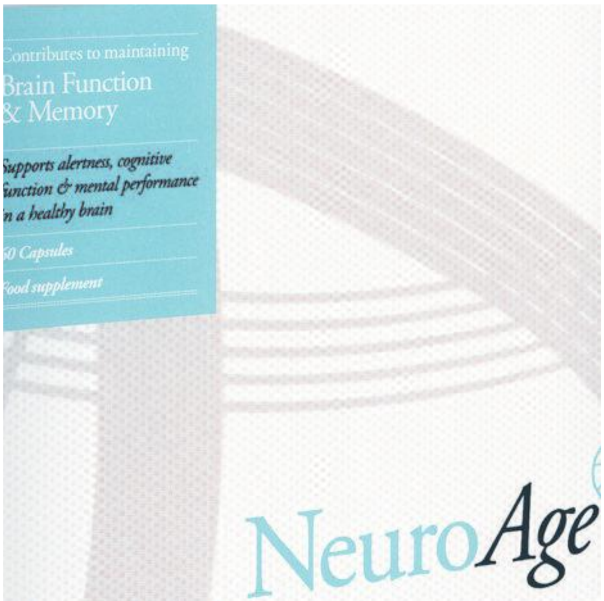
Venture Life Group plc

Annual Report & Accounts 2015



Venture Life

Emerge anew

Venture Life
Emerge anew

Venture Life Group plc

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 the UltraDEX® oral care range, which is primarily sold in the UK through the major pharmacy and grocery retailers.

The product range also includes food supplements for lowering cholesterol and maintaining brain function, dermo-cosmetics for addressing the signs of ageing, and medical devices for conditions such as haemorrhoids, minor aches and pains, and women's intimate health issues. These products are typically recommended by pharmacists or healthcare practitioners and are available primarily through pharmacies supplied by the Group's international distribution partners.

The Group carries out most of its own development and manufacturing at Biokosmes, its facility in Italy, which was acquired in 2014. This business also provides development and manufacturing services to other companies in the healthcare and skincare sectors.

Contents

Highlights

Financial Highlights

- Revenues increased to £9.1 million (2014: £7.2 million)
- Gross profit increased to £3.0 million (2014: £2.7 million)
- Loss before tax, amortisation and exceptional items of £0.73 million (2014: loss of £0.59 million)
- Cash at 31 December 2015 of £2.9 million (31 December 2014: £4.9 million)

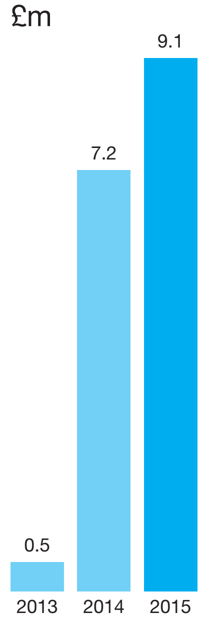
Post Period End Highlights

- Acquisition of Periproducts Limited (including the UltraDEX oral care products brand) in March 2016 for an estimated £5.8 million (comprising £4.0 million plus net working capital, which management now expects to be in the region of £1.8 million)
- Two new five year exclusive distribution agreements signed in April 2016 for the UltraDEX brand in Spain and China
- First long-term exclusive distribution deals signed in March 2016 for the new Benecol once-a-day liquid sachet in Turkey and Jordan

Commercial Highlights

- 30 year exclusive distribution agreement signed in January 2015 with Gialen Group Co. Ltd to sell a range of skincare products in China, and first products shipped in 2015
- Agreement with Gialen extended in December 2015 to cover a range of five new skincare products under the brand name ‘Lubatti 21’, which is expected to be launched following completion of product registration
- Disposal of a number of trademarks to an existing customer in return for a cash payment, sales-based milestone payments and guaranteed additional manufacturing business
- 10 year agreement signed with a Swiss pharmaceutical company to formulate and manufacture an onychomycosis product
- Launch of a new women’s health product range under the vonalei™ brand with first distribution agreement signed

Revenue growth



The Ageing Population: Key Facts

Between 1960 and 2015 the global population grew from 3.0 to 7.2 billion. It is projected to exceed 8.0 billion by 2025 and 9.4 billion by 2050. In developed countries, people aged over 60 make up more than 20% of the population.

Global population growth

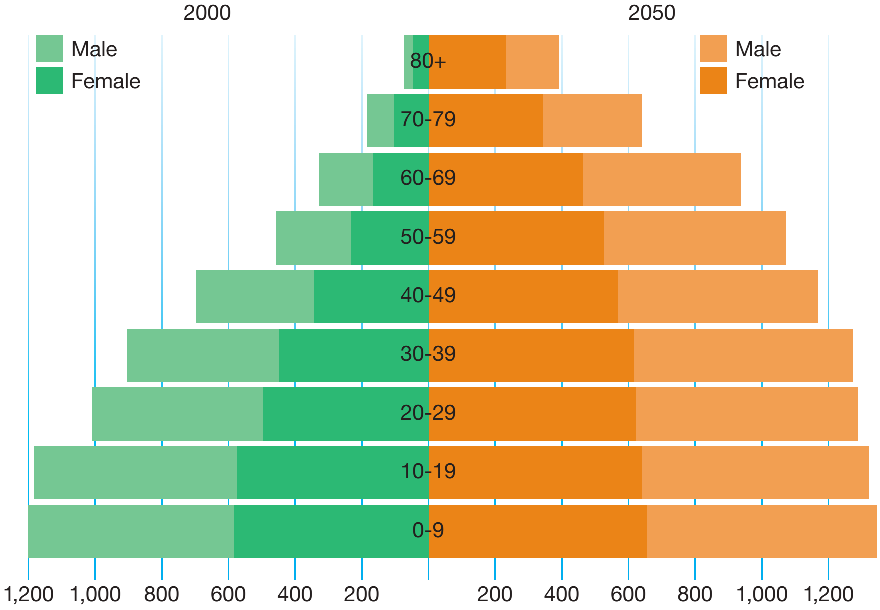
The group of people aged over 60 is expected to approach or exceed 30% of the total population by the 2030s and in some countries, such as Japan and Switzerland, to reach 40%. The global population aged over 60 was 901 million in 2015, and is expected to more than double by 2050, reaching 2.1 billion people and representing 21.5% of the total worldwide population[1].

With growing awareness amongst consumers of the consequences of ageing and the importance of maintaining good health, as well as an increasing focus from healthcare systems on prevention and early diagnosis, it is expected that the regular use of self-care and over-the-counter ("OTC") products will begin as early as the age of 45. The global population of people aged over 45 was 2.1 billion in 2015 and it is expected to grow substantially to reach 3.7 billion by 2050, representing nearly 40% of the total worldwide population[2].

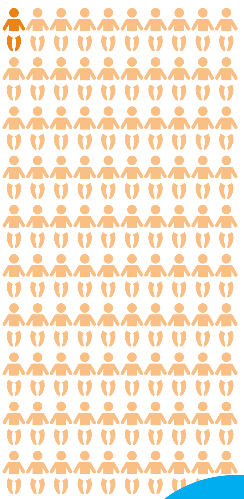
[1] https://www.census.gov/population/international/data/idb/region.php.

[2] http://www.helpage.org/global-agewatch/population-ageing-data/country-ageing-data/?country=China

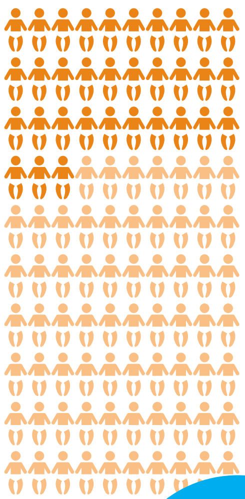
Global Population Pyramid – million



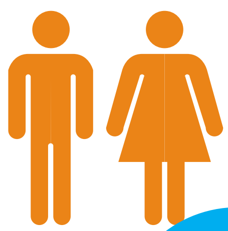
Source: Geohive.com



1%
Only 1% of those born in 1908 lived to 100.



1 in 3
Around a third of children born in the UK in 2012 are expected to live until they are 100.



10m
In 2012 the number of over 65s in the UK surpassed 10 million for the first time.

Key Products

Self-care: Venture Life focuses its development and commercial efforts on products in the self-care market. Generally speaking, these are products that consumers buy without a prescription to help them take care of themselves and live a healthy life. This approach of increased personal responsibility can deliver improved health and well-being.

Self-care brands

Venture Life's products are primarily sold without prescription through pharmacists and other retailers, and they address a wide range of healthcare issues.

Oral healthcare

Oral health is an issue across all age groups including the ageing consumer. Venture Life primarily focuses on the rapidly growing medicated mouthwash segment that was estimated to be worth approximately €400 million globally in 2015.

Our comprehensive oral care range under the UltraDEX brand is indicated for bad breath (halitosis). The range includes toothpastes, mouthwashes, spray, inter-dental brushes and tape for complete oral care. All products include advanced technologies and the key products are clinically proven.

Neurology

The most widely seen cognitive change associated with ageing is that of memory. The global memory and brain health food supplement market was estimated to be worth approximately €300 million in 2015.

Venture Life's NeuroAge range contains an effective combination of key ingredients to help support an ageing brain. There are three products within the NeuroAge range, each tailored to meet different needs such as cognitive function, improved alertness and sleep.

Cardiovascular

Cardiovascular disease (CVD) is the leading cause of premature death globally. Lowering low density lipo-protein (LDL) is considered important for reducing the risk of developing cardiovascular disease. It is estimated that more than 350 million people worldwide have elevated levels of LDL, a number that is set to increase due to modern lifestyle and dietary habits in a growing population.

Benecol is our flagship cholesterol lowering food supplement that was initially launched in capsule form in 2014. In order to offer more consumer choice, Venture Life has recently developed a once daily, dairy-free, liquid sachet form of Benecol. This convenient and easy to use Benecol food supplement can play a significant role in helping to manage high levels of LDL, as well as preventing the rise of LDL levels in healthy consumers as part of a healthy diet.

Benecol.

Skincare

Consumers have a number of concerns in relation to ageing skin, including wrinkles, age spots, dry skin, uneven skin tone, dark under eye circles and even hair damage. Approximately £720 million was spent on facial skincare products in the UK in 2014. The global anti-ageing skincare market is expected to exceed £24 billion in value by 2021.

Our range of dermo-cosmetic products addresses a number of skincare conditions such as fine lines and wrinkles, hyper-pigmentation, sensitive skin, hair loss and scalp problems.

Women's health

Menopausal women can experience a number of common conditions and infections; vaginal atrophy being most common in this age group. The global OTC market for vaginal infections was estimated to be worth approximately €730 million, while the global feminine intimate care market was estimated to be worth approximately €900 million in 2015.

There are currently four products within Venture Life's women's health range that have been specifically developed for the management of vaginal infections such as candidiasis and bacterial vaginosis, the management of vaginal atrophy and a cleansing foam for complete intimate care.

Who We Are and What We Do

Venture Life is an integrated consumer self-care products company. We develop, manufacture and commercialise products that address healthcare issues of the ageing population in particular.

Generating revenue

We generate revenue in two ways. In our **Brands business**, based in the UK, we develop and commercialise innovative medical device, food supplement and dermo-cosmetic products. These products are distributed internationally through distribution partners with whom we have entered into long-term, exclusive arrangements whereby our partner buys products from us and sells them through their own sales channels into pharmacies in the territories where they have been granted exclusive rights. Our Brands business now also includes the recently-acquired UltraDEX range of oral care products which are available in many UK pharmacies and retail stores including Boots, Tesco, Sainsbury's, Waitrose and Amazon.

In our **Manufacturing business** based in Italy, the majority of our revenue is currently generated from providing contract development and manufacturing services to third party OTC healthcare product companies. It also develops and manufactures products for our own Brands business. Our Manufacturing business specialises in topical (i.e. applied to the skin or mucosa) products such as creams, gels and lotions and we currently manufacture over 90 different topical products for our various customers.

Our own product range of 16 branded products includes oral care products for halitosis (bad breath), medical devices for improving minor aches and pains, alleviating symptoms associated with haemorrhoids, food supplements for lowering cholesterol and improving brain function, and dermo-cosmetics and cosmetics for addressing the signs of ageing. The products, which typically are recommended by pharmacists or healthcare practitioners, are available primarily through pharmacies in multiple countries supplied by the Group's international distribution partners.

We carry out focused new product development with a view to strengthening our product portfolio and widening our partner offering. Our new product development is led by our team of development and formulation specialists in Italy working closely with the commercial team in the UK.

Venture Life acquired the UltraDEX brand in March 2016. The plan is to manufacture the majority of the product range at our manufacturing facility in Italy.

Our Objectives and Strategy

The Group's objective is to become a leading self-care branded products business. We believe that our business model of being an integrated company with our own development, manufacturing, international distribution and direct UK sales capabilities will enable us to generate long-term and sustainable profits to benefit all stakeholders.

Strategies for growth

The acquisitions of Biokosmes in March 2014 to deliver development and manufacturing capabilities, and of Periproducts in March 2016 to deliver direct UK sales capabilities, have been key steps forward towards achieving our objective of becoming a leading self-care branded products business.

In broad terms we plan to achieve our objective through implementing the following strategies:

1. Revenue growth from existing and new distribution partners

We see potential for strong organic growth in revenue coming both from existing distribution partners, as products and product ranges are registered and launched, as well as from the appointment of additional partners in more countries. This will be supported by Venture Life's continued product and customer service excellence and with relationships already built, we expect that introducing new products to these partners will translate into even stronger relationships and revenue growth.

2. Revenue growth from product acquisition and in-licensing

Whilst the Group is developing its own range of new products, it recognises that there may be times when the acquisition of existing products may deliver superior economic returns. Typically, the Group looks for products whose market position and distribution is already established and where such a product would complement the Group's existing product portfolio. In evaluating products to acquire or in-licence, the Group assesses the sustainability of existing cash flows of the products and the opportunity to build those cash flows through wider product distribution and margin improvement through transfer of manufacturing into our own facilities.

3. Develop innovative products

The Group has an established, proven system for rapidly developing new products and bringing them promptly to market, at a relatively low cost. Having in-house development, manufacturing and regulatory capabilities gives the Group the ability to develop topical medical device and cosmetic products in-house and to innovate more quickly and more cost-effectively than working entirely with external service providers.

4. Improve margins

In order to achieve our objective of delivering long-term sustainable profits we aim to improve our gross margins and move to operating profitability. In respect of gross margins, we aim to improve these by increasing volumes through our manufacturing business so that we see the benefits of operational gearing on a more fully utilised facility. Our administrative infrastructure can also accommodate more business without increasing proportionately and we would expect this to improve operating margins over time.

Product Distribution

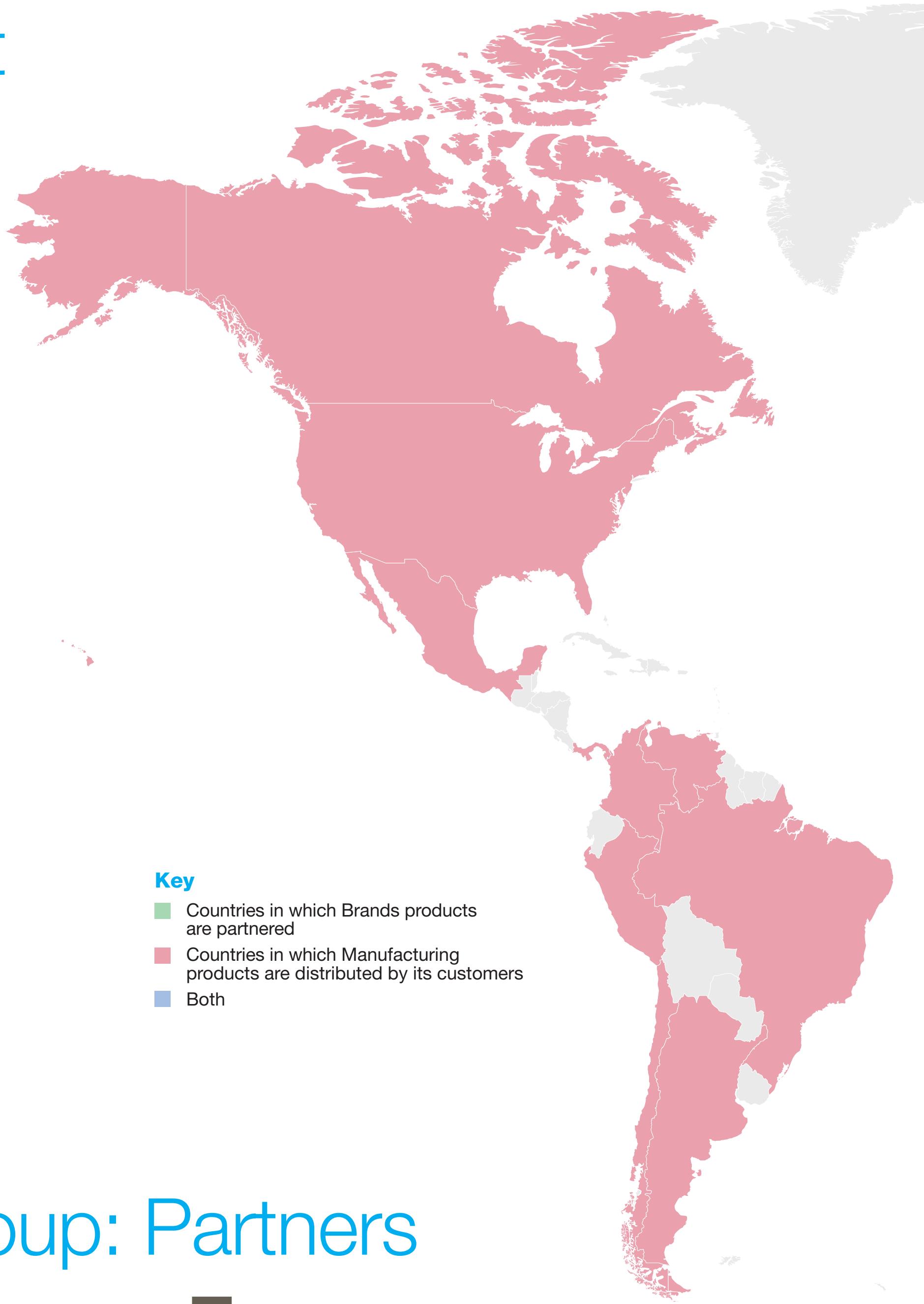
Outside the UK we work with national and international pharmaceutical companies under product distribution agreements for our Brands products to be distributed into pharmacies in local markets using their sales, marketing and distribution resource.

A global market

We have 16 brands within the Group's product portfolio and outside the UK these are commercialised through long-term distribution agreements with well-established pharmaceutical companies who operate in the consumer healthcare space. These partners are solely responsible for sales, marketing, distribution and promotion of our products in their respective territories.

Currently, our brands have been partnered in over 40 different markets worldwide.

As well as our Brands business, we have also manufactured for reputable companies for many years. Products manufactured through our manufacturing facility in Italy are sold throughout the world.



Venture Life Group: Partners

Alliance Pharma
Founded in 1998, Alliance Pharma has a range of pharmaceutical and healthcare products that it markets internationally.

Valeant
Valeant is a multi-national pharmaceutical company that develops and markets products that focus on dermatology, eye health and other niche therapeutic areas. Founded in 1960, Valeant now employs approximately 18,000 people worldwide.

Elpen
Elpen ranks 6th in the Greek pharmaceutical market and is the biggest local manufacturer in the healthcare space. Established in 1965, Elpen is a family-owned private company which employs over 600 people.

Boots
Boots is a chain of pharmacy-led health and beauty stores in the UK & Eire that stock UltraDEX. With more than 2,000 stores primarily in the high street, it sells a wide range of health and beauty products.

Product Distribution continued

Ilko
For more than 50 years, Ilko has continued its efforts to increase the standard of living in the Turkish market through its products and technology. The company employs 600 people and has its headquarters in Istanbul, Turkey.

Hikma
Hikma is a multi-national pharmaceutical company that manufactures branded and non-branded products as well as in-licensed pharmaceutical products. Hikma's team of approximately 2,000 sales and marketing personnel has helped to establish strong relations with its international customer base.

Unichem
Unichem Laboratories is one of India's leading pharmaceutical companies with its headquarters in Mumbai, India. It aims to become a global pharmaceutical company with increased focus on innovative research. Unichem was founded more than 60 years ago and now employs nearly 3,000 people.

Gialen
Gialen is a substantial privately-owned company based in Guangzhou, China. It sells well-recognised skincare brands such as L'Oréal, Olay, Nivea and now Lubatti. Gialen has over 10,000 employees operating in more than 1,300 stores across mainland China with more than 400,000 people visiting their stores daily.

New Product Development

Since its inception, Venture Life has managed an active programme of new product development ("NPD") to ensure that we have a healthy pipeline of new products and brands to bring to market. This has resulted in innovative new products in a number of regulatory classes being introduced.

Research & development

Venture Life has an efficient and well developed system for product development and, since the acquisition of Biokosmes in 2014, this process is undertaken entirely within the business, with our NPD department now based in Italy.

Our focus is to develop products that are:

- Demand-led (from customers or consumers)
- Relevant for the pharmacy channel
- Capable of international distribution
- Addressing markets of sufficient potential
- Protected by intellectual property rights
- Backed with clinical data
- Primarily focused on issues associated with ageing
- Capable of manufacture in our own facilities

2015 was a productive year for new product development within Venture Life, with the following products developed and registered in the EU:

Benecol once-a-day sachet

The Benecol once-a-day liquid sachet is the second food supplement product developed by Venture Life under the Benecol brand licensed to Venture Life by Raisio. It contains the patented plant stanol ester ingredient indicated for the reduction of LDL cholesterol. This once-a-day liquid sachet comes in a 15ml stick sachet and contains 2g of plant stanol per 15ml of liquid. The sachet provides a choice to distributors and customers between capsules and a liquid sachet and we expect the sachet to deliver better patient compliance than the capsules, especially for elderly patients. The product has been registered as a food supplement.

Vonalei

Vonalei is the name of Venture Life's range of products for women's health. Vonalei was completed and launched in 2015 and comprises four topical products:

- Class IIa medical device for vaginal atrophy
- Class IIa medical device for bacterial vaginosis
- Class IIa medical device for candidiasis
- Vaginal cleanser registered as a cosmetic.

Procto-eze Plus

This line extension to the original Procto-eze medical device was formulated to support stronger claims. This line extension claims symptomatic relief from haemorrhoids as well as anal irritation.

Chair's Statement

Lynn Drummond

2015 was the first full year of trading for the Venture Life Group following its admission to AIM and the acquisition of Biokosmes in March 2014. We made good progress across the Group during the year, signing important new distribution deals, making our first shipment of products to China, developing and launching new products and winning material manufacturing contracts. The acquisition of Biokosmes has enabled the Group to operate as a vertically integrated consumer self-care products company.

The post period end acquisition of Periproducts Limited, including the UltraDEX brand, in March 2016, was another important step for the Group. The transaction was in line with our strategy of acquiring products with relevance to the ageing population and which offer significant sales growth potential. Furthermore, we anticipate being able to bring much of the UltraDEX manufacturing in-house, delivering margin and working capital benefits to the acquired business. Additionally, through UltraDEX, which is a long-established, premium oral products brand, the Group now has a presence in the UK pharmacy channel.

Financial performance

The Group increased its reported revenue from £7.2 million in 2014 to £9.1 million in 2015, reflecting in part a full financial year of Biokosmes revenue. On a like-for-like constant currency basis our Brands operating segment increased revenues by 76% and our Manufacturing segment (Biokosmes) increased revenues by 12%. Loss before tax, amortisation and exceptional items was £0.73 million (2014: £0.59 million); however we anticipate like-for-like revenue growth and the acquisition of Periproducts to bring forward the time when the Group becomes profitable.

Cash at the year end stood at £2.9 million (2014: £4.9 million).

Board changes

Following the year end, in February 2016, Peter Bream joined the Board as a non-executive director and Chairman of the Audit and Risk Committee. Peter has significant financial and audit experience in growth companies, and we expect his experience of international business, including in China, to prove invaluable as the Group continues to grow its business. Peter takes over from Ian Mackinnon who resigned from the Board, also in February 2016. I would like to thank Ian for the valuable insight he provided to the Board and management team and we wish him well for the future.

People

On behalf of the Board, I would like to thank all of our management and employees in both the UK and Italy for their loyalty and commitment during the year. It is a pleasure to see how positively the employees across the Group work together, supporting each other as we work as one team towards achieving our corporate goals.

Dividend

The Group intends to continue paying a dividend and the Board will be proposing a final dividend of 0.04p per share (2015: 0.04p) for approval at this year's Annual General Meeting.

Outlook

The Group has made considerable progress since the beginning of 2014. We now employ 94 people, our range of branded products has been strengthened with the recent UltraDEX acquisition, we have signed more product distribution agreements in a number of territories including the key developing markets of China and India, and revenues have increased materially. None of this could have been achieved without the support of our shareholders for which I thank them on behalf of the Board. There is a real sense of momentum in the business and we look forward to continuing to report positively on our progress.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
3 May 2016

Chief Executive Officer's Statement

Jerry Randall

2015 was another year of positive developments for the Group. Revenues grew by 13% on a like-for-like, constant currency basis, in a year of challenging markets and economic instability in many areas of the world. The extensive investment of time and effort made in developing relationships in China in earlier years is beginning to pay off and we made our first shipments of product to our partner in China, Gialen. We also made a step change towards scale and nearer term profitability with the acquisition of Periproducts Limited, the owner of the range of UltraDEX oral care products which eliminate bad breath instantly for 12 hours.

Revenues in our Brands business grew in 2015 to £1.1 million, an increase from 2014 of 76% on a constant currency basis, driven by growth in a number of our branded products, including the Lubatti Classic range in China, and NeuroAge. Biokosmes, our development and manufacturing business based in Italy, is now fully integrated into the Group. This business segment saw a return to revenue growth following a year of revenue consolidation in 2014 after the acquisition. Revenues grew in 2015 by 12% on a like-for-like, constant currency basis, through increased business from existing and new customers.

The Brands business

During 2015, market conditions proved challenging for partnering our products. Despite this, the Group's Brands business achieved eight new long-term distribution agreements, including the Gialen deals in China on Lubatti Classic and Lubatti 21, and a first distribution agreement in India. Unichem Laboratories is one of the top 20 pharma companies in India, and is expected to launch our Original Bioscalin product later in 2016. India represents a significant new market opportunity for the Group, and we hope to build on this opportunity by taking other of our branded products into India.

Revenues in the Brands business grew significantly as a result of first shipments of our Lubatti Classic skincare range into China. Seven of the Lubatti products received registration approval in China in August 2015 and these products began to appear in some of Gialen's stores from late 2015 onwards. The roll out is continuing to extend the brand placement into more stores throughout H1 2016. Of the remaining eight products, six received approval in December 2015 and two in January 2016, and further products in the Lubatti Classic range are expected to begin entering stores during June 2016. Gialen currently have 1,300 of their own stores in mainland China and Gialen is also looking to launch Lubatti products through a number of online outlets during 2016 and other stores during 2017. It is early days for our first products in China but with products now listed in all 1,300 Gialen stores the signs are encouraging.

We continue to have many active discussions around the world in relation to new distribution agreements for our branded products, and since the period end have signed five new long-term distribution agreements, including two on UltraDEX and two on our Benecol once-a-day liquid sachet food supplement for reducing LDL cholesterol. We are delighted to have concluded two distribution agreements for UltraDEX so soon after the acquisition of Periproducts and these agreements support our view that there is considerable international potential for the UltraDEX brand. We are also pleased that our newly developed once-a-day liquid form of the Benecol plant stanol ester product has received strong interest. Its long shelf life and its availability in pharmacies make it attractive for consumers as an alternative to the short shelf life dairy versions of the Benecol product sold in many supermarkets around the world. We expect the sachet to be launched by our partners to consumers in Q4 2016 or Q1 2017.

The Manufacturing business

Biokosmes achieved steady growth in 2015 with revenues up 12% on last year on a like-for-like, constant currency basis.

The investment in a new nine tonne mixer during 2014 has driven increased operating scale and an improvement in manufacturing efficiency, and the Group also upgraded the water cooling and cleaning systems to provide greater efficiency and margin improvement through 2016 and beyond. We also invested in a new filling line for alcohol-based nail fungus products to service a new customer contract, which we anticipate also using for a new product developed in-house. This equipment was successfully commissioned in 2015, and the first order was delivered to our customer in December 2015. In total, we have invested over £0.5 million in our manufacturing facility since acquiring the company in March 2014, and further investment is planned.

We have attracted a number of new customers in 2016, through our integrated model of developing and then manufacturing new products for customers, thereby increasing the opportunity for future repeatable revenues and growth in operating margin.

The facility is currently running at approximately 50% of its full potential capacity with existing infrastructure levels, demonstrating the potential for increased operational scale. The fixed costs of the facility are already fully covered at current levels of throughput, and part of the Group's medium-term strategy is to increase volumes through the factory to improve gross margins and operating profit. We expect increased volumes from organic sales growth and from brand acquisitions, such as the UltraDEX range acquired in March 2016. The current order book at our manufacturing facility is more than 15% higher than the order book at the end of April 2015.

Since becoming part of the Venture Life Group in 2014, our manufacturing operation Biokosmes has grown revenues through the plant, derived from both growth in the Venture Life Brands business and through increased business from existing third party customers.

Manufacturing

The growth at Biokosmes is utilising the significant operating capacity that exists at the plant, which in 2015 was operating at approximately 50% of its capacity in the existing buildings.

We have continued to invest in the plant and its development, and notable upgrades to the facilities in 2015 included:

1. Cooling system
Investment in a new cooling system has allowed Biokosmes to reduce the time taken to cool down bulk manufactured at the plant, in particular during the summer months where the air temperature hinders cooling. This has had a positive impact in terms of reducing labour required in the production process and maintaining product quality despite reducing the temperature of the mixture quickly.

2. Microbiological lab
Following significant investment in 2015, the new microbiological laboratory area is considered a flagship department for Biokosmes and its R&D activity. The lab is used to develop a range of new products both for the Group and for other customers, providing future sales opportunities in manufacturing from these newly developed products. The laboratory also plays a key role in ensuring that we maintain high quality standards in our manufacturing and in meeting the quality standards of local authorities and customers.

3. Filling equipment
We acquired new filling equipment during 2015 for filling small volume bottles of medicinal nail lacquer. The investment was principally made to support a new contract with a customer to supply nail lacquer for a number of the customer's international markets, including Germany and Japan. The equipment was acquired and validated in Q4 2015 and production to meet customer requirements is well under way.

With the volumes through the factory growing, we continue to review the layout and utilisation of the plant, and plan for future volume growth. We are in a position to manage materially increased volumes through the factory, which we expect to capitalise on the operational capacity we have built, and positively impact margins across all products.

100,000 units

The eight filling and packaging lines allow our manufacturing facility to produce up to 100,000 finished units per day.

Chief Executive Officer's Statement continued

The UltraDEX oral care products range

On 4 March 2016 Venture Life completed the acquisition of Periproducts Limited, a UK company which has the UltraDEX fresh breath product portfolio as its main asset. The acquisition was funded with the support of our existing shareholders, together with the issue of a convertible bond and the use of some of our existing cash.

UltraDEX is a well-established brand in the UK with high customer loyalty, having been on sale through retail pharmacies for over 17 years. Containing stabilised chlorine dioxide, UltraDEX products have been clinically proven to eliminate bad breath for 12 hours by neutralising the volatile sulphur compounds that cause bad breath. In addition to this core therapeutic benefit, the products also provide additional oral health benefits including protection of teeth and gums, and reduction in sensitivity. The products are available through Boots and other pharmacies, as well as other retail groups such as Tesco, Sainsbury and Waitrose, and online through Ocado and Amazon.

The UltraDEX product range includes oral rinses, toothpastes and a spray, and also ancillaries such as interdental brushes and floss coated with stabilised chlorine dioxide. In recent years the range has been extended with a patented formula to deliver fresh breath for people with sensitive teeth. The brand has been almost exclusively sold in the UK, with very limited overseas revenues. Audited revenues for Periproducts in the year to 30 November 2015 were £2.8 million (of which £0.06 million were from sales outside the UK), with profit after tax of £0.22 million.

We believe the UltraDEX brand requires renewed brand focus and we plan to revitalise the brand and drive fresh impetus through refocused marketing in the UK. We are also planning to increase export sales through entering more international distribution agreements. We expect to utilise the significant operational capacity we already possess to generate operational and financial synergies by:

- expanding the international presence of the brand around the world, using our business development team to appoint reputable distribution partners;
- managing these new distribution partners with our existing alliance management team;
- manufacturing UltraDEX liquid products, in due course, at our existing facility in Italy which will internalise additional margin, and allow us to further reduce cost of goods through manufacturing efficiencies; and
- meeting regulatory, quality assurance, procurement, logistics and new product development requirements with our existing infrastructure.

These synergies are expected to generate meaningful cost savings within the business, and with significant revenue and profit growth anticipated from the UltraDEX brand, profitability within the whole Group is expected to be accelerated.

We are very excited about the prospects for UltraDEX and we will continue to evaluate other opportunities to acquire products complementary to our existing business and portfolio.

Venture Life acquired Periproducts Limited on 4 March 2016. The acquisition was in line with Venture Life's strategy of building the business through organic growth and acquisitions. Periproducts brings to Venture Life a range of products that complement the Company's existing portfolio of products addressing the healthcare needs of the ageing population.

Periproducts acquisition

About Periproducts
Periproducts is a UK-based oral care products company with a range of premium products including mouthwashes, which are alcohol-free, and toothpastes. Products in the range are indicated to eliminate bad breath instantly, recalcify and whiten teeth. Incorporating patent protected and licensed intellectual property, Periproducts' UltraDEX®-branded products, including UltraDEX Recalcifying & Whitening range, are regarded as being particularly effective at managing bad breath, as supported by clinical data evidencing efficacy. They also come recommended by dental professionals. As a result the brand has become well-established in the UK and enjoys high levels of customer loyalty.

The products are currently manufactured for Periproducts by third parties and sold primarily through a number of leading UK retailers with whom Periproducts has established long-standing relationships, including Boots, Tesco, Sainsbury's, Waitrose and Amazon. Sales via Boots accounted for approximately 42% of total turnover in 2015. Typically over 95% of Periproducts' revenues have been generated in the UK, with the balance sold in international markets.

Rationale for the acquisition
Venture Life's management team has significant knowledge of the development, manufacture and sale of oral care products and the acquisition of Periproducts therefore plays to the strengths of the management team. It also enables the Group to expand into an attractive area of the consumer healthcare market and cross-sell products into Venture Life and Periproducts' respective customer bases.

We plan to focus on the areas below in order to take advantage of the opportunities available to drive Periproducts' growth in the UK and overseas:

- UltraDEX's UK marketing strategy to ensure there is effective advertising, branding and messaging;
- the extension of UK retail distribution into more stores with existing UK retailers, and expanding the number of different UK retailers;
- capitalising on Venture Life's existing infrastructure to internationalise the UltraDEX brand, and bring functions such as manufacturing, product development, regulatory compliance and quality assurance in-house; and
- the development of new oral care products to complement the existing range and identification of further product cross-selling opportunities across both Venture Life's and Periproducts' respective customer bases.

12 hours

Developed, used and recommended by dental care professionals and backed by scientific research, the technology within UltraDEX works closely with the natural oral pH to eliminate bad breath instantly for 12 hours, protect against plaque and lift everyday stains.

Chief Executive Officer's Statement continued

New product development

2015 has been a fruitful year for new products for the Group. We have seen a number of new branded products reach the commercialisation stage, and we have completed significant product development work for existing customers. We continue to have an active pipeline of products under development in-house to broaden our portfolio, and the Company will provide further updates on these as and when they are nearer the market. Our key product developments in 2015 included:

Benecol once-a-day liquid sachet for the reduction of LDL cholesterol

Having initially developed the Benecol food supplement in the form of soft gel capsules, which required a dose of four large capsules a day, Venture Life received strong feedback from the market that consumers also wanted a choice of a once-a-day liquid version which was easier to take. As a result, we developed a once-a-day liquid sachet form of Benecol food supplement product. This still has the benefit of a two year shelf life (which compares very favourably with the dairy based versions of the Benecol currently on the market), and still provides the consumer with their 2g of plant stanol ester through a single daily dose of product to receive the benefits of a clinically-proven 10% reduction in LDL cholesterol. Post period end, we have already signed two distribution agreements for this product.

Vonalei women's health range

We developed a range of four women's health products treating conditions such as candidiasis, bacterial vaginosis and vaginal atrophy. These are common issues for the ageing woman, and the range offers many benefits not found in other non-drug products. Three of these products are registered as medical devices and one as a cosmetic, and they allow a longer period of use by the patient than drug products. We have already signed our first distribution agreement for vonalei.

Outlook

2015 was a year of further progress after the IPO and acquisition of Biokosmes in 2014. Growth was 13% on a like-for-like, constant currency basis, in challenging trading conditions. In 2016 we have acquired the UltraDEX brand and concluded our first two international distribution partner agreements for UltraDEX in Spain and China. Our Lubatti product range has now been launched in China and we have agreed our first deals on the Benecol once-a-day sachet. Our current order book across the Group is strong, and we expect Group revenues to be significantly enhanced in 2016 by these developments, and the acquisition of UltraDEX in particular is expected to accelerate our move to profitability. Our key target of becoming sustainably earnings positive is in sight.

With a strong new brand in our portfolio, continued development of distribution partnering activity and the growth of our existing customer revenues, I am very excited about the prospects for the Group both in 2016 and beyond. With the integrated operational capability that we have built running at approximately 50% capacity, the focus is now on driving increased revenues and leveraging our existing capabilities. The operational costs are more than covered at the existing revenue level, so gross profit from incremental revenues will largely drop through to the bottom line, improving profitability. We expect to see an accelerating effect on earnings over the coming years.

I would like to take this opportunity to thank all our shareholders for their continued support, and in particular for those who supported our recent fund-raising for the Periproducts acquisition. The transaction was an important step towards achieving scale and nearer term profitability. The Group has spent recent years investing in building a sound platform with operational capacity that can accommodate growing revenues with a minimal increase in overheads. We are confident that we can translate revenue growth into improved margins and, ultimately, sustainable profitability. This is now becoming much more visible as we begin to deliver value on our shareholders' investment, and I look forward to sharing more good news on the growth and the development of the business.

Jerry Randall
Chief Executive Officer
3 May 2016

2015 saw Venture life enter into a significant global market, with the launch of its skincare brand Lubatti in China.

New opportunities: China

In January 2015, Venture Life announced an exclusive 30 year distribution deal with Gialen Group Co. Ltd. This landmark deal sees the launch of 15 luxury skincare products under the Lubatti brand. The brand was launched in December 2015 (following the successful registration with the Chinese FDA), and the range is currently being rolled out across mainland China.

In addition to this, Venture Life signed an additional deal with its partner Gialen in December 2015, to launch a further five skincare products under a new brand name 'Lubatti 21', with launch expected once product registration is complete. The products are currently going through registration.

Established in 2005 and based in Guangzhou, Gialen employs over 10,000 people operating in over 1,300 stores across mainland China, with over 400,000 customers currently visiting their stores daily. Gialen sells a wide range of skincare products including some of the best-known global skincare brands, such as L'Oréal, Shiseido, Olay and Nivea. Lubatti offers the Chinese consumer something different as it is the first imported British brand to be launched in store and therefore is expected to have great appeal to the Chinese market.

With the Chinese economy now accounting for more than 16% of the world's GDP[1] and with the world's largest population[2], this partnership between Venture Life and Gialen offers significant opportunities for the Group.

1 International Business Times, China-UK Trade relations by Jess McHugh 19/10/2015.
2 UN official population estimates and projections 29/06/2015.

1,300+ stores

Venture Life has signed a 30 year distribution deal with one of the largest skincare and cosmetics retail chains in China, Gialen. Operating in over 1,300 of its own retail skincare and cosmetics stores across mainland China, Gialen is currently undertaking a rapid new store opening programme and over 400,000 customers currently visit their stores daily.

Financial Review

James Hunter

The Group is focused on growing revenues to achieve long-term sustainable profitability. We are building revenues through signing new distribution agreements, and from building our manufacturing business with existing and new customers. We are also acquiring attractive products that meet our stringent criteria for success, as well as investing for the longer term in new product development and our manufacturing facilities.

Statement of Comprehensive Income

The Group reported 2015 revenues of £9.1 million, an increase of 26% over the £7.2 million reported in 2014. The increase reflects in part a full year of revenue from Biokosmes, the company we acquired at the end of March 2014 and for which we consolidated revenue for nine months in 2014. On a like-for-like basis revenue increased by 2% and on a like-for-like, constant currency basis revenue increased by 13%.

The Brands segment increased revenues by 58% to £1.1 million (2014: £0.68 million). On a constant currency basis revenue in 2015 increased by 76%. Of total Brands revenue in 2015, the new agreement with Gialen for the sales of Lubatti in China represented some 50%. The balance was generated predominantly from distribution partners signed in previous years. Our Manufacturing segment reported revenues (including inter-company sales) of £8.6 million, an increase of 12% on a like-for-like, constant currency basis. The euro weakened markedly against sterling in 2015 – the average exchange rate during 2015 was EUR:GBP 1.38 compared to EUR:GBP 1.24 during 2014. This has negatively impacted reported figures as the majority of our revenues and costs are in euros. So far in 2016 the euro has strengthened from the average 2015 position.

Gross profit of £3.0 million was achieved in 2015 (2014: £2.7 million), representing a gross margin of 33% (2014: 37%). The lower gross margin in 2015 compared with 2014 is explained by a number of factors. Average gross margin in the Manufacturing segment (which still accounted for nearly 90% of Group revenues in 2015) reduced primarily due to the mix of customer business completed during the year, with less work carried out on higher margin contracts than in 2014. Furthermore, the Group's gross margin for 2015 reflects a full year of lower margin manufacturing business compared with nine months in 2014. Nevertheless, we expect gross margins in the Manufacturing segment to improve with anticipated volume increases. Gross margins within the Brands segment were also lower in 2015 than in 2014. This was largely due to the impact of the new contract with Gialen in China which accounted for half of Brands revenues during 2015. The margins on the Lubatti range for China are generally lower than in standard distribution agreements owing to the contractual volumes involved, and additional costs were incurred in 2015 discharging our contractual obligations, some of which we do not anticipate recurring at the same level. The acquisition of Periproducts, which achieved gross margins of 60% in 2015, is expected to have a meaningful impact on Group margins.

Administrative costs (pre-exceptional items) increased in 2015 to £4.5 million (2014: £3.9 million). The increase of £0.6 million was in part due to incurring a full year of overhead costs, compared with nine months in 2014, and in part due to an increase in business development expenditure as we invested in our sales teams in the UK and Italy to drive revenue.

Loss before tax, amortisation and exceptional items in 2015 was £0.73 million (2014: loss of £0.59 million). We use loss before tax, amortisation and exceptional items as one of our key performance indicators as the Group currently recognises a charge each year of £0.6 million within amortisation of intangibles in relation to the amortisation of the intangible assets acquired with the Biokosmes acquisition. These intangible assets were valued at £2.8 million at the time of the acquisition in March 2014 and are being amortised over five years such that by March 2019 they will be fully amortised.

Operating losses totalled £1.7 million (2014: loss of £1.6 million) with losses after tax of £1.8 million (2014: loss of £1.6 million). These translated into a loss per share of 5.1p compared with a loss per share of 6.0p in 2014, with the improvement arising from the average number of shares in issue in 2015 being higher than the average number in 2014. The number of shares in issue at 31 December 2015 was 34,403,534 (31 December 2014: 34,403,534).

Statement of Financial Position

Property, plant and equipment increased owing to investment of £0.3 million (2014: £0.24 million) in new equipment in the Manufacturing business during the year. The net working capital balance at 31 December 2015 remained broadly similar to the net working capital balance at 31 December 2014 as the Group continued to maintain a focus on cash management. Total assets of £21.9 million at 31 December 2015 were £2.1 million lower than at 31 December 2014, largely owing to the reduction in Group cash balances.

Financial Review continued

Cash and debt

Cash and cash equivalents at year end totalled £2.9 million (2014: £4.9 million). Net cash out flow during 2015 amounted to £2.0 million with the reduction in cash balances accounted for as follows:

- Operating cash flow before movements in working capital – outflow of £0.9 million;
- Tax paid – outflow of £0.2 million;
- Net movement in working capital – nil;
- Investment in manufacturing facility – outflow of £0.3 million;
- Investment in intangible assets – outflow of £0.3 million;
- Net movements in loans – outflow of £0.3 million.

Net levels of interest-bearing debt decreased from £3.9 million at 31 December 2014 to £3.3 million at 31 December 2015. £0.3 million of historical debt in the Manufacturing business, which was refinanced during 2014, was repaid as planned in Q2 2015 and a new loan was secured to fund the acquisition of filling equipment to support a new customer contract. This loan, amounting to £0.2 million, is due to be repaid quarterly over three years, starting in June 2016. Other factors influencing the decrease in interest bearing debt include the repayment of other short-term debt and the sterling value of euro denominated debt. The holders of the vendor loan notes issued in connection with the acquisition of Biokosmes in March 2014 agreed, in the lead up to the Periproducts acquisition in March 2016, to a deferral of the repayment date of the vendor loan notes to July 2017.

Dividend

The Group paid a dividend in 2015 of 0.04p per share (2014: 0.04p per share) and is recommending a dividend of 0.04p per share be paid to shareholders in 2016.

Exceptional items

The Group incurred exceptional costs of £0.25 million in 2015 (2014: £0.45 million). Costs incurred relate to acquisition opportunities reviewed by the Group during the year, including the acquisition of Periproducts Limited which completed following the balance sheet date. Exceptional costs incurred in 2014 included £0.4 million in respect of the Group's admission to AIM and £0.05 million in connection with the acquisition of Biokosmes.

Events subsequent to the balance sheet date

The acquisition of Periproducts Limited completed on 4 March 2016. Consideration payable for the entire issued share capital and the net current assets of Periproducts is expected to total in the region of £5.8 million. The acquisition was funded in part with existing cash, and also through the issue of 2,428,572 new ordinary shares which raised £1.7 million (gross), and by the issue of three year 9% convertible bonds, raising £1.9 million (gross). The Group has started the formal process of identifying and establishing the fair values of assets and liabilities acquired, and the accounting treatment of the acquisition will be set out in the Group's interim results for the six months to 30 June 2016, expected to be published in September 2016.

James Hunter
Chief Financial Officer
3 May 2016

Lubatti: Lubatti is a luxury skincare brand, steeped in a rich history and heritage. The brand has been partnered with Gialen, a large skincare and cosmetics retailer in China, in a 30 year deal.

Principal Risks and Uncertainties

Venture Life Group plc is a business that relies on revenues generated by its distribution partners for international product sales, and from providing development and manufacturing services to third parties. With the recent acquisition of Periproducts Limited, the Group will also be relying on its own sales and marketing operations to generate product sales.

There are a number of risks and uncertainties which, if they were to materialise, could have an effect on the Group's trading performance and future prospects. The risks that the Group believe could materially and negatively affect the Group's ability to achieve its commercial objectives are summarised below.

1. Reduction in demand for products and services

The Group's product distribution agreements generally give market exclusivity to its distribution partners for a period of five or ten years. Whilst such agreements impose minimum annual purchase obligations, if any of the Group's partners fails to meet its minimum purchase obligations, the Group's expected revenues and profits could be negatively affected. Such negative impact would continue until either the partner is able to meet its minimum purchase obligations or until the Group is able to find an alternative commercial partner for that market.

A significant proportion of Biokosmes' revenue, which in turn represents the majority of the Group's current revenue, is derived from a relatively small number of customers, although Biokosmes' top five customers have varied over the last three financial years. The percentage of Biokosmes' total revenue generated by its top five customers in the years ended 31 December 2013, 2014 and 2015 was 55%, 54% and 59%, respectively. The loss of any customer or group of customers who represent a significant proportion of Biokosmes' revenue could have a negative impact on the Group's operating results and cash flow.

2. Delay in regulatory approval or change in regulatory status

The Group's products are primarily approved for use as food supplements and Class I and Class IIa medical devices, and functional cosmetics 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.

Furthermore, whilst the Group analyses the classification of its products and is confident that the current classifications are correct, occasionally different countries classify products differently or products may be reclassified (e.g. due to a change in the law). If a product is classified as a medicine in a country, whether due to the claims, effects or other factors relating to the products, the Group's distribution partner will need to comply with that jurisdiction's approval process for medicinal products. In the EU, US and Japan, these processes are complex, costly and time consuming. The classification of a product as a medicine may therefore be costly and delay the launch of a product.

Principal Risks and Uncertainties continued

3. Reliance on third parties

The Group relies extensively on third parties for many of its activities, including manufacturing, logistics, distribution and sales of its products. The Group is therefore at risk of under-performance by third parties, exploitation by third parties of the Group's commercial dependence and by unforeseen interruptions to third parties' businesses. Although the existence of several alternative suppliers for each function mitigates the risks associated with this dependence, as does the availability of commercial insurance in respect of the impact of accidental events, the failure of a third party to properly carry out their contractual duties or regulatory obligations would be disruptive to the Group's business and could affect the Group's profitability. Further, any action taken by a third party that is detrimental to the Group's reputation could have a negative impact on the Group's ability to register its trademarks and/or market and sell its products. Increases in the cost of doing business with third parties 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 third party suppliers which fix prices for specific periods and/or which agree the principles of any future price increases.

4. Adverse foreign exchange movements affecting profitability

Prior to the acquisition of Periproducts in March 2016, the Group's revenues were primarily denominated in euros and, in the case of Gialen in China, in Chinese yuan. Following the acquisition of Periproducts, the Group's revenues are now denominated in euros, Chinese yuan and sterling. However, the Group's presentational currency is sterling and therefore the reported revenues will depend on exchange rates prevailing during the relevant financial period.

The agreement with Gialen is currently material for the Group and adverse movements in the value of the yuan against sterling and the euro could have an impact on the expected profitability of this agreement, as the costs for servicing this contract are largely incurred in euros.

The majority of the Group's cost of sales are denominated in euros and with 90% of the Group's revenues denominated in euros, the Group is currently not unduly exposed to adverse movements in the euro/sterling exchange rate in relation to its gross profit. The Group's administrative expenses arising in Italy represent a material component of overall Group administrative expenses. These expenses are denominated in euros and when reported on a consolidated basis, they will be reported in the Group's presentational currency of sterling. Consequently, there may be variability in the presented expenses caused by variability in the sterling/euro exchange rate.

The Group actively monitors the principal foreign exchange rates and will adopt hedging strategies when it is felt to be appropriate. The Group also anticipates presenting its financial results on a constant currency basis to enable shareholders to compare the performance of the Group between reporting periods with the impact on reported results of strengthening or weakening sterling eliminated.

Principal Risks and Uncertainties continued

5. Financial Risk

5.1 Financial risk management

The Group seeks to minimise its exposure to financial risk through issue of its own equity instruments and debt 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 29.

5.2 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.

5.2.1 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.

5.2.2 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.

5.2.3 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.

5.2.4 Capital risk management

The Group's capital structure is comprised of shareholders' equity, debt in the form of loan notes issued to the vendors of Biokosmes and in the form of three year convertible loan notes issued to part-fund the acquisition of Periproducts, and unsecured commercial debt within Biokosmes.

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 expenditure on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity and loan arrangements, some of which are linked to equity.

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.

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	2015	2014	Comment
Like-for-like revenue growth	Revenue growth excluding revenue growth from acquisitions and disposals, any milestone or one-off licence fee payments.	**+2%** (+13% on a constant currency basis)	+39% (+45% on a constant currency basis)	Revenue growth driven by first orders from China distribution agreement.
Revenue growth	Growth in revenue between reporting periods.	**+26%** (+40% on a constant currency basis)	1,379%	The increase is accounted for by a full year of Biokosmes revenues reported (nine months in 2014) and first orders from China distribution agreement.
Gross margin	Revenue less the cost of sale, expressed as a % of revenue.	**33%**	37%	Average gross margins were impacted by a full year of Biokosmes trading reported (nine months in 2014), which generally has lower margins than the Brands business, and the proportion of the revenues accounted for by the China distribution agreement.
Adjusted LBTA	Adjusted LBTA is total losses of the Group before tax charges and credits, amortisation charges for intangibles and exceptional items.	Loss of **£0.73m**	Loss of £0.59m	An increase in business development resource and decrease in gross margins accounted for a large proportion of the increased loss.

Other financial KPIs will be employed as the business evolves and will be reported upon accordingly.

The Strategic Report is approved by the Board of Directors and signed on its behalf by:

Jerry Randall
Chief Executive Officer
3 May 2016

Directors and 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 RPC Group plc. 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.

Lynn chairs the Group's Nomination Committee and is a member of the Audit and Risk and Remuneration Committees.

John Sylvester
Non-Executive Director

John Sylvester joined the Venture Life board in November 2013. John is currently the Corporate Development Officer 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.

John chairs the Group's Remuneration Committee and is a member of the Audit and Risk and Nomination Committees.

Peter Bream
Non-Executive Director

Peter Bream joined Venture Life in February 2016. Currently the Group Finance Director of ALcontrol Laboratories, Peter has over 20 years in international business including as a CFO of public companies in the pharmaceuticals, engineering, and chemical sectors.

Peter has a degree in Engineering and Management from Cambridge University and is a Chartered Accountant.

Peter chairs the Group's Audit and Risk Committee and is a member of the Remuneration and Nomination Committees.

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 AIM 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 graduated from Lancaster University in 1996 with a degree in Marketing and gained her MBA (with Distinction) in 2003.

Directors and Advisers continued

James Hunter
Chief Financial Officer

James joined the Group in September 2013 and was appointed to the Board in 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.

Gianluca Braguti
Manufacturing Director

Gianluca joined the Board in 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 later set up a 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.

Directors
Dr Lynn Drummond *Non-Executive Chair*
Jerry Randall *Chief Executive Officer*
Sharon Collins *Commercial Director*
James Hunter *Chief Financial Officer*
Gianluca Braguti *Manufacturing Director*
John Sylvester *Non-Executive Director*
Peter Bream *Non-Executive Director*

Registered Office
Venture House
2 Arlington Square
Bracknell
Berkshire
RG12 1WA

www.venture-life.com

Company Secretary
James Hunter

Company number
05651130

Nominated Adviser and Broker
Panmure Gordon and Co
One New Change
London
EC4M 9AF

Auditor
Grant Thornton UK LLP
No.1 Dorset Street
Southampton
Hampshire
SO15 2DP

Solicitors
Simmons & Simmons LLP
CityPoint
One Ropemaker Street
London
EC2Y 9SS

Registrars
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Principal bankers
NatWest Commercial Banking
30 Market Place
Newbury
Berkshire
RG14 5AG

Corporate Governance

Introduction

The Board is accountable to the Group's shareholders for good corporate governance and it is the objective of the Board to attain a high standard of corporate governance. As the Company is listed on AIM it is not required to comply in full with the UK Corporate Governance Code. As such, the Company has not complied with the full provisions of the code, however it has sought to adopt the provisions that are appropriate to its size and organisation and establish frameworks for the achievement of this objective. This statement sets out the corporate governance procedures that are in place.

The Board

The Board of Venture Life Group plc comprises of three Non-Executive Directors, one of whom chairs the Board, and four 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 the 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 Remuneration Committee and a Nomination Committee and with written terms of delegated responsibilities for each.

The Audit and Risk Committee

The Audit and Risk Committee was chaired by Ian Mackinnon during 2015 and until his resignation in February 2016, when Peter Bream took over as Committee chairman. The other members of the Committee are John Sylvester and Lynn Drummond.

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 auditors 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. Lynn Drummond and Peter Bream are the other members of the Committee, after Peter Bream succeeded Ian Mackinnon to the Committee in February 2016.

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.

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 is chaired by Lynn Drummond with John Sylvester and Peter Bream as the other members of the Committee. Ian Mackinnon served on the Committee throughout 2015 and on his resignation in February 2016 was replaced by Peter Bream.

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 is expected to meet at least once a year.

Attendance at Board and Committee meetings

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

Director	Board	Audit	Remuneration
Dr L Drummond	7/7	2/2	1/1
Mr J Sylvester	6/7	2/2	1/1
Mr I Mackinnon	7/7	2/2	1/1
Mr J Randall	7/7	–	–
Ms S Collins	6/7	–	–
Mr J Hunter	7/7	–	–
Mr G Braguti	6/7	–	–
Total meetings held in the year	**7**	**2**	**1**

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.

Corporate Governance continued

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 and Accounts, Interim Statement and website to disseminate information to shareholders.

The 2016 AGM will be held at 11.00am on 22 June 2016.

Going concern

The Directors recognise that the Group has reported a loss for the year ended 31 December 2015, as it did in the year ended 31 December 2014. The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements, as they did immediately prior to the acquisition of Periproducts Limited. With the acquisition of Periproducts and evidence of growth in the Group's Brands business, the Directors expect the Group to move to profitability in the foreseeable future. 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, together with the current performance and prospects of the Group's operating segments.

On the basis of the above projections, the Directors are confident that the Company and the 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.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
3 May 2016

Directors' Report

General matters
The Directors submit their report and the financial statements of Venture Life Group plc for the year ended 31 December 2015. Venture Life Group plc is a public limited company quoted on AIM, incorporated and domiciled in the United Kingdom. It has subsidiary companies in the United Kingdom, Switzerland and Italy.

Results
The loss before tax for the year ended 31 December 2015 was £1.6 million (2014: loss of £1.5 million). The detailed results for the year and the financial position at 31 December 2015 are shown in the Consolidated Statement of Comprehensive Income on page 34 and the Consolidated Statement of Financial Position on page 35.

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

Business review and future developments
There are a number of items required to be included in the Directors' Report, which are covered elsewhere in this report. The following are covered in the Strategic Report:
- Principal activities
- Review of the business and future developments
- Principal risks and uncertainties including financial risk management
- Key performance indicators

New product development
Details of the Group's new product development programmes can be found on page 8. The accounting treatment in respect of costs incurred in carrying out the new product development programmes can be found in note 3.8 to the financial statements.

Political donations
The Group made no political donations in the year under review (2014: £nil).

Dividends
The Directors recommend the payment of a dividend of 0.04p per share (2015: 0.04p per share).

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

Dr Lynn Drummond (Non-Executive Chair)
Jerry Randall (Chief Executive)
John Sylvester (Non-Executive Director)
Ian Mackinnon (Non-Executive Director)
(resigned 17 February 2016)
Peter Bream (Non-Executive Director)
(appointed 17 February 2016)
Sharon Collins (Commercial Director)
Gianluca Braguti (Manufacturing Director)
James Hunter (Chief Financial Officer)

Information on Directors' remuneration, share options, long-term executive plans, pension contributions and benefits is set out in the Remuneration Report on pages 28 to 31.

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

External directorships
It is the Company's policy that its Directors may take up other directorships provided that such appointments do not conflict with their employment with the Company. 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 RPC Group plc and Infirst Healthcare Limited.

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"), Biogenico Worldwide Srl, Biokosmes Immobiliare Srl, and Grafco2 Srl.

Peter Bream is a director of ALcontrol Group Limited and various ALcontrol Group subsidiaries in the UK and overseas.

Share capital
As at 31 December 2015, the authorised and issued share capital of the Company was:

	Number of Ordinary 0.3p shares	Amount £
Issued and fully paid up	34,403,534	103,210

The average market price of the Company's ordinary shares at close of business on 31 December 2015 was 78p.

The maximum share price during the period was 94.5p (19 January 2015) and the minimum price was 77p per share (22 December 2015).

Directors' Report continued

Substantial share interests

At 3 May 2016, the Company had been advised or is aware of the following interests, held directly or indirectly, of 3% or more in the Company's issued share capital:

	Number of shares	Percentage holding
Mr Gianluca Braguti	7,085,459	19.24%
J O Hambro	4,285,892	11.64%
Mr Jerry Randall and associated holdings	3,931,129	10.67%
Aviva plc and its subsidiaries	3,664,875	9.95%
Dr Michael Flynn and associated holdings	2,904,543	7.89%
Mr Andrew Sinclair and associated holdings	2,145,943	5.83%
Quilter Cheviot Limited	2,108,000	5.72%
Mr Anthony Ahearne and associated holdings	1,683,069	4.57%
Ms Sharon Collins	1,582,417	4.30%

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.

Principal risks and uncertainties

A summary of the principal risks and uncertainties and financial risk management objectives and policies is set out on pages 18 to 20.

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.

Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with section 489 (4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as auditor will be proposed at the forthcoming AGM.

2016 Annual General Meeting

The 2016 AGM will be held at 11.00am on 22 June 2016, the business of which is set out in the Notice of Annual General Meeting enclosed with this report.

On behalf of the Board,

JR Randall

Jerry Randall
Director
3 May 2016

Remuneration Report

Remuneration Committee

The Company's Remuneration Committee consists of the Chairman and the two Non-Executive Directors. The Chief Executive Officer is invited to attend meetings of the Committee but no Director is involved in any decisions relating to their own remuneration.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross directorships, or day-to-day involvement in running the business.

The Committee is responsible for the consideration and approval of the terms of service, remuneration, bonuses, share options and other benefits of the other Directors. All decisions made are after giving due consideration to the size and nature of the business and the importance of retaining and motivating management. The Committee will meet at least once a year and at other times as appropriate.

The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice from external advisers when it considers it is appropriate. New Bridge Street were engaged during the financial year to provide independent advice to the Committee in respect of the new Long-Term Incentive Plan ("LTIP" or the "Plan").

Remuneration policy

The Group's remuneration policy is designed to ensure that the remuneration packages attract, motivate and retain Directors and senior managers of high calibre and to reward them for enhancing value to shareholders. The Company's policy is that a substantial proportion of the total potential remuneration of the Executive Directors should be performance-related and aligned to performance measures that benefit all shareholders and promote the long-term success of the Company. The performance measurement of the Executive Directors and the determination of their annual remuneration package, including performance targets, are undertaken by the Remuneration Committee.

There are four main elements of the remuneration package for Executive Directors and other senior management:

- basic annual salary and benefits;
- annual bonus payments;
- long-term incentives; and
- pension arrangements.

The remuneration of the Non-executive Directors comprises only Directors' fees.

1. Salary

Basic salaries are reviewed annually and if revised, the change in salary takes effect from the start of the financial year.

2. Annual bonuses

The Board believes that bonuses are an important incentive for executives to achieve the Group's objectives, and as such should represent a significant element of the total compensation awards for the executives.

Following a review during 2014 of the previous bonus arrangements, the Committee concluded that the bonus arrangements should be changed, such that from 2015 all the Executive Directors should participate in the same bonus scheme and that achievement of bonuses should be aligned to the achievement of the Group's financial targets.

The bonus scheme introduced during 2015 enables executives to earn a bonus of up to 100% of salary for achieving stretching financial targets and, where appropriate, stretching operational targets, which have been set at a level perceived appropriate to provide the necessary incentives. In the event of over- or under-achievement of the Group financial performance against those targets, appropriate adjustments may be made to the bonus payable.

3. Long-Term Incentive Plan

The Company plans to introduce the Venture Life Group plc LTIP as its primary senior executive incentive arrangement during 2016. The LTIP seeks to motivate and retain selected senior executives within the Group. The key terms of the LTIP are expected to be as follows:

- awards will normally be granted annually and will vest after three years;
- awards will normally be structured as nil cost options or conditional awards;
- awards will normally be granted annually immediately following the release of the Group's annual financial results each year;
- awards will only normally vest subject to continued service and to the extent that relevant performance targets are met; and
- performance targets will normally be based on Earnings Per Share and/or Total Shareholder Return targets.

Whilst the LTIP was originally intended to be introduced during 2015, the acquisition of Periproducts Limited has resulted in the postponement of the Plan's introduction and grant of awards. As such, the Remuneration Committee is intending to grant a double share award in 2016. Full details of the awards made will be set out in next year's Directors' Remuneration Report.

4. Pensions

The Group contributes to the personal pension plans of certain Executive Directors and employees. Under the scheme, the Group and employee will make contributions or the Group will make direct contributions under a 'salary sacrifice' arrangement. The Group recently reached its 'auto-enrolment staging date' and is complying with its auto-enrolment obligations in respect of eligible employees.

Remuneration Report continued

Directors' letters of appointment and contracts

All Executive Directors (with the exception of Gianluca Braguti who has a five year fixed term contract) have rolling service contracts with six months' notice. The Non-Executive Directors do not have service contracts but have letters of appointment.

Executive directors	Date of contract	Notice period
Jerry Randall Sharon Collins James Hunter	12 December 2013	Six months' notice to be given by the executive and thirty days by the Company. In the event that the Company terminates the executive's employment without Cause, then an amount equal to 50% of the employee's salary is payable by the Company.
Gianluca Braguti	27 March 2014	No notice period. Under the terms of the acquisition agreement signed between the Company and the vendors of Biokosmes, Gianluca Braguti has a contract as Managing Director of Biokosmes for a fixed five year term until 28 March 2019. In the event that Gianluca Braguti is asked to leave the Group as a Good Leaver he would be entitled to receive his annual salary until 28 March 2019.

Non-executive directors	Date of letter	Notice period
Lynn Drummond	22 November 2013	Three months
John Sylvester	11 November 2013	Three months
Peter Bream	17 February 2016	Three months

Directors' remuneration 2015

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive directors							
Jerry Randall	180,000	50,000[1]	19,169	249,169	54,000	33,244	336,413
Sharon Collins	160,000	15,000[1]	1,029	176,029	24,000	22,827	222,856
James Hunter	136,750	–	2,166	138,916	24,699	17,742	181,357
Gianluca Braguti	181,686[2]	–	3,258	184,944	–	14,932	199,876
Non-executive directors							
Lynn Drummond	55,000	–	–	55,000	–	6,364	61,364
John Sylvester	27,000	–	–	27,000	–	2,334	29,334
Ian Mackinnon	27,000	–	–	27,000	–	2,334	29,334
Total	**767,436**	**65,000**	**25,622**	**858,058**	**102,699**	**99,777**	**1,060,534**

1 The bonus amounts were paid in accordance with the bonus scheme in operation for 2014 under which bonus payments were related to Venture Life's share price performance between IPO in March 2014 and the date of publication of the 2014 audited financial results relative to the AIM All-Share index over the same period. This bonus scheme has since been discontinued and replaced with the scheme detailed on page 28. No bonuses were payable to any directors in respect of performance in 2015.

2 Gianluca Braguti's salary and fees equates to €240,000 in respect of his role as managing director of Biokosmes and €10,000 in respect of his role as a director of Venture Life Group plc (2014: €180,000 and €7,000 respectively for the nine months from the date of acquisition of Biokosmes to 31 December 2014).

The Executive Directors listed above at the reporting date are considered to be key management of the Group.

Remuneration Report continued

Directors' remuneration 2014

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive directors							
Jerry Randall	150,000	150,000[4]	18,608	318,608	45,000	39,474	403,082
Sharon Collins	140,000	50,000[4]	1,123	191,123	13,250	25,159	229,532
James Hunter	120,250	15,000	1,779	137,029	20,846	17,576	175,451
John Lucas[1]	118,645	–	–	118,645	–	15,636	134,281
Gianluca Braguti[2]	145,332	–	2,029	147,361	–	13,826	161,187
Non-executive directors							
Lynn Drummond	55,000	–	–	55,000	–	6,501	61,501
John Sylvester	28,500	–	–	28,500	–	3,041	31,541
Ian Mackinnon[3]	14,679	–	–	14,679	–	1,477	16,156
Total	772,406	215,000	23,539	1,010,945	79,096	122,690	1,212,731

1 Resigned as a director on 5 August 2014. The amount shown includes compensation for loss of office.
2 Appointed as a director on 24 March 2014. The amount shown covers the nine months to 31 December 2014.
3 Appointed as a director on 16 June 2014.
4 Mr Randall's and Ms Collins's bonuses were success-based bonuses, related entirely to the admission of the Group's shares to trading on the Alternative Investment Market and the fund-raising in March 2014.

Share options

The Company currently issues share options to 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 eligible to receive 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.

The Directors hold the following share options:

	Share option scheme	Options as at 31 December 2014	Options granted during the year	Options as at 31 December 2015	Date from which first exercisable	Expiry date	Exercise price	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	01 Jul 2014	4 Nov 2023	41p	Non-market
Jerry Randall	Unapproved	483,333	–	483,333	01 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	01 Jul 2014	4 Nov 2023	41p	Non-market
Sharon Collins	Unapproved	483,333	–	483,333	01 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

No directors exercised any share options during the year.

Remuneration Report continued

Other benefits

Some benefits, such as private medical insurance, are available to all Executive Directors and certain other employees. Death-in-service benefit is provided to all Executive Directors and employees.

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.

On behalf of the Board,

John Sylvester
Chairman of the Remuneration Committee
3 May 2016

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the E.U. and have elected to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed with respect the Group financial statements and whether applicable UK accounting standards have been followed with respect the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 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 financial statements of Venture Life Group plc for the year ended 31 December 2015 which comprise the Consolidated Statement of Financial Position and Parent Company Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity, and the related notes. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 explained more fully in the Statement of Directors' Responsibilities set out on page 32, 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 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 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 2015 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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 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.

Norman Armstrong
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton

3 May 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	**Year ended 31 December 2015 £'000**	Year ended 31 December 2014 £'000
Revenue	5	**9,077**	7,189
Cost of sales		**(6,073)**	(4,535)
Gross profit		**3,004**	2,654
Administrative expenses			
Operating expenses		**(3,853)**	(3,373)
Amortisation of intangible assets		**(658)**	(508)
Total administrative expenses		**(4,511)**	(3,881)
Other income		**59**	58
Operating loss before exceptional items		**(1,448)**	(1,169)
Exceptional items	6	**(246)**	(449)
Operating loss	7	**(1,694)**	(1,618)
Finance income		**152**	156
Finance costs		**(95)**	(81)
Loss before tax		**(1,637)**	(1,543)
Tax	10	**(124)**	(27)
Loss for the year		**(1,761)**	(1,570)
Other comprehensive income which will not be subsequently reclassified to the income statement		**–**	–
Other comprehensive expense which will be subsequently reclassified to the income statement		**(119)**	(85)
Total comprehensive loss for the year attributable to equity holders of the parent		**(1,880)**	(1,655)

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

		Year ended 31 December 2015	Year ended 31 December 2014
Loss per share			
Basic and diluted loss per share (pence)	11	**(5.12)**	(6.01)

Consolidated Statement of Financial Position
at 31 December 2015

	Notes	At 31 December 2015 £'000	At 31 December 2014 £'000
Assets			
Non-current assets			
Intangible assets	13	**12,527**	12,982
Property, plant and equipment	14	**1,120**	975
		13,647	13,957
Current assets			
Inventories	15	**2,235**	1,856
Trade and other receivables	16	**3,173**	3,257
Taxation		**5**	52
Cash and cash equivalents	17	**2,857**	4,933
		8,270	10,098
Total assets		**21,917**	24,055
Equity and liabilities			
Capital and reserves			
Share capital	18	**103**	103
Share premium account	18	**11,826**	11,826
Merger reserve	19	**7,656**	7,656
Foreign currency translation reserve	20	**(204)**	(85)
Share-based payment reserve	21	**367**	318
Retained earnings	22	**(5,946)**	(4,171)
Total equity attributable to equity holders of the parent		**13,802**	15,647
Liabilities			
Current liabilities			
Trade and other payables	23	**3,718**	3,335
Interest bearing borrowings	24	**38**	580
Vendor loan notes	25	**43**	47
		3,799	3,962
Non-current liabilities			
Interest bearing borrowings	24	**1,806**	1,723
Vendor loan notes	25	**1,373**	1,507
Statutory employment provision	26	**586**	528
Deferred tax liability	28	**551**	688
		4,316	4,446
Total liabilities		**8,115**	8,408
Total equity and liabilities		**21,917**	24,055

The financial statements on pages 34 to 61 were approved and authorised for issue by the Board on 3 May 2016 and signed on its behalf by:

Jerry Randall
Director

James Hunter
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Convertible loan note reserve £'000	Foreign currency translation reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014	51	2,668	50	39	–	338	(2,589)	557
Loss for the year	–	–	–	–	–	–	(1,570)	(1,570)
Foreign exchange on translation	–	–	–	–	(85)	–	–	(85)
Total comprehensive expense	–	–	–	–	(85)	–	(1,570)	(1,655)
Issue of share capital	52	10,137	7,606	(39)	–	(150)	–	17,606
IPO and other fund-raising costs recognised through equity	–	(979)	–	–	–	–	–	(979)
Share options charge	–	–	–	–	–	130	–	130
Share settled liability	–	–	–	–	–	–	(12)	(12)
Transactions with shareholders	52	9,158	7,606	(39)	–	(20)	(12)	16,745
Balance at 1 January 2015	103	11,826	7,656	–	(85)	318	(4,171)	15,647
Loss for the year	–	–	–	–	–	–	(1,761)	(1,761)
Foreign exchange on translation	–	–	–	–	(119)	–	–	(119)
Total comprehensive expense	–	–	–	–	(119)	–	(1,761)	(1,880)
Share options charge	–	–	–	–	–	49	–	49
Dividends	–	–	–	–	–	–	(14)	(14)
Transactions with shareholders	–	–	–	–	–	49	(14)	35
Balance at 31 December 2015	**103**	**11,826**	**7,656**	**–**	**(204)**	**367**	**(5,946)**	**13,802**

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Cash flow from operating activities		
Loss before tax	**(1,637)**	(1,543)
Finance income	**(152)**	(156)
Finance expense	**95**	81
Operating loss	**(1,694)**	(1,618)
Adjustments for:		
– Depreciation of property, plant and equipment	**171**	139
– Amortisation of intangible assets	**658**	508
– Impairment of available for sale assets	**–**	36
– Gain on sale of intangible assets	**–**	(9)
– Gain arising from purchase of PermaPharm AG	**–**	(39)
– Finance cost	**(80)**	(81)
– Movement in other provisions	**–**	(17)
– Share-based payment expense	**49**	130
Operating cash flow before movements in working capital	**(896)**	(951)
Decrease in deferred consideration	**–**	(2)
Tax paid	**(231)**	(282)
(Decrease)/increase in inventories	**(492)**	197
Increase in trade and other receivables	**(125)**	(236)
Increase/(decrease) in trade and other payables	**635**	(950)
Net cash used in operating activities	**(1,109)**	(2,224)
Cash flow from investing activities		
Interest received	**5**	156
Proceeds on disposal of intangible assets	**–**	9
Acquisition of subsidiary – net cash acquired	**–**	776
Acquisition of subsidiary – net cash payment	**–**	(3,313)
Purchases of property, plant and equipment	**(303)**	(243)
Development expenditure in respect of intangible assets	**(289)**	(346)
Purchases of intangible assets	**–**	(20)
Proceeds on disposal of tangible asset	**16**	3
Net cash used in investing activities	**(571)**	(2,978)
Cash flow from financing activities		
Proceeds from issuance of ordinary shares	**–**	9,630
Transaction costs of issue of shares	**–**	(979)
Movements in interest bearing borrowings	**(313)**	1,088
Dividends paid	**(14)**	(12)
Net cash from financing activities	**(327)**	9,727
Net (decrease)/increase in cash and cash equivalents	**(2,007)**	4,525
Net foreign exchange difference	**(69)**	(45)
Cash and cash equivalents at beginning of period	**4,933**	453
Cash and cash equivalents at end of period	**2,857**	4,933

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

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 five wholly-owned UK subsidiaries, one wholly-owned Italian subsidiary, Biokosmes Srl, and one wholly-owned Swiss subsidiary, PermaPharm AG (together with the Company "the Group").

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, and the manufacture of a range of topical products for the healthcare and cosmetics sectors.

The financial statements have been prepared on a going concern basis under the historical cost convention except for certain financial instruments which are carried at fair value, 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 that are relevant to companies that report under IFRS.

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 3.22.

3. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

3.1. Going concern

The Directors recognise that the Group has reported a loss for the year ended 31 December 2015, as it did in the year ended 31 December 2014. The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements with the recent acquisition of Periproducts Limited and the growth of the Group's Brands business expected to enable the Group to move to profitability in the foreseeable future. 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, together with the current performance and prospects of the Group's operating segments.

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 Group financial statements consolidate those of the parent company and its subsidiaries as of 31 December 2015. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses between Group companies. Where unrealised losses on intra-group asset sales are realised on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between owners of the parent and the controlling interest based on their respective ownership interests.

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 including contingent liabilities, 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.

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 sterling (£), which is the Group's presentational currency. The functional currency of the Company is also 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 average exchange rate at month end. At each reporting 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 profit or loss.

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.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than sterling are translated into sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the period.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

3. Summary of significant accounting policies continued

On consolidation, assets and liabilities have been translated into sterling at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are held at historic cost less accumulated impairment losses. Income and expenses have been translated into sterling at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

3.5. Revenue recognition

a) Product sales

Revenue comprises the fair value of the consideration received or receivable for the sale of goods 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 or to the buyer's agent the significant risks and rewards of ownership of the goods. The transfer of risk and reward is typically at the point of customer collection of goods or delivery of the goods by the Group to the customer. Both the Brands segment and Manufacturing segment currently recognise revenue from product sales.

b) Services rendered

Revenue represents the value of services provided to third parties. Revenue is derived from services related to the development of new topical formulations for customers. Services are generally provided through specific agreements, each with a typical duration of two to four weeks. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the Group.

Revenue from these services is recognised on a percentage to completion basis. Percentage to completion is based on the proportion of activity completed on a project as a proportion of the entire project. Revenue is recognised so as to reflect the right to consideration as contract activity progresses by reference to the value of work performed. The amount by which revenue exceeds payments on account is included in trade and other receivables; to the extent that payments on account exceed relevant revenue, the excess is included as deferred income. Provisions for estimated losses, if any, on uncompleted contracts are recognised in the period in which the likelihood of such losses is determined.

The Manufacturing segment currently recognises revenue from formulation and development services rendered.

c) Grant income

Grant income is recognised on a gross basis when received or where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. A grant relating to research and development is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Grant income arising from the generation of electricity by the Manufacturing segment through photo-voltaic panels installed on the manufacturing facility roof is recognised as 'Other Income'.

The Manufacturing segment currently recognises revenue from Grant income.

3.6. Exceptional items

Items that are material because of their size or nature, and which are non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the consolidated financial statements are referred to as exceptional items. The separate reporting of exceptional items helps to provide an understanding of the Group's underlying performance.

3.7. 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
Manufacturing plant equipment	4%-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.

3.8. 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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

3. Summary of significant accounting policies continued

3.9. Licences and trademarks intangible assets

Patents, trademarks and licences 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 five to ten years.

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

3.10. Acquired intangible assets

The effective life of each new class of intangible asset acquired is determined as follows:
Customer relationships – expected cash generating life of underlying manufacturing contracts.
Product formulations – expected cash generating life of the particular product formulation.

The following useful economic lives are applied:

Customer relationships:	five years
Product formulations:	five years

3.11. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer to note 3.12 for a description of impairment testing.

3.12. Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its assets, including those acquired in Business Combinations, 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, such as goodwill, 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.

The Directors have carried out an impairment review of the Group's tangible and intangible assets as at the reporting date, as is its normal practice. They have assessed the likely cash flows to be generated by those assets and determined that they are stated at fair value and that consequently no impairment is necessary. See note 13 on intangible assets for further details.

3.13. 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 estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.14. 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 profit or loss 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 29 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 29 as 'loans and receivables'.

Financial liabilities and equity

(a) Trade and other payables

Trade 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 29 as 'other financial liabilities'.

(b) Vendor loan notes

The carrying value of the vendor loan notes is determined with reference to the present value of the principal amount of the loan note to be settled in the future, together with the present value of the future interest payments to be made under the terms of the loan note. The equity element of the Group's vendor loan notes issued in the 2014 was not considered material.

(c) Statutory employment provision

Statutory employment provision includes the liability for severance indemnities related to employees of the Group's Italian subsidiary. The severance indemnity liability arises under Italian law and is calculated with reference to each employee's length of service, employment category and remuneration. There is no vesting period or funding requirement associated with the liability. The liability recorded at the reporting date is based on the aggregate amount that the employees of the Group's Italian subsidiary would be entitled to on termination of employment for whatever reason.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

3. Summary of significant accounting policies continued

3.15. 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 economic benefits from the lease asset are consumed.

3.16. 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 reporting date.

(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 reporting 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 reporting 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.

3.17. 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.

3.18. 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.

3.19. Share-based payments

The Company issues equity-settled share-based payments 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 awards at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of share 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 share 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.

3.20. 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.

3.21. Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following reserves:

- merger reserve comprising the non-statutory premium arising on shares issued as consideration for acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies less subsequent realised losses relating to those acquisitions;
- share-based payment reserve comprising cumulative amounts charged in respect of employee share-based payment arrangements which have not been settled by means of an award of shares to the employee; and
- foreign currency translation reserve comprising all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the Group's presentation currency.

Retained earnings includes all current and prior period retained profits and losses. All transactions with owners of the parent are recorded separately within equity. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

3. Summary of significant accounting policies continued

3.22. 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 reporting 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) Capitalisation of internally-generated development costs

Expenditure on Group product development is reviewed throughout each of the years represented in these financial statements to assess whether it meets the six accounting criteria referenced in note 3.8. Where the Group can demonstrate that the expenditure meets each of the criteria it is capitalised, with the balance of expenditure expensed to the income statement.

b) 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 – development costs, patents and trademarks. The Group's accounting policy covering the potential impairment of intangible assets is covered in note 3.12 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 development costs, patents and trademarks. 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 31 December 2014 and 2015, no impairment charge was recognised as a result of these reviews.

c) Impairment of other non-financial assets

The Group conducts annual impairment reviews of assets, such as goodwill, when events or changes in circumstances indicate that their carrying amounts may not be recoverable, or in accordance with the relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is higher than the greater of its net selling price or the value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. These assumptions relate to future events and circumstances. The actual results may vary and may cause adjustments to the Group's assets in future financial years. Details of the estimates and assumptions made in respect of the potential impairment of goodwill are detailed in note 13 to the financial statements.

The Directors considered that no impairment was necessary in respect of goodwill recognised in the year ended 31 December 2015.

d) Share-based payment charge

During 2015, the Group issued share options to three employees. There are certain non-market performance conditions attached to the vesting of these options, with vesting taking place over the three year period to 31 March 2018. The Black-Scholes model will be used to calculate the appropriate expense.

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.

e) Provisions

Where intangible assets are acquired on a deferred consideration basis, the Directors analyse the terms of each agreement and model the expected consideration payable in the future. This involves the use of judgements by the Directors on expected future product revenue streams and the timing of those revenue streams, and the use of an appropriate discount rate.

Statutory employment provisions are calculated with reference to each employee's length of service, employment category and remuneration. The Directors have to make judgements on the expected date of employment termination (for whatever reason) in calculating a provision to represent the aggregate amount that the employees of the Group's Italian subsidiary would be entitled to on termination of employment.

f) 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.

The valuation of other acquired intangible assets such as customer relationships and product formulations also requires judgements regarding estimated future cash flows arising from those established assets, discounted to reflect the time value of money.

3.23. 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 2015

4. Accounting developments

a) New standards, amendments and interpretations issued and adopted

No amendments to these financial statements have been made as a result of adopting new and revised standards and interpretations.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not adopted early

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

IFRS 9, Financial Instruments	The IASB released IFRS 9 'Financial Instruments', representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.
IFRS 15, Revenue from Contracts with Customers	IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. The Group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.
IFRS 16, Leases	IFRS 16 has recently been published by the IASB which covers accounting for leases. The new standard will require leases to be account for 'on-balance sheet' by recognising the 'right or use' asset and lease liability. The standard will have a greater impact for the accounts of lessees of property and high value properties, with all leases being accounted for on balance sheet, other than short-term or low value leases. IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. The Group's management have not yet assessed the impact of IFRS 16 on these consolidated financial statements.

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

for the year ended 31 December 2015

5. 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.

Management has determined the operating segments based on the reports reviewed by the Group Board of Directors (CODM) that are used to make strategic decisions. The Board considers the business from a line-of-service perspective and uses operating profit/(loss) as its profit measure. The operating profit/(loss) of operating segments is prepared on the same basis as the Group's accounting operating profit.

The operations of the Group are segmented as:
- Brands, which includes sales of branded healthcare and cosmetics products direct to retailers and under distribution agreements, and
- Manufacturing, which includes sales of products and services under contract development and manufacturing agreements.

5.1 Segment revenue and results

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

	Brands £'000	Manufacturing £'000	Consolidated Group £'000
Year ended 31 December 2015			
Revenue			
Sale of goods	**1,067**	**8,371**	**9,438**
Sale of services	**–**	**242**	**242**
Intercompany sales elimination	**–**	**(603)**	**(603)**
Total external revenue	**1,067**	**8,010**	**9,077**
Results			
Operating (loss)/profit before exceptional items and excluding central administrative costs	**(826)**	**1,090**	**264**
Year ended 31 December 2014			
Revenue			
Sale of goods	675	6,611	7,286
Sale of services	–	127	127
Intercompany sales elimination	–	(224)	(224)
Total revenue	675	6,514	7,189
Results			
Operating (loss)/profit before exceptional items and excluding central administrative costs	(544)	999	455

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Operating profit before exceptional items and excluding central administrative costs	**264**	455
Exceptional items	**(246)**	(449)
Central administrative costs	**(1,712)**	(1,624)
Finance income	**152**	156
Finance costs	**(95)**	(81)
Loss before tax	**(1,637)**	(1,543)

One customer generated revenue of £2,854,000 which accounted for 10% or more of total revenue (2014: one customer generated revenue of £2,089,000 which accounted for 10% or more of total revenue).

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

5. Segmental Information continued

5.2 Segmental assets and liabilities

	At 31 December 2015 £'000	At 31 December 2014 £'000
Assets		
Brands	**2,743**	4,400
Manufacturing	**7,276**	6,805
Group consolidated assets	**11,898**	12,850
Consolidated total assets	**21,917**	24,055
Liabilities		
Brands	**321**	425
Manufacturing	**5,268**	5,342
Group consolidated liabilities	**2,526**	2,641
Consolidated total liabilities	**8,115**	8,408

5.3 Other segmental information

	Depreciation and amortisation £'000	Additions to non-current assets £'000
Year ended 31 December 2015		
Brands	**72**	**24**
Manufacturing	**189**	**639**
Central administration	**568**	**–**
	829	**663**
Year ended 31 December 2014		
Brands	70	163
Manufacturing	151	446
Central administration	426	13,577
	647	14,186

5.4 Geographical information

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Revenue		
UK	**1,970**	1,479
Europe (EEA)	**6,270**	5,344
Rest of the World	**837**	366
Total revenue	**9,077**	7,189

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

6. Exceptional items

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Expense relating to admission to AIM (a)	–	(404)
Costs incurred in acquisition of Biokosmes (b)	–	(57)
Impairment of available for sale investments (c)	–	(36)
Gains on sales of trademarks (d)	–	9
Gain on purchase of PermaPharm AG	–	39
Costs incurred in acquisitions (e)	(246)	–
	(246)	(449)

(a) On 28 March 2014 the shares in Venture Life Group plc were admitted to trading on AIM. £404,000 of costs relating to the IPO and fund-raising were expensed during the period.

(b) The Company incurred professional services costs totalling £57,000 (2013: £105,000) during 2014 in respect of the acquisition of Biokosmes. The share purchase agreement was finalised and signed in November 2013 with completion and control obtained immediately prior to Admission to AIM of Venture Life Group plc's shares on 28 March 2014.

(c) In July 2014 the Directors were advised by the management of G2S Cosmetics SAS that G2S Cosmetics SAS was likely to be declared insolvent, although efforts would be made to sell the company as a going concern. In January 2015, the Group sold its shareholding in G2S for €1 having determined that this represented the fair value of the shares. As a result of this the investment was impaired in full at the reporting date (£31,000).
Also in available for sale investments was an investment in Novo Galeno Srl which was impaired fully (£5,000) in 2014.

(d) During 2014 the Group entered into a sale agreement to dispose of the Bioscal trademark for the USA and Canadian territories. These trademarks had been acquired along with the Bioscalin trademarks which the Group previously held for the USA and Canada and thus were not part of the key marketing strategy of the Group in those territories.

(e) During 2015 the Group incurred legal and professional fees predominantly in relation to the Periproducts acquisition.

7. Operating loss

The operating loss for the year has been arrived at after charging/(crediting):

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Depreciation of property, plant and equipment included in operating expenses	171	139
Amortisation of intangible assets included in administrative expenses	658	508
Research and development costs included in operating expenses	326	352
Operating lease rentals	473	319
Staff costs (note 8)	3,419	3,405
Former auditor's remuneration	–	5
Current auditor's remuneration		
– Fees for the audit of the Company's annual accounts	20	20
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the accounts of the Company's subsidiaries	24	23
– Tax compliance services	10	10
– Tax advisory services	10	–
– Other assurance services	6	4
– Corporate finance services	14	–
Net credit from foreign currency transactions	(86)	(145)

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2015

8. 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 2015 Number	Year ended 31 December 2014 Number
Product development and manufacturing	**51**	48
Sales and marketing	**11**	8
Directors	**7**	7
Administration	**13**	12
	82	75

Their aggregate remuneration comprises:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Wages and salaries	**2,731**	2,628
Social security costs	**514**	547
Other pension costs	**103**	80
Other	**22**	20
Equity settled share-based payments	**49**	130
	3,419	3,405

9. Pension costs and other post-retirement benefits
The Group does not operate its own pension scheme but makes contributions into the personal pension schemes of certain employees. The pension charge represents contributions payable by the Group and amounted to £103,398 (2014: £80,221). At year end an amount of £nil (2014: £2,316) was payable in respect of pension contributions charged during the year.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

10. Income tax expense

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Current tax		
Current tax on profits for the year	**266**	216
Adjustments in respect of earlier years	**11**	(37)
Total current tax expense	**277**	179
Deferred tax		
Origination and reversal of temporary differences	**(153)**	(152)
Total deferred tax expense (see note 28)	**(153)**	(152)
Total income tax expense	**124**	27

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Loss before tax	**(1,637)**	(1,543)
Loss before taxation multiplied by the local tax rate of 20.25% (2014: 21.50%)	**(331)**	(332)
Expenses not deductible for tax purposes	**155**	269
Research and development tax credit from earlier years	**11**	(37)
Research and development tax credit for current year	**–**	(51)
Change in recognised deferred tax liability	**(153)**	(152)
Change in unrecognised deferred tax asset	**359**	295
Higher rate on foreign taxes	**83**	35
Income tax charge	**124**	27

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

As at the reporting date, the Group has unused tax losses of £5,328,000 (2014: £3,559,000) available for offset against future profits generated in the UK. 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 2015

11. Earnings per share

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

	Year ended 31 December 2015 Number	Year ended 31 December 2014 Number
For basic and diluted EPS calculation	**34,403,534**	26,130,167

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

	£'000	£'000
For basic and diluted EPS calculation	**(1,761)**	(1,570)

The resulting EPS measures are:

	Pence	Pence
Basic and diluted EPS calculation	**(5.12)**	(6.01)

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 vendor loan notes would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33.

12. Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Final dividend	**14**	12

The Directors recommend the payment of a dividend of 0.04p per share (2015: 0.04p per share) in 2016 and a resolution will be put to shareholders at the 2016 Annual General Meeting.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

13. Intangible assets

	Development costs £'000	Patents and trademarks £'000	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost or valuation					
At 1 January 2014	120	504	–	–	624
Additions	1,192	40	9,796	1,995	13,023
Disposals	–	–	–	–	–
Foreign exchange	10	–	–	–	10
At 1 January 2015	**1,322**	**544**	**9,796**	**1,995**	**13,657**
Additions	267	22	–	–	289
Disposals	(10)	(110)	–	–	(120)
Foreign exchange	(41)	–	–	–	(41)
At 31 December 2015	**1,538**	**456**	**9,796**	**1,995**	**13,785**
Amortisation					
At 1 January 2014	–	167	–	–	167
Charge for the year	141	68	–	299	508
At 1 January 2015	**141**	**235**	**–**	**299**	**675**
Charge for the year	194	65	–	399	658
Disposals	–	(45)	–	–	(45)
Foreign exchange	(30)	–	–	–	(30)
At 31 December 2015	**305**	**255**	**–**	**698**	**1,258**
Carrying amount					
At 31 December 2014	1,181	309	9,796	1,696	12,982
At 31 December 2015	**1,233**	**201**	**9,796**	**1,297**	**12,527**

During the period, trademarks held by the Group were sold for a cash consideration of €100,000. The consideration net of sale costs and value of trademarks held at the point of sale resulted in a nil gain or loss on sale to the Group.

All 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.

Other intangible assets currently comprise customer relationships and product formulations acquired through the acquisition of Biokosmes Srl. These assets were recognised at their fair value at the date of acquisition and are being amortised over a period of five years.

Goodwill represents the future economic benefits arising from the acquisition of Biokosmes that are not individually identified and separately recognised. To determine the value in use of the goodwill, the Directors have produced detailed monthly profit and loss and cash flow forecasts for the three years ended December 2018 and produced annual estimates of profit after tax for the seven year period from 1 January 2019 to 31 December 2025 given the long-term and stable nature of the expected cash flows.

The key judgements used in relation to the impairment review are as follows:

- The estimates of profit after tax for Biokosmes for the three year period from 1 January 2016 to 31 December 2018 are based on the expectation that Biokosmes will grow its revenues and profitability more quickly than in previous years. This is expected to be achieved in part through increasing volumes and value of manufacturing orders being fulfilled for other Group companies, in part through excess manufacturing capacity being utilised to generate improved gross margins, and in part through investment in new business development resource and manufacturing capacity enabled through funding made available by the Group to Biokosmes. This growth assumption is a key driver of the impairment review. In undertaking the impairment review at 31 December 2015, sensitivity analysis was carried out on the assumptions underpinning the growth forecasts and if growth of the profit after tax for Biokosmes between 1 January 2016 and 31 December 2018 was reduced by 17% (from 75% forecast for this period to 58%), this would result in there being no difference between the discounted value of profit before tax cash flows and intangibles asset value held on the balance sheet.
- The estimates of profit after tax from 1 January 2019 onwards assume that Biokosmes is capable of achieving 5% per annum growth in profit after tax, which the Directors estimate to be a conservative growth rate but appropriate given the nature of the contract manufacturing industry in which Biokosmes operates.
- The Group has applied a discount rate to the future cash flows of Biokosmes using a pre-tax weighted average cost of capital of 16%. This assumption is a key driver of the impairment review. In undertaking the impairment review at 31 December 2015, sensitivity analysis was carried out on assumptions underpinning the pre-tax weighted average cost of capital and if the discount rate is increased from 16% to 20%, there would be no difference between the discounted value of profit before tax cash flows and intangibles asset value held on the balance sheet.

These estimates and judgements are subjective and relate to future events and circumstances. The actual results may vary, and accordingly may cause adjustments to the Group's valuation in future financial years.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

14. Property, plant and equipment

	Plant and equipment £'000	Other equipment £'000	Total £'000
Cost or valuation			
At 1 January 2014	–	21	21
Additions	1,102	61	1,163
Disposals	(7)	–	(7)
Foreign exchange movements	(57)	(3)	(60)
At 1 January 2015	**1,038**	**79**	**1,117**
Additions	374	–	374
Disposals	(6)	–	(6)
Foreign exchange movements	(45)	(4)	(49)
At 31 December 2015	**1,361**	**75**	**1,436**
Depreciation			
At 1 January 2014	–	11	11
Charge for the year	121	18	139
Disposals	(4)	–	(4)
Foreign exchange movements	(4)	–	(4)
At 1 January 2015	**113**	**29**	**142**
Charge for the year	136	35	171
Foreign exchange movements	3	–	3
At 31 December 2015	**252**	**64**	**316**
Carrying amount			
At 31 December 2014	925	50	975
At 31 December 2015	**1,109**	**11**	**1,120**

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 2015

15. Inventories

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Raw materials	**1,538**	1,130
Finished goods	**697**	726
	2,235	1,856

An amount of £3,685,404 (2014: £2,938,055) was recognised in respect of expenditure on inventory in the Statement of Comprehensive Income.

16. Trade and other receivables

	At 31 December 2015 £'000	At 31 December 2014 £'000
Trade receivables	**2,534**	2,807
Prepayments and accrued income	**250**	72
Other taxation recoverable	**97**	65
Other receivables	**292**	313
	3,173	3,257

Contractual payment terms with the Group's customers are typically 60-90 days.

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 2015 £'000	At 31 December 2014 £'000
31 to 60 days past due	**4**	108
60 to 90 days past due	**7**	43
90 to 120 days past due	**19**	67
> 120 days past due	**161**	142
Overdue trade receivables – gross	**191**	360
Provision for overdue receivables	**(39)**	(35)
Overdue trade receivables – net	**152**	325

The Directors consider that the carrying value of trade and other receivables represents their fair value. As at the reporting date, a provision of £39,000 for overdue receivables has been made and is included in the carrying value of trade and other receivables (2014: £35,000). 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 29(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 29(c).

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

17. Cash and cash equivalents

	At 31 December 2015 £'000	At 31 December 2014 £'000
Cash and cash equivalents	**2,857**	4,933

The Group holds sterling, Chinese renminbi and euro denominated balances in the UK. The Group's subsidiaries hold US dollar and euro accounts in Italy and a Swiss franc account in Switzerland.

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 29(d).

The amounts of cash and cash equivalents denominated in currencies other than pounds sterling are shown in note 29(c).

18. Share capital and share premium

Share capital

All shares are authorised, issued and fully paid. The Group has one class of ordinary shares which carry no fixed income.

	Ordinary shares of 0.3p each Number	Ordinary shares of 0.3p each £	Share premium £'000	Merger reserve £'000
At 1 January 2014	16,961,424	50,884	2,668	50
New shares issued for cash	10,444,532	31,333	9,158	–
New shares issued for acquisition	6,997,578	20,993	–	7,606
At 31 December 2014	34,403,534	103,210	11,826	7,656
At 31 December 2015	**34,403,534**	**103,210**	**11,826**	**7,656**

The Company undertook no share issues during 2015.

19. Merger reserve

In 2010 the Company acquired 100% of the issued share capital of Venture Life Limited from shareholders of the Company. This combination gave rise to a merger reserve in the Consolidated Statement of Financial Position, being the difference between the nominal value of new shares issued by the Company for the acquisition of the shares of the subsidiary and the subsidiary's own share capital and share premium account.

The merger reserve is also used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006. The balance on the reserve of £7,656,000 (2014: £7,656,000) has arisen through the acquisition of Venture Life Limited in 2010 (£50,000) and Biokosmes in March 2014 (£7,606,000).

20. Foreign currency translation reserve

The Foreign currency reserve represents unrealised cumulative net gains and losses arising on the translation and consolidation of the Group's Italian subsidiary.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

21. Share-based payments and share-based payments reserve

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

Options under both Plans vest according to time employed at Venture Life. Additionally some options granted under the EMI Plan vest according to achievement of certain non-market performance targets.

The maximum term of options granted under both Plans is ten years.

The IFRS 2 share option charge for the year was £49,000 (2014: £130,000) and is included in administrative expenditure in the Statement of Comprehensive Income.

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

	2015 Number	2015 WAEP (p)	2014 Number	2014 WAEP (p)
Total outstanding at beginning of the year	**3,629,412**	**53**	3,842,440	56
Granted during the year	**244,541**	**109**	116,972	109
Exercised	**–**	**–**	–	–
Forfeited	**(220,183)**	**109**	(330,000)	73
Total outstanding at 31 December	**3,653,770**	**54**	3,629,412	53
Exercisable at 31 December	**2,753,762**	**49**	2,073,417	47

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

	2015 Number	2014 Number
Range of exercise prices		
0p-49p	**2,852,440**	2,852,440
50p-99p	**660,000**	660,000
100p-149p	**141,330**	116,972
Total	**3,653,770**	3,629,412

At 31 December 2015, the weighted average remaining contractual life of options exercisable is 7.19 years (2014: 8.00 years).

The weighted average fair value of options granted in the year is 109p (2014: 109p).

The non-market performance conditions for all share options outstanding at 31 December 2015 and with a vesting date of 31 December 2015 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. An appropriate valuation model has been used to calculate the fair value of share options with market performance-related vesting. Disclosure of those valuation assumptions is not made on the basis that the related charge is immaterial.

The inputs into the Black-Scholes model are as follows:	2015	2014
Weighted average share price (p)	**87.5**	96.5
Weighted average exercise price (p)	**109**	109
Weighted average expected volatility (%)	**17.5**	22.4
Weighted average expected life (years)	**4**	4
Weighted average risk free rate (%)	**1.19**	1.50
Expected dividends (%)	**0.004**	0.004

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.

The share-based payment reserve represents charges made to the Income Statement in respect of share-based payments under the Group's share-option schemes.

22. Retained earnings

Retained earnings represents all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2015

23. Trade and other payables

	At 31 December 2015 £'000	At 31 December 2014 £'000
Trade payables	**2,030**	1,659
Accruals and deferred income	**1,288**	1,196
Social security and other taxes	**105**	83
Other payables	**295**	397
	3,718	3,335

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 29(c).

24. Interest bearing borrowings

	At 31 December 2015 £'000	At 31 December 2014 £'000
Current		
RiBa financing	**–**	208
Finance lease	**1**	4
Unsecured bank loans due within one year	**37**	368
	38	580
Non-current		
Finance lease	**–**	1
Unsecured bank loans due after one year	**1,806**	1,722
	1,806	1,723

All bank loans are held by the Group's Italian wholly-owned subsidiary, Biokosmes. RiBa (or "Ricevuta Bancaria") is a means of payment settlement used on occasions by Biokosmes by which it entrusts one of its banks with responsibility for sending an instruction to a participating Italian customer authorising the customer's bank to settle an invoiced debt by an agreed due date. The balance shown above of £nil (2014: £208,000) reflects the amount that had been settled in Biokosmes's account under RiBa as at the reporting date.

Bank loans held at 31 December 2014 with Banca Nazionale del Lavolo ("BNL") of €469,000 were repaid in May 2015. In October 2015 a new bank loan with BNL was drawn down for €300,000 to fund capital investment and is repayable quarterly from June 2016 to September 2020. The new loan is unsecured and there are no covenants attaching to it.

The finance lease was acquired with the Biokosmes acquisition during the year and was repaid by April 2016. A summary showing the contractual repayment of interest bearing borrowings is shown below:

	At 31 December 2015 £'000	At 31 December 2014 £'000
Amounts and timing of non-current debt repayable		
Between 1 January 2016 and 31 December 2016	**–**	1
Between 1 January 2017 and 31 December 2017	**196**	156
Between 1 January 2018 and 31 December 2018	**934**	940
Between 1 January 2019 and 31 December 2019	**344**	313
Between 1 January 2020 and 31 December 2020	**332**	313
	1,806	1,723

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2015

24. Interest bearing borrowings continued

	At 31 December 2015 £'000	At 31 December 2014 £'000
Analysis of net cash		
Cash at bank and in hand	**2,857**	4,933
Balance on RiBa (invoice discounting with recourse)	**–**	(208)
Finance lease	**(1)**	(5)
Unsecured bank loans due within one year	**(37)**	(368)
Unsecured bank loans due after one year	**(1,806)**	(1,722)
Vendor loan notes	**(1,416)**	(1,554)
Net (debt)/cash	**(403)**	1,076

25. Vendor loan notes

Vendor loan notes totalling €2 million and which pay an annual coupon of 3% were issued by the Group in March 2014 in connection with the acquisition of Biokosmes. Interest amounting to £11,000 accrued during the period is still payable on these vendor loan notes at the period end. Interest is payable on these vendor loan notes in October and April each year. The agreements covering these vendor loan notes were amended following the balance sheet date such that the latest repayment date of the loan notes was extended from July 2016 to July 2017.

26. Statutory employment provision

The statutory employment provision includes the liability for severance indemnities related to employees of the Group's Italian subsidiary. The severance indemnity liability arises under Italian law and is calculated with reference to each employee's length of service, employment category and remuneration. There is no vesting period or funding requirement associated with the liability. The liability recorded at the reporting date is based on the aggregate amount that the employees of the Group's Italian subsidiary would be entitled to on termination of employment for whatever reason.

27. Operating lease arrangements

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

	At 31 December 2015 £'000	At 31 December 2014 £'000
Within one year	**441**	477
After one year and within five years	**1,146**	1,583
	1,587	2,060

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 three year term whereupon the leased asset is required to be returned to the lessor.
- The Group Italian's subsidiary has one operating location and storage location in Lecco, near to Milan. The operating location has a long-term rental agreement until November 2019. Rental obligations on the storage location continue until September 2020.

28. Deferred tax

Deferred taxes arising from temporary differences are summarised as follows:

Deferred tax liabilities/(assets)	At 1 January 2015 £'000	Recognised in profit and loss £'000	Movements attributed to foreign exchange £'000	At 31 December 2015 £'000
Purchased goodwill	107	(8)	(12)	87
Other intangibles	(758)	178	–	(580)
Inventories	(48)	(19)	(1)	(68)
Trade and other receivables	11	2	(3)	10
Deferred tax liability	**(688)**	**153**	**(16)**	**(551)**

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2015

29. 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 licence provisions.
- Vendor loan notes.
- Interest bearing debt.

Details of financial instruments by category are set out below:

	31 December 2015 £'000	31 December 2014 £'000
Financial assets		
Loans and receivables		
Trade and other receivables	**3,030**	3,185
Cash and cash equivalents	**2,857**	4,933
	5,887	8,118
Financial liabilities		
Other financial liabilities		
Trade and other payables	**2,430**	2,140
Vendor loan notes and interest bearing debt	**3,260**	3,857
	5,690	5,997

The 2015 carrying values of the principal financial instruments are derived in accordance with the related accounting policies as follows:

	Designated to FVTPL* £'000	Loans and other receivables (amortised cost) £'000	Other liabilities (amortised cost) £'000	Total £'000
At 31 December 2015				
Assets				
Trade and other receivables	–	3,030	–	3,030
Cash and cash equivalents	–	2,857	–	2,857
	–	**5,887**	**–**	**5,887**
Liabilities				
Trade and other payables	–	–	2,430	2,430
Vendor loan notes and interest bearing debt	1,416	–	1,844	3,260
	1,416	**–**	**4,274**	**5,690**
At 31 December 2014				
Assets				
Trade and other receivables	–	3,185	–	3,185
Cash and cash equivalents	–	4,933	–	4,933
	–	8,118	–	8,118
Liabilities				
Trade and other payables	–	–	2,140	2,140
Vendor loan notes and interest bearing debt	1,554	–	2,303	3,857
	1,554	–	4,443	5,997

* Fair value to profit and loss.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2015

29. Financial instruments continued
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 the section on Principal Risks and Uncertainties in the Strategic Report on pages 18 to 20.

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, US dollars, Chinese renminbi and Swiss francs are shown below in the Group's presentational currency, (£).

	US$ £'000	RMB £'000	SFr £'000	Euro £'000	**Total £'000**
At 31 December 2015					
Assets					
Trade and other receivables	–	–	–	3,091	**3,091**
Cash and cash equivalents	91	150	1	957	**1,199**
	91	150	1	4,048	**4,290**
Liabilities					
Trade and other payables	90	–	1	1,911	**2,002**
Vendor loan notes and interest bearing debt	–	–	–	3,260	**3,260**
	90	–	1	5,171	**5,262**
Net position	**1**	**150**	**–**	**(1,123)**	**(972)**
At 31 December 2014					
Assets					
Trade and other receivables	–	–	–	2,807	2,807
Cash and cash equivalents	–	–	76	1,146	1,222
	–	–	76	3,953	4,029
Liabilities					
Trade and other payables	54	–	–	1,639	1,693
Vendor loan notes and interest bearing debt	–	–	–	3,857	3,857
	54	–	–	5,496	5,550
Net position	(54)	–	76	(1,543)	(1,521)

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 2015		
Assets	**368**	**(368)**
Liabilities	**(470)**	**470**
At 31 December 2014		
Assets	366	(366)
Liabilities	(504)	504

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

29. Financial instruments continued

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 2015, the concentration of credit risk held with these banks was £2,191,218 (2014: £3,767,902).

The Group considers its credit risk by counterparty and geography.

At 31 December 2015, the Group was also owed £1,239,283 (2014: £1,021,348) from two (2014: three) 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 reporting 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 Directors' 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.

Interest rate risk

The Group's principal interest bearing assets are its cash balances.

The main principles governing the Group's investment criteria are the security and liquidity of its investments before yield, although the yield (or return) is also a consideration. The Group will also ensure:

i) that it has sufficient liquidity in its investments. For this purpose it will use its cash flow forecasts for determining the maximum periods for which funds may prudently be committed; and
ii) that it maintains a policy covering both the categories of investment types in which it will invest, and the criteria for choosing investment counterparties.

The interest rate risk profile of the Group's financial assets, excluding trade and other receivables, as at 31 December 2015 was:

	Fixed rate		Floating rate		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Sterling	**–**	–	**1,658**	3,711	**1,658**	3,711
Euro	**–**	–	**957**	1,146	**957**	1,146
Chinese renminbi	**–**	–	**150**	–	**150**	–
US dollar	**–**	–	**91**	–	**91**	–
Swiss franc	**–**	–	**1**	76	**1**	76
Total	**–**	–	**2,857**	4,933	**2,857**	4,933

Floating rate deposits in all currencies earn interest at prevailing bank rates.

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 non-current interest bearing borrowings as detailed in note 24.

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 interest bearing borrowings, loan notes and equity comprising issued capital and retained profits. 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, but maintains an efficient overall financing structure while avoiding excessive leverage.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

29. Financial instruments continued

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	At 31 December 2015 £'000	At 31 December 2014 £'000
Total equity	**13,802**	15,647
Cash and cash equivalents	**(2,857)**	(4,933)
Capital	**10,945**	10,714
Total equity	**13,802**	15,647
Borrowings	**3,260**	3,857
Overall financing	**17,062**	19,504
Capital to overall financing ratio	**0.64**	0.55

30. Related party transactions

The following transactions were carried out with related parties:

(a) Transactions with Directors

Total dividends paid to Directors in the year ending 31 December 2015 were £4,872 (2014: £4,791).

Interest totalling £nil (2014: £983) was paid on vendor loan notes issued to directors in 2013 which were redeemed in March 2014 (2014: £55,000).

Gianluca Braguti, a director and shareholder of the Group, was provided with services by the Group totalling £2,669 (2014: £3,031). At 31 December 2015, Gianluca Braguti owed the Group £3,304 (2014: £5,886).

The Group issued vendor loan notes for €2 million as part of the Biokosmes acquisition in March 2014. Gianluca Braguti, a director and shareholder of the Group, holds a 99% share of the vendor loan notes. The agreements covering these vendor loan notes were amended following the balance sheet date such that the latest repayment date of the loan notes was extended from July 2016 to July 2017. Interest totalling €60,000 (2014: €45,000) was charged on the vendor loan notes during the year. See note 25 for further details.

Under the terms of the Share Purchase Agreement dated 28 November 2013 and signed between the Company and the vendors of Biokosmes, one of whom was Gianluca Braguti, the vendors agreed to indemnify the Company in full for any net liability arising from certain litigation cases which had not settled at the time of completion of the acquisition on 27 March 2014. At the year end the amount due to the Company under the indemnity totalled €250,935, of which Gianluca Braguti's liability is €248,426. There is still one litigation case outstanding, upon settlement of which Gianluca Braguti will clear any outstanding liability with the Group.

(b) Transactions with subsidiaries:

Venture Life Limited

During the year the Company charged Venture Life Limited £855,000 (2014: £1,244,344) for corporate services provided and Venture Life Limited repaid funding totalling £1,226,000 (2014: provided funding to Venture life of £3,996,063). The Company charged Venture Life Limited interest on long-term intercompany positions of £284,409 (2014: £208,986). At year end an amount of £8,138,153 (2014: £7,903,651) was due from Venture Life Limited.

Lubatti Limited

During the year the Company charged Lubatti Limited £95,000 (2014: £90,000) for corporate services provided. The Company charged Lubatti Limited interest on long-term intercompany positions of £29,517 (2014: £23,643). At year end an amount of £626,907 (2014: £471,197) was due from Lubatti Limited.

(c) Transactions between subsidiaries

Venture Life Limited and Lubatti Limited

During the year Venture Life Limited provided funding to Lubatti Limited totalling £10,000 (2014: £5,000). Lubatti Limited charged royalties during the year under a licensing agreement with Venture Life for £108,000 (2014: £nil). At year end an amount of £75,529 (2014: £174,431) was due to Venture Life Limited by Lubatti Limited.

Venture Life Limited and Biokosmes

During the year Biokosmes provided products and services to Venture life Limited totalling £603,479 (2014: £215,119). Venture Life Limited provided services to Biokosmes during the year totalling £25,547 (2014: £nil). At year end an amount of £330,549 (2014: £226,446) was due to Biokosmes Srl by Venture Life Limited.

Lubatti Limited and Tracey Malone Originals Limited

During 2014 and 2015 there were no transactions. At year end an amount of £5,951 (2014: £5,951) was due to Lubatti Limited by Tracey Malone Originals Limited.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

30. Related party transactions continued

(d) Transactions with other related parties

Services purchased from Immobiliare Cremasca Di Parati Lucia e c. S.a.S, a company 15% owned by Gianluca Braguti, a director and shareholder of the Group, totalled £nil. At 31 December 2015, the Group owed Immobiliare Cremasca Di Parati Lucia e c. S.a.S £nil (2014: £27,325).

Services purchased from Biokosmes Immobiliare Srl, a company 100% owned by Gianluca Braguti, a director and shareholder of the Group, totalled £357,459 (2014: £396,684). At 31 December 2015, the Group owed Biokosmes Immobiliare Srl £641,322 (2014: £718,306). Services provided to Biokosmes Immobiliare Srl totalled £10,280 (2014: £nil). At 31 December 2015, Biokosmes Immobiliare Srl owed the Group £1,812 (2014: £nil).

Services purchased from Biogenico Srl, a company 47% owned by Gianluca Braguti, a director and shareholder of the Group, totalled £13,185 (2014: £39,507). At 31 December 2015, the Group owed Biogenico Srl £17,786 (2014: £38,215). Services provided to Biogenico Srl totalled £26,151 (2014: £29,271). At 31 December 2015, Biogenico Srl owed the Group £7,331 (2014: £11,731).

Services purchased from A. Erre, a company 10% owned by Gianluca Braguti, a director and shareholder of the Group, totalled £72,423 (2014: £65,566). At 31 December 2015, the Group owed A. Erre £8,402 (2014: £9,155).

Services purchased from BMG Pharma Srl, a company formally 15% owned by Gianluca Braguti, a director and shareholder of the Group, totalled £63,004 (2014: £37,694). At 31 December 2015, the Group owed BMG Pharma Srl £nil (2014: £37,694). Services provided to BMG Pharma Srl, totalled £176,427 (2014: £374,308). At 31 December 2015, BMG Pharma Srl owed the Group £78,054 (2014: £167,718). Gianluca Braguti was no longer a shareholder of BMG Pharma Srl at 31 March 2016.

Services provided to Farmacia San Francesco, a company 10% owned by Gianluca Braguti, a director and shareholder of the Group, who is also a director, totalled £372 (2014: £352). At 31 December 2015, Farmacia San Francesco owed the Group £nil (2014: £nil).

31. Post balance sheet events

On 4 March 2016 the Company completed the acquisition of 100% of the share capital of Periproducts Ltd ("Periproducts") a UK based oral healthcare company. The acquisition consideration paid was £4 million plus the value of current net assets of Periproducts at the date of completion. The acquisition was funded through the Company's own resources and by way of a Placing of new ordinary shares raising £1.7 million (gross) and the issue of a 3 year 9% Convertible Bond raising £1.9 million (gross).

Parent Company Balance Sheet

at 31 December 2015

	Notes	At 31 December 2015 £'000	At 31 December 2014 £'000
Fixed assets			
Investments	6	**13,265**	13,261
		13,265	13,261
Current assets			
Debtors	7	**8,881**	8,702
Cash at bank		**19**	46
		8,900	8,748
Creditors			
Amounts falling due within one year	8	**(438)**	(277)
Net current assets		**8,462**	8,471
Total assets less current liabilities		**21,727**	21,732
Creditors			
Amounts falling due after one year	9	**(1,373)**	(1,507)
		(1,373)	(1,507)
Net Assets		**20,354**	20,225
Capital and reserves			
Called up share capital	10	**103**	103
Share premium account		**11,826**	11,826
Merger reserve		**7,656**	7,656
Share-based payment reserve		**368**	318
Profit and loss account		**401**	322
Shareholders' funds		**20,354**	20,225

The financial statements were approved and authorised for issue by the Board on 3 May 2016 and signed on its behalf by:

Jerry Randall
Director

James Hunter
Director

Parent Company Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Convertible loan note reserve £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2014	**51**	**2,668**	**50**	**39**	**338**	**41**	**3,187**
Restated profit for the year	–	–	–	–	–	293	293
Comprehensive income	**–**	**–**	**–**	**–**	**–**	**293**	**293**
Share-based payments charge	–	–	–	–	130	–	130
Issue of share capital	52	10,137	7,606	(39)	(150)	–	17,606
IPO and other fund-raising costs recognised through equity	–	(979)	–	–	–	–	(979)
Dividends	–	–	–	–	–	(12)	(12)
Transactions with shareholders	**52**	**9,158**	**7,606**	**(39)**	**(20)**	**(12)**	**16,745**
Balance at 1 January 2015	**103**	**11,826**	**7,656**	**–**	**318**	**322**	**20,225**
Profit for the year	–	–	–	–	–	93	93
Total comprehensive expense	**–**	**–**	**–**	**–**	**–**	**93**	**93**
Share options charge	–	–	–	–	50	–	50
Dividends	–	–	–	–	–	(14)	(14)
Transactions with shareholders	–	–	–	–	50	(14)	36
Balance at 31 December 2015	**103**	**11,826**	**7,656**	**–**	**368**	**401**	**20,354**

Notes to the Parent Company Balance Sheet
for the year ended 31 December 2015

1. Company Information
Venture Life Group Plc is a company whose shares are traded on the Alternative Investments Market ("AIM"). It is incorporated in the United Kingdom with a registered office, and principal place of business, at:

Venture House, 2 Arlington Square, Downshire Way
Bracknell, Berkshire RG12 1WA

The principal activity of the company is the holding of the Group's share capital and provision of management services to the Group.

2. Accounting convention
These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

This is the first year in which the financial statements have been prepared under FRS 102 (see note 5).

The financial statements are presented in sterling (£).

Under FRS 102 the Company have also adopted the following disclosure exemptions:

Cash flow statement
The Company is exempt from the preparation of a cash flow statement.

Related party disclosures
The Company is exempt from the requirements of the FRS 102, section 33 to disclose transactions with other members of the Group.

Financial instruments
The Company is exempt from the preparation of financial instrument disclosures, including:
- Categories of financial instruments;
- Items of income, expenses, gains or losses to financial instruments; and
- Exposure to and management of financial risks.

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

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.

Share-based payments
The Company issues equity-settled share-based payments 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 awards at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of share options expected to vest at each reporting date.

When the share 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.

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, is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity.

Taxation
Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

Foreign currency
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting 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.

Notes to the Parent Company Balance Sheet continued

for the year ended 31 December 2015

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 parent Company was £93,000 (2014: profit – £293,000).

The current and former auditor's remuneration in respect of audit services provided to the Company is disclosed in note 7 of the Notes to the Consolidated Financial Statements of the Group.

4. Directors' remuneration

Details of Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 28 to 31.

5. Transition to FRS 102

The company has adopted FRS 102 for the year ended 31 December 2015 and has restated the comparative prior year amounts.

Changes for FRS 102 adoption

1. Intercompany debtors and creditors are classified according to their long- or short-term nature. Where an intercompany debtor or creditor is repayable on demand, it is considered short-term in nature. All other intercompany creditors and debtors are considered long-term. Short-term intercompany debtors and creditors are now classified in debtors and creditors less than one year and the long-term positions are classified as long-term debtors and creditors.

2. As required by FRS 102, an arms-length interest rate is applied to the intercompany debtors and creditors which are considered long-term in nature. This interest rate is determined with reference to the Group's current market interest rate. Interest on long-term debtors and creditors has been applied for balances at 31 December 2015 and 31 December 2014. This adjustment for the period to 31 December 2014 has been made as a prior year adjustment increasing the profit and loss reserves and increasing the debtors falling due in more than one year by £232,629 in the year to 31 December 2014. The application of an intercompany interest charge in the year ended 31 December 2015 has had the effect of increasing interest receivable in the profit and loss account and increasing debtors due in more than one year by £284,409 in the year to 31 December 2015.

6. Investments

	Investments in subsidiary undertakings Shares £'000	Investments in subsidiary undertakings Loan £'000	Capital contributions from share-based payments £'000	Other investments £'000	Total £'000
Cost					
At 1 January 2014	51	390	271	31	743
Additions	12,942	–	–	–	12,942
Disposals	–	(390)	(3)	–	(393)
At 1 January 2015	12,993	–	268	31	13,292
Additions	–	–	4	–	4
At 31 December 2015	**12,993**	**–**	**272**	**31**	**13,296**
Accumulated Impairment					
At 1 January 2014	–	–	–	–	–
Charge for the year	–	–	–	(31)	(31)
At 1 January 2015	–	–	–	(31)	(31)
At 31 December 2015	**–**	**–**	**–**	**(31)**	**(31)**
Net book value					
At 31 December 2014	12,993	–	268	–	13,261
At 31 December 2015	**12,993**	**–**	**272**	**–**	**13,265**

Notes to the Parent Company Balance Sheet continued
for the year ended 31 December 2015

6. Investments continued
Venture Life Group plc has five UK subsidiary undertakings, Venture Life Limited (Company number 07186207), Lubatti Limited (Company number 06704099), Tracey Malone Originals Limited (Company number 06703243), Soffto Lubatti Limited (Company number 08203367) and Periproducts Limited (Company number 02864374) which are all incorporated in England. It also has one Italian subsidiary and one Swiss subsidiary.

Name of subsidiary	Class of holding	Proportion held directly	Location
Venture Life Limited	Ordinary	100%	UK
Lubatti Limited	Ordinary	100%	UK
Tracey Malone Originals Limited	Ordinary	100%	UK
Soffto Lubatti Limited (dormant)	Ordinary	100%	UK
Periproducts Limited*	Ordinary	100%	UK
PermaPharm AG	Ordinary	100%	Switzerland
Biokosmes Srl	Ordinary	100%	Italy

* Periproducts Limited was acquired on 4 March 2016. See note 11 for further information.

7. Debtors

	2015 £'000	2014 £'000 Restated
Amounts falling due within one year:		
Other debtors	**67**	68
Prepayments and accrued income	**44**	27
Amounts owed by Group undertakings	**2,171**	–
	2,282	95
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	**6,599**	8,607
Aggregate amounts	**8,881**	8,702

8. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	**76**	47
Other taxation and social security costs	**25**	2
Accruals and deferred income	**249**	117
Vendor loan notes	**43**	47
Other payables	**45**	64
	438	277

Notes to the Parent Company Balance Sheet continued

for the year ended 31 December 2015

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

Pursuant to the acquisition of Biokosmes Srl in March 2014, the Company issued to the vendors of Biokosmes vendor loan notes with a face value of €2.0 million and which pay an annual coupon of 3%. Under the terms of the loan notes, the loan notes were due to be repaid in full at the latest by the Company in July 2016. The repayment date of these loan notes were extended to July 2017 following the period end.

	£'000
Fair value of vendor loan notes at 31 December 2014	1,554
Foreign exchange movements	(93)
Change in fair value of vendor loan notes	(45)
Fair value of vendor loan notes at 31 December 2015	**1,416**
Current element of vendor loan notes liability	43
Non-current element of vendor loan notes liability	1,373
	1,416

The interest expensed for the year is calculated by applying an effective interest rate of 3% from the date the loan notes were issued. The carrying value of the vendor loan notes is determined with reference to the present value of the principal amount of the loan note to be settled in the future, together with the present value of the future interest payments to be made under the terms of the loan note. The equity element of the Group's vendor loan notes included in 2014 and 2015 was not considered material.

10. Share capital

	2015 £'000	2014 £'000
Allotted, issued and fully paid:		
34,403,534 (2014: 34,403,534) Ordinary shares of 0.3p each	**103**	103

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

11. Post balance sheet events

On 4 March 2016 the Company completed the acquisition of 100% of the share capital of Periproducts Ltd ("Periproducts") a UK based oral healthcare company. The acquisition consideration paid was £4 million plus the value of current net assets of Periproducts at the date of completion. The acquisition was funded through the Company's own resources and by way of a Placing of new ordinary shares raising £1.7 million (gross) and the issue of a 3 year 9% Convertible Bond raising £1.9 million (gross).

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.

Designed by Benrown Design Consultants
www.benrown.co.uk

Printed by Park Communications on FSC® certified paper.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Satimat Green, a paper containing 75% post consumer recycled fibre and 25% virgin fibre sourced from well managed, responsible, FSC® certified forests.

FSC www.fsc.org MIX Paper from responsible sources FSC® C001785

Venture Life Group plc
Venture House
2 Arlington Square
Bracknell
Berkshire
RG12 1WA

T +44 (0) 1344 742 870
E info@venture-life.com
W www.venture-life.com

Venture Life Group plc Annual Report & Accounts 2015