts and medium term working capital projections prepared by management.

f. Maturity of financial assets and liabilities

All of the Group's financial assets and financial liabilities at each reporting date are either payable or receivable within one year with the exception of the deferred licence provisions as shown in note 23.

g. Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The Group is funded by equity comprising issued capital, and loan notes. The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital and retained profits. The Group has no externally imposed capital requirements.

Notes to the Consolidated Financial Statements *continued*
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28. Share-based payments

Share options are held by option holders in either the Venture Life Group plc Unapproved Share Option Plan ("Unapproved Plan") or under the Venture Life Group plc Enterprise Management Incentive Share Option Plan ("EMI Plan"). All options in both plans are settled in equity when the options are exercised.

Options under both plans currently vest based on the basis of time employed at Venture Life. The maximum term of the options is 10 years.

The IFRS 2 share option charge for the year was £111,000 (2012: £77,000) and is included in administrative expenditure in the Statement of Comprehensive Income. The Company also entered into a "Fixed for Fixed" arrangement for the settlement of a liability of £150,000 which has been credited to the share-based payment reserve.

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year.

	2013 Number	2013 WAEP (£)	2012 Number	2012 WAEP (£)
Total outstanding at beginning of the year	**1,566,400**	**0.45**	–	–
Granted during the year	**2,276,040**	**0.60**	1,566,400	0.45
Exercised	**–**	**–**	–	–
Forfeited	–	–	–	–
Total outstanding at 31 December	**3,842,440**	**0.56**	1,566,400	0.45
Exercisable at 31 December	**1,000,935**	**0.45**	500,469	0.45

The following table summarises information about the range of exercise prices for share options outstanding at 31 December:

	2013 Number	2012 Number
Range of exercise prices		
£0.00-£0.49	**2,932,440**	1,566,400
£0.50-£0.99	**910,000**	–
Total	**3,842,440**	1,566,400

At 31 December 2013, the weighted average remaining contractual life of options exercisable is 9.33 years (2012: 9.67 years).

The weighted average fair value of options granted in the year is 41p (2012: 87p).

The non-market performance conditions for all share options outstanding at 31 December 2013 and with a vesting date of 31 December 2013 or before have been achieved.

The share-based payment charge has been calculated using the Black-Scholes model to calculate the fair value of the share options that vest according to non-market performance conditions.

The inputs into the Black-Scholes model are as follows:	2013	2012
Weighted average share price (p)	**41**	45
Weighted average exercise price (p)	**60**	45
Weighted average expected volatility (%)	**37.6**	55
Weighted average expected life (years)	**5-6 years**	1-3 years
Weighted average risk free rate (%)	**1.47**	0.5
Expected dividends	**0.1%**	0.1%

a. The risk-free rate is based on the UK Gilt rate as at the grant date with a period to maturity commensurate with the expected term of the relevant option tranche.
b. The fair value charge is spread evenly over the period between the grant of the option and the earliest exercise date.
c. The expected volatility is based on the historical volatility of similar companies share prices over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The range of comparable companies has been reviewed for grants in the current year resulting in the decrease in expected volatility.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

29. Related party transactions
The following transactions were carried out with related parties:

(a) Other transactions with Directors
Total dividends paid to Directors in the year ending 31 December 2013 were £nil (2012: £3,406).

Interest totalling £2,584 (2012: £nil) has been paid on convertible loan notes issued to directors with a par value of £55,000.

There are also unsecured loans from Directors with a balance owing at year end of £4,087 (2012: £4,491). The unsecured loans are not interest bearing and are repayable on demand.

(b) Transactions with subsidiaries
Venture Life Limited
During the year the Company charged Venture Life Limited £339,420 (2012: £32,860) for corporate services provided and provided funding to Venture Life Limited totalling £1,140,600 (2012: £428,437). At year end an amount of £2,636,005 (2012: £1,155,985) was due from Venture Life Limited.

Lubatti Limited
During the year the Company charged Lubatti Limited £16,499 (2012: £8,215) for corporate services provided and provided funding to Lubatti Limited totalling £43,201 (2012: £906). At year end an amount of £390,100 (2012: £330,400) was due from Lubatti Limited.

The Company did not have any transactions or balances with Tracey Malone Originals Limited or Soffto Lubatti Limited.

(c) Transactions between subsidiaries
Venture Life Limited and Lubatti Limited
During the year Venture Life Limited provided funding to Lubatti Limited totalling £34,921 (2012: £44,438). At year end an amount of £169,524 (2012: £134,603) was due to Venture Life Limited.

Lubatti Limited and Tracey Malone Originals Limited:
During the year Tracey Malone Originals Limited charged Lubatti Limited £4,964 (2012: £6,043) for the use of its product licences. Lubatti Limited provided funding to Tracey Malone Originals Limited totalling £3,931 (2012: £163). At year end an amount of £5,551 (2012: £6,584) was due to Lubatti Limited.

(d) Transactions with other related parties
Services purchased from Avantis UK Limited totalled £48,000 (2012: £150,152). At 31 December 2013, the Group owed Avantis UK Limited £nil (2012: £40,606). Control of Avantis UK Limited is held by J Randall, a shareholder and director of the Company.

Services purchased from The Digital Bandit totalled £1,700 (2012: £3,080). At 31 December 2013, the Group owed The Digital Bandit £nil (2012: £1,460). Control of The Digital Bandit is held by a shareholder and relative of Dr M J Flynn, a former director of the Company.

Services purchased from Dr M J Flynn a shareholder and former director of the Group for consultancy services totalled £38,250 (2012: £18,338). At 31 December 2013, the Group owed Dr M J Flynn £27,377 (2012: £5,250).

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2013

30. Post balance sheet events

On 28 March 2014 the ordinary 0.3p shares of the Company were admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange ("Admission") in connection with a fundraising of £5.4 million (before expenses) in respect of which the Company issued a further 4,954,585 shares.

Prior to Admission, the Company had committed to a number of share-based transactions which came into effect shortly before Admission:

1. On 27 March 2014 the Company issued 821,421 ordinary 0.3p shares following the conversion of previously issued convertible loan notes into equity. Details of the loan notes, which had a nominal value of £375,000, can be found in note 22.
2. On 27 March 2014 the Company issued 168,526 ordinary 0.3p shares in respect of agreements it had entered into with suppliers for services that had been provided to the Company.
3. On 28 March 2014 the Company issued 1,358,185 ordinary 0.3p shares pursuant to the acquisition of Biokosmes as detailed below.

The total number of ordinary 0.3p shares in issue immediately following Admission was 24,264,141.

On 28 March 2014, the Company announced that it had completed the acquisition of 100% of the share capital of Biokosmes, an Italian company which develops and manufactures topical products, including cosmetics, dermo-cosmetics and medical devices.

Founded in 1983 and based north of Milan, Italy, Biokosmes provides product formulation, development and manufacturing services to over 60 customers, including Venture Life. The acquisition and integration of the two companies brings together Venture Life's expertise in brand and product development, and commercialisation, with Biokosmes's extensive knowledge and expertise in topical product development and manufacturing.

The initial consideration payable to the vendors of Biokosmes at the time of the acquisition amounted to €4.2 million in cash, €2.0 million in the form of a loan note convertible under certain circumstances into Venture Life Group plc ordinary 0.3p shares ("Shares"), and 1,358,185 Shares. Further consideration in the form of 5,639,393 new Shares will be issued shortly to the vendors on the basis that the audited EBITDA* achieved by Biokosmes in the financial year ended 31 December 2013 amounted to €1.944 million. Following the issue of these new Shares, the total number of Shares in issue will be 29,903,534.

Due to the limited time available between the acquisition and the approval of these financial statements, the Group is still in the process of finalising the list of identifiable assets and liabilities and establishing the fair values of those assets and liabilities acquired but it is anticipated that the fair value of the consideration paid over the book value of the net assets acquired will include customer relationships and goodwill representing the value attributable to new business and the assembled and trained workforce.

As at the date of acquisition, 27 March 2014, the net assets of Biokosmes, based on unaudited management accounts and reported under IFRS, amounted to £1.8 million (€2.2 million).

* Earnings before interest, tax, depreciation, amortisation and exceptional costs

Parent Company Balance Sheet

at 31 December 2013

	Notes	At 31 December 2013 £'000	At 31 December 2012 As restated £'000
Fixed assets			
Investments	6	**955**	304
		955	304
Current assets			
Debtors	7	**3,429**	1,495
Cash at bank		**78**	58
		3,507	1,553
Creditors			
Amounts falling due within one year	8	**(765)**	(16)
Net current assets		**2,742**	1,537
Total assets less current liabilities		**3,697**	1,841
Creditors			
Amounts falling due after one year	9	**(298)**	–
		(298)	–
Net assets		**3,399**	1,841
Capital and reserves			
Called up share capital	10	**51**	1
Share premium account	11	**2,930**	1,769
Convertible loan note reserve	11	**39**	–
Share-based payment reserve	11	**338**	77
Profit and loss account	11	**41**	(6)
Shareholders' funds		**3,399**	1,841

The financial statements on page 56 to 60 were approved and authorised for issue by the Board on 4 June 2014 and signed on its behalf by:

Jerry Randall
Director

James Hunter
Director

Notes to the Parent Company Balance Sheet

for the year ended 31 December 2013

1. Basis of preparation

The Company Balance Sheet and related notes have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

As permitted by s408 of the Companies Act 2006, the profit and loss account of the Company is not presented in this Annual Report. As permitted by FRS 1, Cash Flow Statements, no cash flow statement for the Company has been included on the grounds that the Group includes the Company in its own published consolidated financial statements. The Company has taken advantage of the exemption in FRS 8, Related Party Disclosures not to disclose related party transactions with other wholly-owned members of the Group.

These financial statements present information about the Company as an individual undertaking and not about its Group.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements:

a) Investment in subsidiary undertakings and impairment review

Investments in subsidiary undertakings where the Company has control are stated at cost less any provision for impairment. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

b) Share-based payments

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

In accordance with UITF 44, when the Company grants options over equity instruments directly to the employees of a subsidiary undertaking, the effect of the share-based payment, as calculated in accordance with FRS 20, is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity.

c) Taxation

Corporation taxes are recorded on taxable profits at the current rate.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19 – Deferred Taxation.

Deferred tax is measured at the rates that are expected to apply in the period when the timing differences are expected to reverse, based on the tax rates and law enacted or substantively enacted at the balance sheet date.

Deferred tax assets are only recognised to the extent that the company is certain that there will be sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

d) Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are charged/credited to the profit and loss account.

e) Leases and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

3. Profit attributable to members of the parent Company

As permitted by s408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The profit dealt with in the financial statements of the Company was £47,000 (2012: Loss – £27,000 as restated).

The auditor's remuneration in respect of audit services provided to the Company is disclosed in note 8 of the Notes to the Consolidated Financial Statements of the Group.

Notes to the Parent Company Balance Sheet *continued*
for the year ended 31 December 2013

4. Directors' remuneration
Details of directors' remuneration are disclosed in Note 9 to the Consolidated Financial Statements of the Group.

5. Prior year adjustment
Change in accounting framework
In the prior year the Company qualified as a small company as set out in Companies Act 2006 and so prepared its financial statements in accordance with Financial Reporting Standards for Smaller Entities. The Company converted into a public company during the year and as a result it no longer qualifies for the small company exemptions and is required to prepare these financial statements in accordance with United Kingdom Financial Reporting Standards.

The primary difference in the change in the above standards is that the Financial Reporting Standards for Smaller entities does not require the inclusion of a charge for share based payments which is required under United Kingdom Financial Reporting Standards. In order to comply with the FRS 20, Share-Based Payments the Company has decreased the profit reported in the previous year by £36,000 in respect of the share options charge for 2012 and has also increased the investments in subsidiaries by £41,000 in respect of share option granted to employees of the subsidiaries. There was a corresponding increase of £77,000 in the Share-based payment reserve. The net effect on shareholders' funds was an increase of £41,000.

No tax adjustments have been made as there is no corporation tax effect until the options are exercised.

6. Investments

	Investments in subsidiary undertakings Shares £'000	Loan £'000	Capital contributions from share-based payments £'000	Other investments £'000	Total £'000
Cost					
At 1 January 2012	263	–	–	–	263
Additions	–	–	41	–	41
At 1 January 2013 (as restated)	263	–	41	–	304
Additions	–	390	230	31	651
At 31 December 2013	**263**	**390**	**271**	**31**	**955**
Accumulated impairment					
At 1 January 2012	–	–	–	–	–
Charge for the year	–	–	–	–	–
At 1 January 2013	–	–	–	–	–
Charged during the year	–	–	–	–	–
At 31 December 2013	**–**	**–**	**–**	**–**	**–**
Net book value					
At 31 December 2013	**263**	**390**	**271**	**31**	**955**
At 31 December 2012	263	–	41	–	304

Venture Life Group plc has four subsidiary undertakings, Venture Life Limited (Company number 07186207), Lubatti Limited (Company number 06704099), Tracey Malone Originals Limited (Company number 06703243) and Soffto Lubatti Limited (Company number 08203367) which are all incorporated in England and Wales and whose details are summarised below:

Name of subsidiary	Class of holding	Proportion held directly	Nature of business
Venture Life Limited	Ordinary	100%	Healthcare products
Lubatti Limited	Ordinary	100%	Cosmetics products
Tracey Malone Originals Limited	Ordinary	100%	Cosmetics products
Soffto Lubatti Limited	Ordinary	100%	Dormant

Notes to the Parent Company Balance Sheet *continued*
for the year ended 31 December 2013

6. Investments *continued*

The other investment is made up of the acquisition of 33.57% holding in G2S Cosmetics SAS (company number B489533596) which is incorporated in France. The Company does not have any control over that company and is not able to exercise significant influence over its operations. As a result of this the investment in G2S has been reflected at cost.

7. Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Other debtors	**63**	3
Prepayments and accrued income	**730**	7
	793	10
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	**2,636**	1,485
Aggregate amounts	**3,429**	1,495

8. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	**248**	2
Other taxation and social security costs	**5**	2
Directors' loans	**4**	4
Dividend payable	**–**	5
Accruals and deferred income	**427**	3
Convertible loan notes	**50**	–
Other payables	**31**	–
	765	16

9. Creditors: Amounts falling due after more than one year

	2013 £'000	2012 £'000
Convertible loan notes	**298**	–

The notes are convertible into ordinary shares of the Company at any time between 31 December 2013 and the notes settlement date. If the notes have not been converted, they will be redeemed on 30 April 2016 at par. Interest of 7.5% will be paid quarterly up until that settlement date.

The net proceeds received from the issue of the convertible loan note have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company, as follows:

	£'000
Proceeds of issue of convertible loan notes	375
Equity component	(39)
Liability component at date of issue	336
Interest charged	12
Liability component at 31 December 2013	**348**

The current portion of the loan notes of £50,000 has been included in current liabilities.

The equity component of £39,000 has been credited to convertible loan note reserve.

The interest expensed for the year is calculated by applying an effective interest rate of 12% to the liability component for the period since the loan notes were issued. The liability component is measured at amortised cost.

Notes to the Parent Company Balance Sheet *continued*
for the year ended 31 December 2013

10. Share capital

	2013 £'000	2012 £'000
Allotted, issued and fully paid:		
16,961,424 (2012: 1,449,400) Ordinary shares of 0.3p each	**51**	1

The Company has removed the Authorised Share capital from its Memorandum and Articles of Association as allowed by Companies Act 2006.

On 16 December 2013 the Company converted the Ordinary shares, through Special resolution, from Ordinary shares of 1p to Ordinary shares of 0.3p. As a result of this share division the number of shares in issue increased by 11,873,001 to 16,961,424 shares. Details of the Company's share option schemes can be found in the Directors' Remuneration Report and Note 28 to the Consolidated Financial Statements of the Group.

11. Reconciliation of movement in reserves

	Share premium £'000	Convertible loan note reserve £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2012	1,238	–	–	26	1,264
Profit for the year as previously reported	–	–	–	9	9
Dividends	–	–	–	(5)	(5)
Issue of ordinary shares	531	–	–	–	531
	1,769	–	–	30	1,799
Prior year adjustment	–	–	77	(36)	41
Balance at 1 January 2013	1,769	–	77	(6)	1,840
Profit for the year	–	–	–	47	47
Share-based payments	–		261	–	261
Issue of convertible loan notes	–	39	–	–	39
Issue of ordinary shares	1,210	–	–	–	1,210
Issue of Bonus shares	(49)	–	–	–	(49)
Balance at 31 December 2013	**2,930**	**39**	**338**	**41**	**3,348**

12. Reconciliation of shareholders' funds

	2013 £'000	2012 As restated £'000
Profit/(loss) for the year	**47**	(27)
Share-based payments	**261**	77
Issue of convertible loans notes	**39**	–
Issue of ordinary shares	**1,211**	531
Dividends	**–**	(5)
Increase in shareholders' funds for the year	**1,558**	576
Opening shareholders' funds (As restated)	**1,841**	1,265
Closing shareholders' funds	**3,399**	1,841

The opening shareholders' deficit was £1.8 million before the prior year adjustment.

Shareholder Information

Company contact details and registered office

Venture House
2 Arlington Square
Bracknell
Berkshire
RG12 1WA

Company Secretary

James Hunter

Incorporated and registered in England and Wales with No. 05651130

Website

Further information on the Group can be found on our website at www.venture-life.com

Share price information

The latest Venture Life share price can be obtained via a number of financial information websites. Venture Life's London stock exchange code is VLG.

Shareholder enquiries

Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's registrars:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone: 0870 162 3100
(Calls cost 10p/minute plus network extras. Lines are open 8.30am-5.30pm Mon-Fri. If calling from outside the UK please dial: +44 (0)20 8639 3399)

Investor relations

Any shareholders with enquiries regarding the Group are welcome to contact James Hunter on +44 (0)1344 742 870. Alternatively, they can e-mail their enquiry to ir@venture-life.com

Copies of this report are being sent to all shareholders. Copies are also available at the registered office of the Company, Venture House, Arlington Square, Bracknell, Berkshire RG12 1WA.

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