The partner of choice for self-care products

Venture Life Group plc
Annual Report & Accounts 2017

"2017 has seen our strategy continue to deliver with another year of good growth for Venture Life, with the Group increasing both revenues and profit. The Company has delivered a 12% revenue growth, resulting in accelerating profitability by virtue of the Group's operating leverage, an EBITDA profit of £1.9 million, and the first time the group has reported a profit before tax of £0.1 million."

Jerry Randall — Chief Executive Officer

Our *mission*

We are committed to providing innovative and efficacious products for the self-care market for people who want to live a healthier life.

See pages 8 and 9 for more information

Our *vision*

To become a key trusted global leader in self-care products through our knowledge, expertise and capability. Through sustainable organic growth and strategic acquisitions, we will continue to access the significant long-term potential of the self-care market.

See pages 6 and 7 for more information

Strategic report

Corporate governance

Financial statements

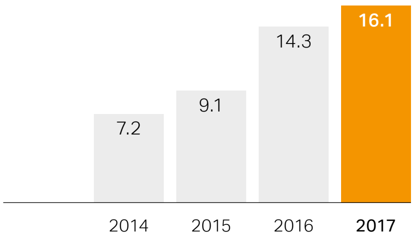
Highlights 2017

Financial

- Revenue of £16.1 million, a 12% increase
- Gross margin up from 38% to 40%
- EBITDA increase from £0.8 million to £1.9 million
- Maiden profit before tax for the Group of £0.1 million
- Cash positive in second half of year
- Revenue in second half 6% up on first half

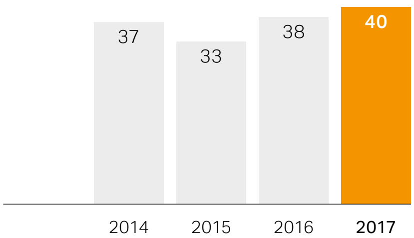
Revenue (£m)

+12%



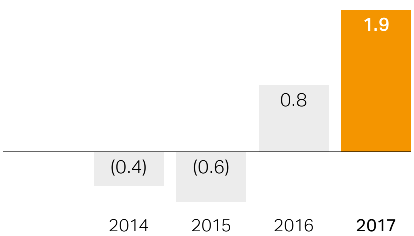
Gross margin (%)

40%



EBITDA profit (£m)

+134%



Commercial

- Ten new long-term distribution agreements signed on key brands
- Seven new international markets signed for UltraDEX brand, including France, Italy, Sweden, Denmark, Norway and Finland in the EU
- Record in-store sales levels of Lubatti skincare brand in Chinese market
- Seven new product launches in new territories, including India
- CE mark approval granted for two new products developed in-house
- Widest distribution of UltraDEX in UK market for over five years
- New deals in Poland and Romania signed Q1 2018 to distribute Procto-eze Plus range

UltraDEX brand

7 new international markets

See page 13 for more information

Lubatti brand in China

Record in-store sales levels

See page 14 for more information

New territories, including India

7 new product launches

See page 15 for more information

For more information visit:
www.venture-life.com

At a Glance

Significant growth potential *Self-care market*

As an international consumer self-care company, we create value for shareholders by developing, manufacturing and commercialising products for the self-care market.

What we do

Venture Life develops, manufactures and distributes products for the self-care market. These are non-drug products that consumers buy without prescription to help lead a healthier life.

There is a growing demand for self-care products due to an ageing population. People are living longer and taking more interest and responsibility for their health, with an increased focus on preventative wellness. This approach of increased personal responsibility can deliver improved health and well-being in the short, medium and long term for individuals.

Business model

Based on a vertically integrated approach, we either acquire or develop in-house self-care products, that are manufactured in our factory; these are then distributed either directly to customers or through global distribution partnerships.

Acquire or develop → Manufacture (own brands and customer brands) → Distribute B2B → Sustainable profitability

Read more on our business model page 6

Our brands

Venture Life has its own portfolio of self-care brands, which are sold without prescription through pharmacies and other retailers. They address a wide range of healthcare issues from oral healthcare, women's intimate health, neurology, cardiovascular and dermatology.

Many of our products have intellectual property including trademarks, patents, clinical evidence proving efficacy as well as formulation and manufacturing expertise. Being a non-drug company means faster regulatory routes to market and lower regulatory costs.

Distribution

International

Our international business follows a B2B model. We partner our own brands with reputable pharmaceutical or healthcare partners around the world, focusing on key markets.

Our partners have local market expertise and the partner covers all in-market costs, so we have no exposure to funding, sales and marketing costs.

UK

Within the UK, the acquisition of the UltraDEX brand has given us direct access to the UK retail market including key retailers such as Boots, Tesco and Amazon. In the UK this direct route earns us higher revenues per unit, and we invest this extra money in UK consumer marketing to support the products.

Partners
90+

Markets worldwide
44

Read more on development and manufacturing page 17

Key milestones

2010
Venture Life co-founded by Jerry Randall and Sharon Collins

2014
Acquisition of Biokosmes Srl, an Italian development and manufacturing business; year of IPO

2015
30-year exclusive agreement with Gialen Group Co. Ltd to sell skincare products in China

2016
Acquisition of Periproducts Ltd, including UltraDEX brand

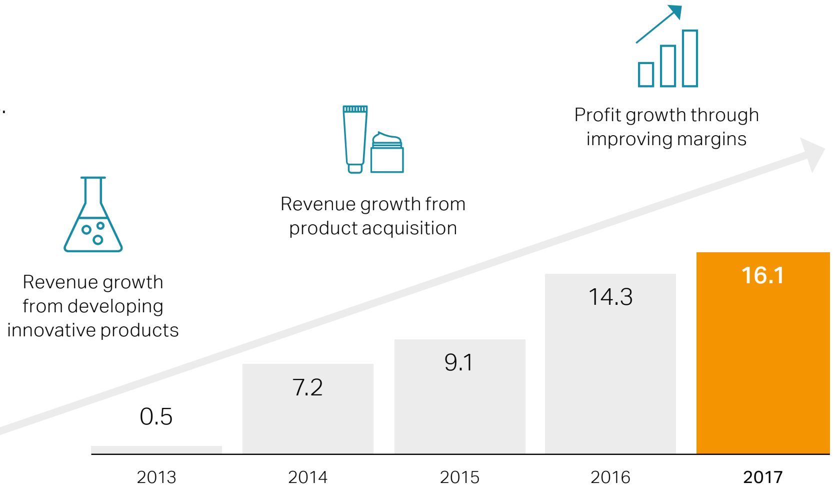
2017
FDA OTC drug manufacturing compliance for the US market

Our strategy

We want to become a leading global self-care branded products business.

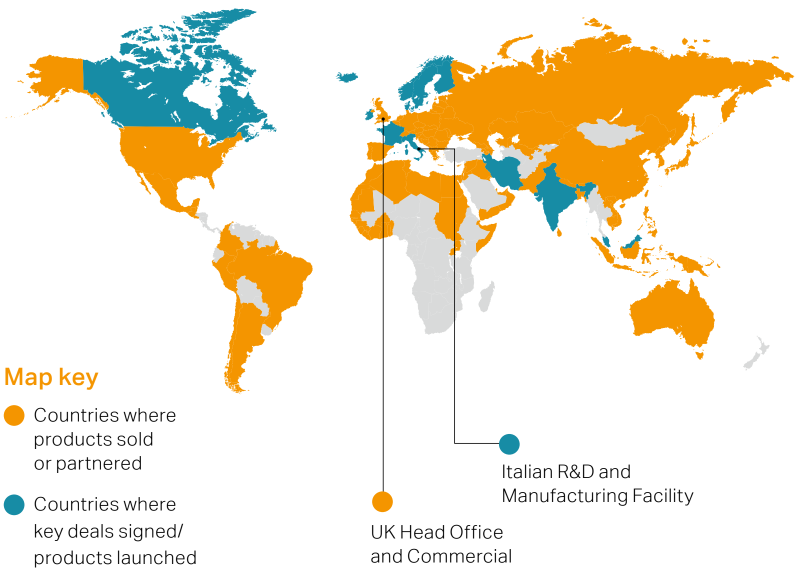
With our own expertise in development, manufacturing and international distribution, growth will come from the following:

Revenue growth from existing and new distribution partners



Key partners

Boots, Sunstar, Superdrug, Hikma, Amazon, Gialen, Sainsbury's, Almirall, Tesco, Menarini, Karo Pharma, Alliance



Map key

- Countries where products sold or partnered
- Countries where key deals signed/ products launched in 2017
- Countries where no products sold or partnered

Chair's Statement

Another significant year *of growth*

2017 saw another significant year for the Venture Life Group, achieving record revenues of £16.1 million, up 12% over 2016, an increase in EBITDA and our first profit before tax of £0.1million.

"As well as increased revenue and increased EBITDA, we also achieved our first pre-tax profit. The latter is a key milestone in the development of the Group, as we progress to become sustainably profitable, cash generative, and with earnings."

Dr Lynn Drummond
Non-Executive Chair

Summary

- Record revenues of £16.1 million, +12%
- Record EBITDA £1.9 million, +134%
- Achieved first pre-tax profit of £0.1 million

2017 saw another significant year for the Venture Life Group, achieving record revenues of £16.1 million, up 12% over 2016, an increase in EBITDA and our first profit before tax of £0.1 million. This result was delivered purely from organic growth within the business, as we expanded the international reach of our products and consolidated the UltraDEX product range in the UK. UltraDEX had its first full year of ownership in the Group and we saw good growth in the revenues of that brand, with an increase of 13% in UK points of distribution and new international partners being appointed. The UltraDEX acquisition is now fully integrated into the Group and contributing to the underlying profitability and growth of the business. We are actively searching for similar opportunities to integrate into our business.

As well as increased revenue and increased EBITDA, we also achieved our first pre-tax profit. The latter is a key milestone in the development of the Group, as we progress to become sustainably profitable and cash generative with positive earnings.

As we look across our business and products, it is clear that our expertise and many of our products are suited to the general self-care market, of which the ageing population are a significant subset. Products such as UltraDEX are used by people of all ages but sit in the significant and growing self-care space.

Read more on the Market Review on pages 8 and 9

The self-care market is growing as the population both expands and lives longer, and this is putting extreme strain on healthcare funding globally. As a result, consumers are expected to take more responsibility and seek treatment for many non-critical ailments. This is usually through the pharmacy and grocery multiples.

Self-care is characterised where a patient will:

- Select the product themselves (although this may be on the advice of a healthcare practitioner)
- Pay for the product themselves
- Take the product home and treat themselves

Self-care does not require the intervention of a healthcare practitioner and is not reimbursed or dispensed on a prescription. As a result, pricing is controlled by the pharmacy and not subject to price reductions that reimbursed products are regularly seeing from bodies such as NICE in the UK.

The over 50s comprise a significant proportion of this self-care audience. They generally have much higher disposable income and own the majority of financial assets, and hence can afford to pay for healthcare. However, an increasing awareness globally of the need for each of us to take personal responsibility for our own healthcare is bringing many younger people into this market. Dermatology and oral care are significant sectors in this space, and Venture Life has strong expertise in both.

Whilst we continue to target the ageing population with our products, we see significant opportunity in the wider self-care space, where our technical expertise in development, manufacturing and regulatory can combine with our global commercial expertise in the pharmacy channel to deliver self-care products around the globe for all ages.

> "Venture Life is fast becoming your partner of choice for self-care products."

Revenue growth

+12%

We have seen the continued pace of organic growth across the whole Group this year, with UltraDEX contributing a full year's performance, and the first deals from some of our new products such as Myco Clear™. The Group still has significant operational leverage and capacity through which it can exploit increasing revenues to drive incremental gross profit to the bottom line. This strategy, along with carefully selected acquisitions, will fuel the Group's continued profitable growth.

We were delighted to welcome Adrian Crockett to the Board in 2017 as our Chief Financial Officer. Adrian brings a wealth of experience from the pharmaceutical sector, through his previous roles with GSK, Novartis and latterly Abbott Diabetes. We are already feeling the positive impact of Adrian's influence in the Group.

We have seen a strong start to 2018, and look forward to the rest of the year with confidence.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
21 March 2018

Business Model

Our vertically *integrated model*

We innovate, develop, manufacture and market self-care products globally.

We have a 5,500m^2 manufacturing facility north of Milan, Italy, where a dedicated team has the expertise to innovate and develop products. These products are then manufactured in-house and sold to a network of international partners and to key retailers in the UK market.

Acquisition

M&A is one of the key drivers for the growth of the business. The acquisition of the UltraDEX brand in 2016 illustrates how we can use our manufacturing capabilities to manufacture in-house, develop new products, improve margins, increase distribution through our commercial team and internationalise the brand in a short space of time.

Intellectual property

Many of our products have intellectual property including trademarks, patents, and clinical evidence proving efficacy as well as formulation and manufacturing expertise. Being a non-drug company means faster regulatory routes to market and lower regulatory costs.

Customer

We foster and nurture our customer partnerships both with new and existing customers, so we can maximise the commercial opportunities and secure increased customer order growth.

Research & Development

Either by acquiring existing brands, developing our own brands or developing new product or line extensions for our customers' own brands, having our own in-house R&D "research and development" means:

- Using the same development team to design and innovate products quickly and efficiently
- Our ability to react quickly to changing market needs
- Bringing incremental revenues and margin to the business

Manufacturing

We have invested in the manufacturing facility, including specific additions to our existing filling and warehousing capabilities. Our manufacturing strengths include:

- 5,500m^2 facility in Italy
- 130,000 units per day capacity
- 6 turbo mixers
- US FDA OTC drug compliance and international certification including EU, Far East, Brazil and Middle East
- Significant under utilised capacity and hence operating leverage

Innovation, Agility & Technical Expertise

Having a fully integrated business means we can have the agility to move fast to market to capitalise on the growing consumer trends and develop innovative new self-care products.

Quality Control & Excellent Customer Service

Quality and customer service are paramount. Our manufacturing business "Biokosmes" was founded in 1983 and retains many long-term customers, which is testament to the quality of product and service.

"We have invested in the operational capacity of the Group over the last three years, and now have increased operational leverage through which to exploit revenue growth."

Distribution (B2B)

In the UK, we distribute directly to pharmacy and grocery multiples.

Internationally, we distribute through pharmaceutical partners via product distribution agreements – 44 countries worldwide.

Our commercial strengths mean:

- Strong presence in our home market with UltraDEX brand
- Rapid geographical expansion into key markets
- Partnering with reputable partners who are responsible for sales and marketing in that market

Commercial Expertise & Capital Light Distribution Model

The commercial team have decades of experience in partnering healthcare products around the globe. The international distribution partners are responsible for sales, marketing, distribution and promotion throughout the life of the agreement, so we have a de-risked, capital light distribution model.

Read more on our strategy page 10

Sustainably profitable

- Investment into the manufacturing facility to support the Group's overall revenue growth and increase manufacturing capabilities
- Focus on own brands provides opportunity for margin expansion and shareholder return
- Growing revenues drives additional gross margin through a fixed cost base, delivering accelerating profitability – "operating leverage"
- Existing and new partners growing in-market revenues

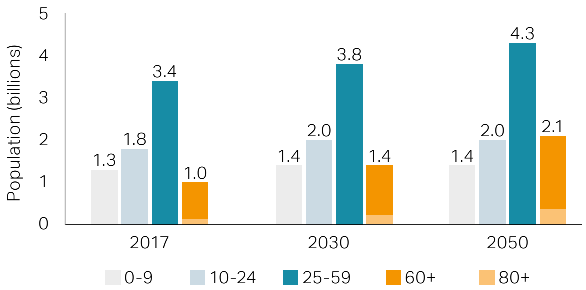
Market Review

Understanding trends *and opportunities*

We create value for shareholders with our expertise and agility in being able to identify, develop and manufacture for growing market segments. The ever-increasing demand for self-care and preventative wellness is driven by a growing population living longer. The ageing population is a big driver of the self-care market in which Venture Life operates.

Ageing population growth

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.[1]



Data source: United Nations (2017). World Population Prospects: the 2017 Revision

Impact

- Increased demand for products that will help maintain good health
- Global growth in the self-care market

Our response

- We have the expertise and knowledge to develop, manufacture and distribute self-care products and become a key global market leader in this space
- Active acquisition strategy for self-care brands, allowing us to bring manufacturing in-house if applicable, and commercialise these brands internationally

10m

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

1 www.helpage.org/global-agewatch/population-ageing-data/country-ageing/data?country=China

Healthcare budgets

Healthcare budgets are under increasing pressure. Cost pressures facing the NHS include a growing and ageing population, the increasing prevalence of chronic conditions across all age groups, and the rising cost of delivering care. This is a global issue.

£4.3bn

Net deficit of NHS bodies and NHS trusts in 2015-16

66%

Percentage of NHS trusts in deficit in 2015-16

Impact

- Increased focus from healthcare systems on prevention and early diagnosis
- Expected that regular use of self-care and over-the-counter "OTC" products will begin as early as the age of 45[2]
- Growth in self-care market

Our response

- Our vertically integrated model means we can be quick to market
- We have the agility to meet market demands
- We have the agility to respond to market trends/demands

£14.9bn

Savings the NHS needs to make by 2020–21

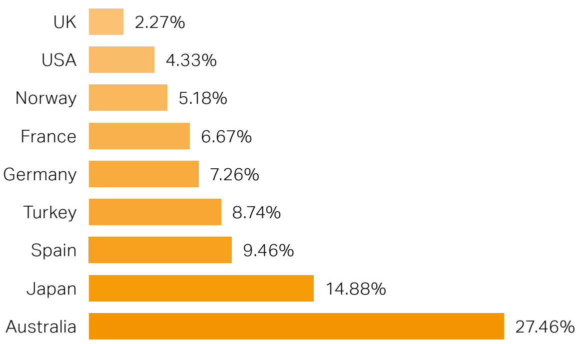
2 www.helpage.org/global-agewatch/population-ageing-data/country-ageing/data?country=China

Self-medication market[3]

To help ease the pressure on GPs, governments are encouraging consumers towards more self-medication and promoting the role of the pharmacist. With people living longer, the growth of self-care and OTC products will continue, as consumers are encouraged to take proactive involvement in managing minor ailments and making themselves less reliant on the health funders for help.

Self-medication market annual change 2014-15

Source: Association of the European Self-Medication Industry – Market Data



Impact

- Continued global growth in this sector
- Growth in the self-care sector with increased demand for over-the-counter "OTC" products

Our response

- We have long-term exclusive agreements with global partners. With their local expertise of the pharmacy market, we can maximise the market opportunity and produce sustainable revenue growth

+4.7%

Global growth of +4.7% in OTC category[4]

3 Association of the European Self-Medication Industry – Market Data

4 www.nielsen.com/us/en/insights/news/2010/self-help-and-the-rise-of-otc-medications.html

Agile in responding to market demand

With our expertise in research and development, we are in a strong position to quickly respond to market demands in the self-care sector. We are experts in the medical device field and this is evident with our 2017 product launches.

New product launches in 2017 include:

Myco Clear™

- Topical medical device for fungal nail infections (registered medical device)
- Substantial market in both Europe and US
- Improves the appearance of the nail and treats the condition
- Patent application submitted in 2017
- First partner signed in 2017 – fast to market

Procto-eze Plus Wipes™

- New extension to the Procto-eze Plus range, indicated for relieving symptoms of haemorrhoids
- On-the-go cleansing wipes developed to soothe the area of discomfort
- Complete management and routine range offering – cream, cleanser and wipes
- First partner signed in 2017 – fast to market

Rosa calma™

- Topical treatment for rosacea
- Range of three products – cream, cleanser and serum (registered medical device)
- Affecting up to 10% of the general population, occurring mostly in middle-aged people
- Provides a long-term solution to a long-term problem

Our Strategy

Sustained *growth*

2017 has seen our strategy deliver with another year of good growth for Venture Life, with the Group increasing both revenues and profit.

Revenue growth from existing and new distribution partners

Achievements in 2017

- Growth in China with Lubatti skincare brand: 237% increase in sell out in 2017 versus 2016
- New partners appointed, new products launched in market

Revenue growth from developing innovative products

Achievements in 2017

- New revenues generated in 2017 from Myco Clear which was developed in-house
- Three new Venture Life Group branded products launched in 2017, as well as many new products for customers

Revenue growth from product acquisitions

Achievements in 2017

- UltraDEX partnered in seven new markets
- UltraDEX revenue increased in 2017 by 24%, versus 2016

Profit growth through ‘increased throughput’

Achievements in 2017

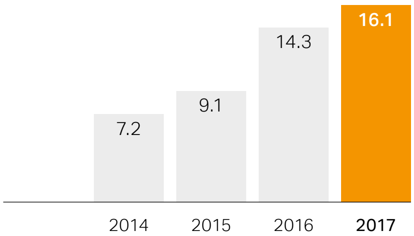
- Units produced through our factory in 2017 were up 17% versus 2016
- First year of positive profit before tax as a result of leveraging a predominantly fixed cost base

Measuring our *performance*

The Group uses a number of different key performance indicators (KPIs) across the business to facilitate performance management, including a combination of financial and operational KPIs and the principal financial KPIs that are shown below:

Revenue growth

+12% +57%

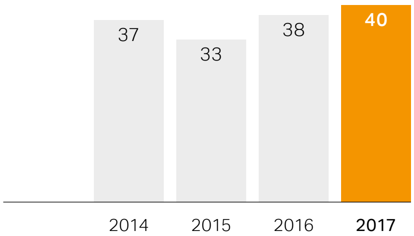


Description: Growth in revenue between reporting periods.

Comment: This increase is partly led by new international markets signed for the UltraDEX brand.

Gross margin

40% 38%

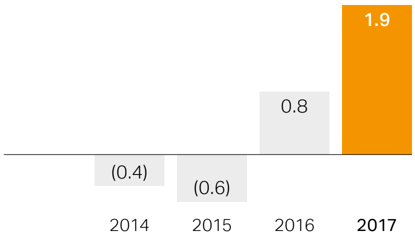


Description: Revenue less the cost of sale, expressed as a % of revenue.

Comment: Excluding lease accounting changes, gross margin remained consistent year-on-year.

EBITDA

£1.9m £0.8m

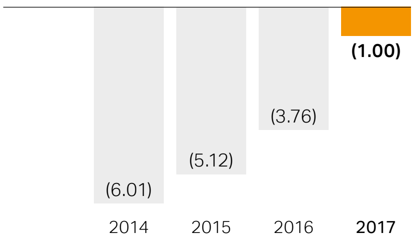


Description: Earnings before interest, tax, depreciation, amortisation and share-based payment charges and exceptional costs.

Comment: An increase in business activity in the year at higher margins leveraged the existing cost base, which increased at a much lower rate.

EPS

(1.00) (3.76)



Description: Earnings ("LAT" – loss after tax) per share (pence).

Comment: Improved business performance and a move to pre-tax profitability has driven an improved EPS and adjusted EPS.

Adjusted EPS

0.66 (1.28)

Description: LAT/PAT adjusted for amortisation and share-payments, per share (pence).

Comment: Improved business performance and a move to pre-tax profitability has improved EPS and adjusted EPS.

Chief Executive Officer's Statement

A year of *strong progress*

The Group finished the year with its highest level of turnover and profitability in its history, demonstrating the continued strong organic growth from the Group's portfolio.

"We achieved our first pre-tax profit as a Group, marking the progression of our business to becoming sustainably profitable going forward."

Jerry Randall
Chief Executive Officer

Summary

- First pre-tax profit as a Group of £0.1 million
- Increase in profitability in 2017 has been created through organic growth across our business into a fixed cost base
- Active international expansion of the UltraDEX range since acquisition
- New medical devices developed for onychomycosis and rosacea – a strong fit to our self-care product portfolio
- Continued sales growth in China

The Group finished the year with its highest level of turnover and profitability in its history, demonstrating the continued strong organic growth from the Group's portfolio. Revenues finished the year at £16.1 million, up 12% from last year, and we also reported our first profit before tax of £0.1 million. EBITDA of £1.9 million is reported for the year, and this figure includes an amount of £0.5 million arising from the adoption of new accounting requirements for long-term leases arrangements, principally rent, as discussed in more detail in the Financial Report. However, on a like-for-like basis, ignoring this change, EBITDA would have been reported as £1.4 million, which is an increase of over 70% from the previous year. This change in accounting for long-term leases has minimal effect on the profit before tax.

We also achieved our first pre-tax profit as a Group of £0.1 million (2016: loss of £1.1million), marking the progression of our business to becoming sustainably profitable going forward. We have a significant level of long-term consistent repeat purchasing from our customers, such that we have a very stable underlying consolidated level of repeat business. This gives strength and stability to our business, and allows us to continually build on top of these strong foundations of revenue and cash flow.

The increase in profitability in 2017 has been created through organic growth across our business, which is then driven through the operational leverage we have within the Group. With our cost base essentially fixed, increasing revenues deliver more gross margin, the majority of which falls to the bottom line, as the Group moves to its long standing goal of being sustainably profitable. In 2017, although we have seen this increasing profitability delivered from purely organic growth, our strategy continues to include acquisitions that can add revenues and profits to our business as we saw in 2016 with the acquisition of UltraDEX. Further, we have delivered this organic revenue growth with little contribution from the three most recently developed products (Myco Clear™, Rosa calma™ and Photo ALL™), which will only begin significant commercialisation in 2018/2019, as the clinical trials for marketing purposes are expected to complete this year or early next year.

As we have set out previously, the Group has built an operation that has the capacity to accommodate significantly increased revenues without the need to increase the fixed cost base. By fully utilising our existing buildings at Biokosmes, we are now able to double the 2017 volumes.

UltraDEX®
case study

UltraDEX is a product range for the treatment of halitosis (bad breath). The product is supported by strong clinical data and has been on the market for 20 years.

Although UltraDEX was well established in the UK, it had limited international exposure. Since the acquisition in March 2016, we have successfully partnered in key international markets and this is continuing as we move into 2018.

A considerable amount has been achieved within a short time frame and this illustrates our ability to quickly increase the distribution of our acquired brands, a model that we will continue through future acquisitions.

2017 highlights include:

- International expansion
  - Seven new international markets including France, Italy, Sweden, Denmark, Norway and Finland in the EU in 2017 alone
  - New marketing campaign implemented across the UK
    - TV advertising, advertising on the London Underground, branded cups in coffee shops
- Innovation – new packaging re-design and new 1 litre size
- UK Growth – 2017 gross sales grew at the fastest rate since 2011
  - Pharmacy channel delivered the first year-on-year growth since 2012
  - New accounts won – Moto service stations, Road Chef, Day Lewis pharmacies amongst others

Chief Executive Officer's Statement continued

Above and beyond this, we have the capacity to increase the footprint of the production buildings on the current site to the extent of more than doubling capacity again.

Our products

The Group develops and commercialises a wide range of products registered as either medical devices, food supplements or cosmetics for a broad range of customers globally. Some of these are sold under the Group's own brand names, and some are sold under our customer's own brand names. The extent of the input to the process from the customer will often determine the level of margin earned by the Group. For example, where the Group owns the intellectual property associated with the product (such as brand, patent, clinical data, manufacturing formulation and method) the gross margin earned is expected to be higher.

There are situations where even though Venture Life owns significant IP (notably formulation, clinical data and/or patent) around the products, selling under a customers' own brand name may deliver greater sales velocity and absolute sales compared to using our own brand name, and in these situations we may choose to sell under the customer's own brand name in order to maximise profit and value for the Group for that product.

UltraDEX

UltraDEX has continued to deliver on the promises we made at the time of its acquisition in 2016, with the brand contributing significantly to the Group's revenue and profit growth. Total revenue from the brand in 2017 was £3.4 million, an increase of 24% over 2016 and profitability increased in 2017 to £1.1 million, more than four times the profitability when we acquired the brand.

We have seen the continued expansion of the brand in the UK during 2017 which will contribute to revenue growth in 2018. We have had the opportunity to re-establish the relationship with all the key customers, as well as some new customers and as a result, we have seen an increase in-store listings during 2017 of over 13%, to almost 15,000 points of distribution. This includes our first into the significant convenience store market with Moto service stations and Road Chef post period end.

Internationally, we have been very active in the expansion of the UltraDEX range. Since acquisition we have appointed long-term distribution partners in nine countries with appointments in seven new markets during 2017. The UltraDEX range is now present in a total of 12 countries, including four of the big five EU countries. Our H2 revenues included first shipments to UltraDEX partners in France and Italy, and they will be launching the products during Q1 2018.

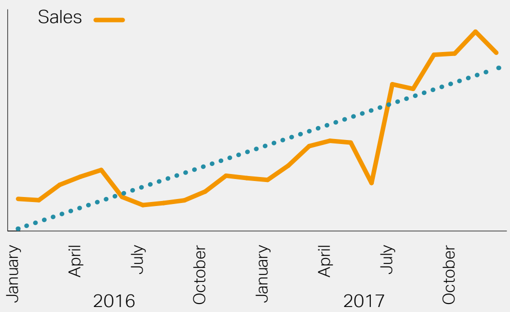
China case study

In January 2015, Venture Life announced an exclusive 30-year distribution agreement with Gialen Group Co. Ltd. Gialen sells 14 luxury skincare products under the Lubatti brand.

Fast forward to 2017, there are now over 2,100 Gialen stores across mainland China and the Lubatti brand is seeing strong year-on-year sales orders.

- Record in-store sales levels in 2017
- More than 400,000 consumers shop daily in Gialen stores across mainland China

Sales out of China



We have continued to broaden the intellectual property estate for UltraDEX, with patents being granted for the innovative UltraDEX Sensitive range in the EU, Australia, Mexico, South Africa and Indonesia, which add to the existing patent grants in the USA, New Zealand and Japan. This product launched in some new UK retailers including Sainsbury's in H2 2017.

During 2017, we went through a brand revitalisation and also launched larger pack sizes, to offer more value to loyal customers of the brand. We launched 1 litre packs in two mouthwash varieties. We are already seeing the benefit of this innovation, as in 2017 we saw the volume of UltraDEX mouthwash sold growing in the UK.

This type of innovation is key to brand development and adds longevity; moving forward we will continue to introduce innovation to this brand in 2018 and beyond, as well as growing its geographic presence globally.

Other oral care products

We have extensive expertise in the oral care area, and aside from our UltraDEX brand, our Biokosmes facility has developed and produced a series of products, registered as both medical devices and cosmetics, in the oral care sector since 2000, for a number of customers, who market these products under their own brands. This is a resilient area that has seen consistent growth for many years with revenues (excluding our UltraDEX brand) of £5.5 million in 2017 (2016: £5.3 million). The Group's expertise in the development and manufacture of medical devices has enabled it to bring innovation through new product development in this area, as well as support our key customers. These products are now sold to a number of customers, across many territories, and include products for aphthous ulcers, oral mucositis and dry mouth.

Lubatti (China)

We have continued to see growth in China from this skincare brand during 2017, with revenues of £0.5 million (2016: £0.4 million). Sales out of the Lubatti range through our partner Gialen, have grown consistently during 2017 with monthly sales in December 2017 over three times higher than monthly sales in January 2017. Gialen now have over 2,100 stores in China, and they have launched the range in all eight regions. We are hopeful this level of sales growth will continue to deliver growing revenues for Venture Life from this range. The brand is well received by the Chinese consumer and some clear 'hero' products are emerging, which lead the brand forward. Importantly, we have already received significant orders in 2018 which are ahead of our expectations.

Other brands

We have a number of other key brands in the portfolio:

- NeuroAge™ – food supplement indicated for short-term memory loss and cognitive function. Sold in six countries and recently registered in the new market, Canada.
- Myco Clear™ – indicated for the management of onychomycosis (fungal nail infection), which can leave the toes or fingernails discoloured and uneven. Registered during 2017 in the EU and the subject of a patent application, this innovative product deals with both the aesthetic issue surrounding the condition, as well as the underlying cause. Having successfully completed a preliminary aesthetic evaluation demonstrating the improvement in appearance of the nail through use of the product, we are currently conducting a further clinical study, demonstrating the efficacy on the underlying fungus that we have already seen at an in vitro level. We already have partners in four markets for this.
- Rosa calma™ – a range of three topical products that treats this inflammatory skin condition; rosacea affects up to 10% of the population, occurring mostly in middle-aged people. This innovative range, which is undergoing further studies for marketing purposes, provides a unique long-term safe treatment regime for patients suffering from this condition.
- Procto-eze™ Plus – an innovative range of medical devices and cosmetics for the treatment of haemorrhoids. Already partnered in 12 countries, this product offers a unique treatment regime for the patient.

Organic growth in product revenues is delivered year-on-year by:

- Our existing partners growing their in-country revenues, and hence buying more product from us
- Venture Life partnering products into new or existing countries, either with existing partners or new partners globally
- Venture Life developing new brands, which are in turn offered to existing partners by way of line extensions

In addition, we will continue to identify and assess selective acquisition opportunities, which, like UltraDEX, we believe can be integrated effectively into our operations and can enhance earnings and deliver growth in shareholder value.

Operations

The Group now has 100 employees in total throughout the business. Venture Life is a fully integrated business for the development, manufacture and commercialisation of self-care products. The UK operation employs 18 people at its UK head office, and manages finance, business

Chief Executive Officer's Statement continued

Operations continued

development and partner management for the Venture Life Brands, both in the UK and internationally. The Italian operation employs 82 people, and houses development, production, procurement, technical, regulatory, customer services/support, business development and administration.

The production facility comprises 56 staff operating across all functions, primarily divided between bulk manufacture and filling/packing. In 2017, we produced 21 million units of product in the plant which included 7 million sachets. We are conscious as our business grows we need to ensure sufficient capacity for growth, and we currently have a two-stage plan to more than double the existing capacity within our existing buildings, and then over the following 3-5 years increase our building footprint on our current site, which will increase capacity again.

The fixed nature of the cost base in the business means that incremental revenue generates additional gross margin, the majority of which flows to the bottom line. This was seen in 2017 as the growing revenues drove more gross margin through to the profitability level, helping the Group to report significant growth in EBITDA and its first profit before tax.

The production facility in Italy has all the necessary approvals and accreditations to manufacture products regulated as medical devices and cosmetics, for many of the countries around the world, including EU, North America, Brazil, MENA and the Far East. In 2017, the facility had a successful inspection from the US FDA, which allows the facility to manufacture products as OTC drug category for US or for sale in US. This can include products with compounds regulated as OTC drugs in the USA, such as fluoride. This additional certification is a great opportunity for us to offer this service to our existing and new customers.

We relocated to our new head office in Bracknell without any significant increase in cost base. This comfortably accommodates our existing UK operation and allows for future growth.

Outlook

Recent new projects with a number of our customers, including Menarini and Alliance, are testament to the capabilities and value offered by our business and team. These customers look to work more and more with us, as we deliver innovation through to first class product delivery, in the highly technical area of product development and manufacture, especially in the area of medical devices. We are delighted that this year our collaboration with Menarini will see the completion of a suite of 27 new products developed for international commercialisation, which will begin in 2018.

We continue to screen and review a number of acquisition opportunities, and fully expect to continue to add acquired assets to our operating platform in the coming months and years, in the same way that we have accommodated UltraDEX successfully.

We continue to fulfil our promise to deliver increasing profitability, now at the pre-tax level also, and hence demonstrate that our business model possesses the operational leverage that we planned. This model will continue to deliver accelerating profits and cash flow as we continue to grow revenues, and a key focus for us in 2018 is to ensure this is clearly communicated to the market, so that shareholders and investors alike understand the current strong, low risk position of the Group and the consolidated underlying business that we have. We believe this will translate into strong sustainable profit and cash flow growth, generating value for shareholders. Through delivering these results and positive communication to the market, we are very hopeful that the share price will begin to reflect the true underlying value of the business and its prospects.

We are comfortable with the level of debt in the business and comfortable that we have the resources to deal with both the interest and capital elements. The most imminent capital repayment is the £1.9 million UKBN convertible bond which is due to be repaid, if not converted in March 2019. We are already in discussions to defer this convertible bond or refinance with debt in the event we choose not to repay the capital from our funds, but instead retain them in the business for funding more growth. We have used this debt to finance the growth of the business and now the business is starting to generate the cash resulting from this investment. The net debt to EBITDA multiple sat at 3.5 times at 31 December 2017, but we expect this to fall significantly during 2018, to much closer to 2, as the business generates more profit and cash flow without incurring any organic growth in debt.

Our employees have been carefully chosen and are absolutely core to the performance and growth plans of the business. Their hard work, enthusiasm, loyalty and dedication are key to being able to deliver our products to our customers around the globe. I would like to thank everyone in the business for being part of the Venture Life story. Also, thank you to all our customers and suppliers alike, who continue to trust and support our business.

We have started 2018 well with our KPIs looking strong and in line with our expectations. The current order book in Q1 is strong with some customers' order patterns already ahead of where we thought they would be by this time. We look forward to 2018 with confidence as the business goes from strength to strength. We would like to thank all our shareholders for their ongoing support of the Board and our business, and I look forward to updating the shareholders on our progress further this year.

Jerry Randall
Chief Executive Officer
21 March 2018

Q&A

With Gianluca Braguti,
Development and Manufacturing Director

2017 highlights

- Successful FDA inspection which allows the facility to manufacture over-the-counter "OTC" drug products for the US market.
- 21 million finished products manufactured in 2017
- Two new products registered, Myco Clear and Rosa calma
- Technical team strengthened

When was Biokosmes, the development and manufacturing business of Venture Life Group founded?

I founded Biokosmes over 30 years ago. Having graduated as a pharmacist, I worked in the Milano University Research and Development department researching cosmetic applications before setting up my own laboratory to produce products for my father's chemist shop based in Lecco, north of Milan. In 1990, I started developing formulations for Italian cosmetic brands and started contract manufacturing. The business has grown considerably – we are now specialists in developing medical devices and have gained approvals from regulatory authorities around the world, including USA, Europe and the Far East. In 2014, we joined the Venture Life Group and we've seen year-on-year growth ever since.

What is the current capacity at the manufacturing facility?

We have a 5,500m^2 facility north of Milan. We have a 130,000 unit per day capacity with six turbo mixers, ten filling and packaging lines. This year we are going to relocate some of our warehousing off-site to enable us to add additional packaging lines. This means we can almost double production capacity even further without having to build new buildings. We still then have space to increase this further in the future with new buildings on our existing site.

What has been the highlight of 2017?

In addition to achieving the record revenue of €15.8 million in 2017 for the Italian business, a key highlight has to be the successful FDA inspection which allows the facility to manufacture over-the-counter "OTC" drug products for the US market. We had to pass a rigorous compliance process and gaining certification is a testament to our high quality facility and the high calibre team we have in place. It also means a significant new growth opportunity with our existing and potential new partners and it also enables us to develop our own products for the US market.

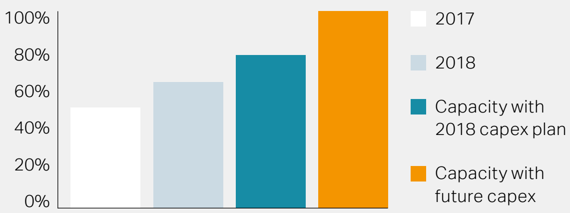
What has been key to the continued growth as part of the Venture Life Group?

I think our agility and expertise in the market is a key factor. We use effective regulatory strategies to minimise cost and time to market and we are established as experts in developing medical devices. Also, key to our growth is fostering and nurturing our customer partnerships, both with new and existing customers, so we can maximise the commercial opportunities and secure increased customer order growth. We strive to be "the partner of choice" in whatever aspect we do.

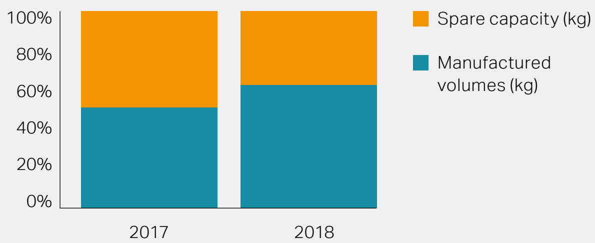
How is 2018 looking so far?

Very good. Our order book so far for H1 2018 is ahead of the prior year and we've secured additional business from existing customers with the launch of new product ranges. This combined with increased manufacturing capacity and new customers, I'm confident we'll deliver a strong year of growth.

Units capacity



Bulk manufacturing capacity %



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 customers. With the recent acquisition of UltraDEX, the Group will also be relying on its own UK-based 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:

Non-financial risks

Reduction in demand for products	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.
Customer-specific risk	A significant proportion of revenue from our Development and Manufacturing business is derived from a relatively small number of customers. The percentage of this segment's total revenue generated by its top five customers in the years ended 31 December 2015, 2016 and 2017 was 59%, 56% and 50% respectively. The loss of any customer or group of customers which represents a significant proportion of revenue could have a negative impact on the Group's operating results and cash flow.
Delay in regulatory approval	The Group's products are primarily approved for use as food supplements, 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. 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.
Supply chain risk	The Group relies extensively on third parties for many of its activities, including raw material supply, 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. To mitigate this risk, the Group works with a variety of vendors and aims not to be over-reliant on any one particular vendor. The Group is very reliant on its Development and Manufacturing business for supply of products and there is a risk of supply chain interruption as a consequence of events such as fire or flooding. The Group mitigates this risk by observing its own Health and Safety policies, as well as by taking practical measures such as the installation and maintenance of a fire alert and fire prevention system in its factory.
Adverse foreign exchange movements affecting profitability	Prior to the acquisition of UltraDEX in March 2016, the Group's revenues were primarily denominated in Euros and, in the case of Gialen in China, in Chinese renminbi. Following the acquisition of UltraDEX, the Group's revenues are now denominated in Euros, Chinese renminbi 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 majority of the Group's cost of sales are denominated in Euros and 82% of the Group's revenues are denominated in Euros. The Group is therefore 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.

Financial risks

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 are 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 3.14.
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 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 cooperation 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.
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. The Group monitors market risk factors and regularly reviewing business forecasts to assess the impact of changes in market conditions.
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. The Group mitigates this risk by requiring upfront payments from new orders with new customers and monitoring the composition of the Group's monthly debtor book.
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.
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, a three year convertible bond issued to part-fund the acquisition of Periproducts, invoice financing and unsecured commercial debt. The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long-term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders equity and loan arrangements, some of which are linked to equity. There are no externally imposed capital requirements. Financing decisions are made by the Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.
Brexit Risk	The Group has operations in the UK and Italy. In the event of Brexit there may be some implications for the Group arising. At the moment there is limited clarity on the exact impact on UK-based businesses that trade internationally. The significant proportion of the Groups operations (approximately 80% by revenue, and people) is based in Italy so will not be affected by Brexit. In fact with the majority of our operations based in the EU, Venture Life is more immune to the potential implications of Brexit compared to most UK businesses. The main issue that may affect the Group could relate to import duties on products manufactured outside of the UK, but imported into the UK for sale. Approximately 80% of the Group's revenues are invoiced or shipped out of Italy, in Euros, and therefore do not come into the UK and would not be subject to any import tariffs. The remaining 20% currently represents the sales of UltraDEX which is manufactured in our plant in Italy, then imported to the UK and sold to customers. Its possible that these imports could be subject to import duties, which would increase the cost of these items that we sell in the UK, reducing gross margins on the product. As we manufacture these products ourselves, we already have good gross margins on the products with which to absorb these increases. However if these increases become particularly onerous, we have in place already secondary suppliers in the UK who would be able to produce the goods at a better price than that if import duties were imposed, thus maintaining our margins on these products.

Financial Review

Continued revenue *growth in 2017*

We achieved our first pre-tax profit as a Group, marking the progression of our business to becoming sustainably profitable going forward.

"

Revenues finished the year at £16.1 million, up 12% from last year, and also recorded its first profit before tax."

Adrian Crockett
Chief Financial Officer

Summary

- Record revenues
- 12% year-on-year revenue increase
- Gross margin percentage increased to 40%
- Maiden year of "Profit before tax"
- Good organic growth

2017 saw another significant year for the Venture Life Group, achieving record revenues of £16.1 million up 12% from 2016. The strong performance of our UltraDEX brand growing 24% year-on-year along with our existing brands and Development and Manufacturing businesses helped drive increasing revenues, achieved through a mixture of new and existing partnerships. The year also celebrated the Group's first profit before tax of £0.1 million.

Statement of Comprehensive Income

The Group reported 2017 revenues of £16.1 million, an increase of 12% over the £14.3 million reported in 2016. The increase includes a full 12 months of the UltraDEX brand, which we acquired in March 2016. The Brands segment, which includes the UltraDEX brand, increased revenues by 20% to £4.5 million (2016: £3.8 million). Of the total Brands revenue in 2017, £2.8 million was generated by UltraDEX sales with UK retailers, and new UltraDEX deals signed in Scandinavia, France and Italy added a further £0.6 million. Our Development and Manufacturing business, where we sell under customers brands, reported revenues (including intercompany sales) of £13.8 million, an increase of 22%. The Euro strengthened capital significantly against sterling in 2017 – the average exchange rate during 2017 was EUR:GBP 1.15 compared to EUR:GBP 1.23 during 2016. This has increased reported revenue and administrative costs where a large element of these are in Euros. The overall impact of the changes in foreign currency rates had a limited effect on the reported profit after tax of the Group. The change in foreign exchange in the year gave a higher revenue offset by higher costs, and a foreign exchange charge resulting from the revaluation of the Group's Euro loan notes. So far in 2018 the Euro has remained relatively close to the closing rate of 2017.

The Brands business was enhanced in the current year with the addition of a full trading year of the UltraDEX brand. A change in product mix of the Brands business slightly reduced the gross margin to 52% (2016: 54%). Our Development and Manufacturing business (excluding intercompany) generated an improved gross margin of 36% in 2017 (2016: 33%), which reflects contracts held with existing and new customers and the adoption of the new lease accounting standard. Higher revenue and gross profit of this unit was generated with minimal increase in local currency administrative expenses in the year.

Administrative costs (pre-exceptional items) increased marginally in 2017 to £6.0 million (2016: £5.8 million). This reflects the focus of the Group on cost control with the backdrop of increasing revenues.

Operating profit totalled £0.6 million (2016: loss of £0.5 million) with the first reported profit before tax for the Group of £0.1 million (2016: loss of £1.1 million). Loss after tax was £0.4 million (2016: loss of £1.4 million). These translated into an adjusted profit per share of 0.7 pence (2016: adjusted loss per share of 1.3 pence), with the improvement in business performance generating enhanced shareholder value. The number of shares in issue at 31 December 2017 was 36,837,106 (31 December 2016: 36,837,106).

Statement of Financial Position

Property, plant and equipment increased as a result of investment of £0.3 million (2016: £0.2 million) in new equipment in the Development and Manufacturing business and lease accounting changes during the year. The net working capital balance at 31 December 2017 increased from 31 December 2016 due to the increased activity in the year as well as the addition of the UltraDEX brand business. Total assets of £31.3 million at 31 December 2017 were £4.0 million higher than at 31 December 2016, largely owing to the lease accounting changes and the related additional right-of-use lease assets.

Cash and debt

Cash and cash equivalents at the year end totalled £1.4 million (2016: £2.0 million) and was £0.1million higher than 30 June 2017. Net cash outflow during 2017 amounted to £0.6 million with the reduction in cash balances accounted for as follows:

- Operating cash flow before movements in working capital – inflow of £1.3 million
- Tax paid – outflow of £0.7 million
- Net movement in working capital – outflow of £0.6 million
- Investment in manufacturing facility – outflow of £0.3 million
- Investment in intangible assets – outflow of £0.6 million
- Net movement in interest-bearing borrowings – inflow of £0.3 million

Net debt levels, before finance lease obligations, increased from £6.0 million at 30 June 2017 to £6.3 million at 31 December 2017 (31 December 2016: £5.1 million).

The Group is financed by a range of instruments including convertible bonds, vendor loan notes and other interest bearing debt of varying maturities comprising invoice financing, unsecured bank loans and deferred consideration. As highlighted earlier in this report, we are comfortable with the level of debt in the business which is being used to finance growth and investment. The Directors have prepared detailed forecasts looking beyond 12 months from the date of these financial statements and expect to move to profitability in the foreseeable future. The most imminent capital repayment is the £1.9 million UKBN convertible bond which is due to be repaid, if not converted in March 2019. We are already in discussions to either defer or refinance with debt this convertible bond and consequently fully expect this to be confirmed in the foreseeable future. Forecasts assume the convertible bond is refinanced rather than repaid from existing funds.

Accounting developments

New standards, amendments and interpretations issued and adopted

During the period the Group elected to adopt IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' with effect from 1 January 2017.

Under IFRS15 management performed a full review of all Group revenue contracts to assess the impact of the new accounting standard. There were no changes to the accounts as a result of IFRS15.

Management performed a full review of all lease contracts of the Group to assess the Group's leasing obligations in line with the guidance of IFRS16.

The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2017. The impact to Venture Life Group was as follows:

- £486,000 improvement of EBITDA
- £465,000 extra depreciation
- £42,000 extra finance cost.

This has a minimal impact on profit after tax but moves the lease charges of Biokosmes (the Development and Manufacturing facility) to depreciation and finance costs instead of across cost of sales and administration costs.

Further details of the adoption of IFRS16 are included in note 29. Right-of-use assets capitalised onto the balance sheet increased by £3,676,000 and lease liabilities of £3,696,000 were recorded.

Amortisation was also reviewed and the useful lives of the Group's intangible assets revisited. This resulted in the re-assessed future estimated life of the acquired customer relationships, patents and trademarks from Biokosmes and Periproducts – re-assessed to 10 years future life from 1 January 2017, updated from the former 5 years from acquisition. The impact for Group in 2017 is £397,000 lower amortisation and better reflects the utilisation of these long-term assets.

Dividend

The Group paid a dividend in 2017 of 0.04 pence per share (2016: 0.04 pence per share) and is recommending a dividend of 0.04 pence per share be paid to shareholders in 2018.

Adrian Crockett
Chief Financial Officer
21 March 2018

Directors and Advisers

An experienced team

1

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 Adviser.

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.

2

Jerry Randall
Chief Executive Officer

Jerry co-founded Venture Life in 2010. From 2000 to 2009, Jerry was CFO and co-founder of Sinclair Pharma plc, an AIM listed 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.

Jerry was also on the Board of Silence Therapeutics plc, an AIM listed biotech development business, from 2008 to 2013. Initially a Non-Executive Director, Jerry became a Non-Executive Chairman in 2010 and moved to Executive Chairman in 2012.

Jerry enjoyed a career initially in corporate finance and was involved in buy-ins and acted as adviser to both private and quoted companies between 1993 and 2000, in capacities as nominated adviser 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.

3

Sharon Collins
Commercial Director

Sharon co-founded Venture Life in 2010. Sharon has almost 20 years' experience within the healthcare industry, predominantly in marketing, international sales and business development roles. She worked for a leading dental manufacturer for seven years and launched many products during this time. Sharon worked for Sinclair Pharmaceuticals for five years within the International Business Development field. She qualified from Lancaster University in 1996 with a degree in Marketing and gained her MBA (with Distinction) in 2003.

4

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 his career working in his father's pharmacy and then, after he graduated as a pharmacist, continued working for several years in the Milano University cosmetic Research and Development department researching cosmetic applications for raw materials used in different fields. In 1990 he started developing formulations for Italian cosmetic brands mainly in the perfumery and pharmacy area and started his experience in 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.

5

Adrian Crockett

Chief Financial Officer

Adrian has significant financial management experience in the healthcare industry. Prior to joining Venture Life, he was Finance Director of Abbott Diabetes Care Ltd, a division of the US healthcare company, Abbott labs, and before this Group Finance Director at PAREXEL. Previously, he served as Finance Director R&D at GSK and as Head of Business Planning & Analysis at Novartis Vaccines & Diagnostics. Before this he held senior financial management roles at Chiron corporation (prior to acquisition by Novartis), and Powderject pharmaceuticals (prior to acquisition by Chiron). Adrian completed his accountancy training at Andersen Consulting (now Accenture).

Adrian has a BAcc honours degree in accountancy from The University of Dundee and is a Chartered Management Accountant.

6

Peter Shepherd

Company Secretary

Peter joined the Venture Life Group in December 2014 and manages the operational finances as Group Financial Controller. Peter provides Company secretarial support to the Board and assists the Board with finance matters as required.

Peter started his career with the actuarial team of PwC in 1999 as an already ACCA qualified accountant. In 2005 he moved to work with Vodafone PLC in the corporate treasury team and subsequently for Expro International Group, a $1 billion revenue oil services company, initially within the Group finance function and latterly heading up the finance team of the Norway division, representing 10% of the Expro International Group.

7

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 of 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.

8

Peter Bream

Non-Executive Director

Peter Bream joined Venture Life in February 2016. Formerly 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.

Directors

Dr Lynn Drummond
Non-Executive Chair

Jerry Randall
Chief Executive Officer

Sharon Collins
Commercial Director

Adrian Crockett
Chief Financial Officer

Gianluca Braguti
Manufacturing Director

John Sylvester
Non-Executive Director

Peter Bream
Non-Executive Director

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Peter Shepherd

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Kent BR3 4TU

Principal Bankers

NatWest Commercial Banking
30 Market Place, Newbury,
Berkshire RG14 5AG

HSBC Bank plc
Home Counties
Business Banking Centre
1st Floor, Sunningdale,
The Belfry Business Park,
Colonial Way,
Watford WD24 4WH

Statement of 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 an AIM-quoted company, full compliance with The UK Corporate Governance Code (the "Code") is not a formal obligation. The Company has not sought to comply 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 judgement 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 they are required to fulfil their duties.

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

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

Board Committees

The Board has established an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee with written terms of delegated responsibilities for each.

The Audit and Risk Committee

The Audit and Risk Committee is chaired by Peter Bream. 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 auditor and keeping under review the effectiveness of the Company's internal controls and risk management.

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

The Remuneration Committee

The Remuneration Committee is chaired by John Sylvester. Lynn Drummond and Peter Bream are the other members of the Committee.

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

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.

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.

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 ongoing 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 2018 AGM will be held on 23 May 2018 and a Notice of Annual General Meeting can be found enclosed with this report.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
21 March 2018

Attendance at Board meetings and Committees

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

Director	Board	Audit	Remuneration
Dr Lynn Drummond	6/6	3/3	1/1
John Sylvester	5/6	3/3	1/1
Peter Bream	6/6	3/3	1/1
Jerry Randall	6/6	2/3[2]	1/1[2]
Sharon Collins	6/6	—	—
Adrian Crockett[1]	5/6	—	—
Gianluca Braguti	5/6	—	—
Total meetings held in the year	6	3	1

1 appointed 6 March 2017.

2 by invitation.

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.

Directors' Report

General matters

The Directors submit their report and the financial statements of Venture Life Group plc for the year ended 31 December 2017. 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 and Italy.

Results

The profit before tax for the year ended 31 December 2017 was £0.1 million (2016: loss of £1.1 million). The detailed results for the year and the financial position at 31 December 2017 are shown in the Consolidated Statement of Comprehensive Income on page 38 and the Consolidated Statement of Financial Position on page 39.

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, the development and commercialisation of cosmetic products, 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:

- financial risk and management objectives and policies

Going concern

The Directors have prepared detailed forecasts and cash flows looking beyond 12 months from the date of these financial statements. With the acquisition of UltraDEX and evidence of growth in the Group's Brands business and continued growth in the Development and Manufacturing business, the Directors expect the Group to move to overall 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.

The most imminent capital repayment is the £1.9 million UKBN convertible bond which is due to be repaid, if not converted in March 2019. The Directors are already in discussions to either defer or refinance with debt this convertible bond and consequently fully expect this to be confirmed in the foreseeable future. Forecasts assume the convertible bond is refinanced rather than repaid from existing funds.

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.

New product development

Details of the Group's new product development programmes can be found on page 15. 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 (2016: £nil).

Dividends

The Directors recommend the payment of a dividend of 0.04 pence per share (2016: 0.04 pence per share) payable 22 June 2018.

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 Officer*
Sharon Collins *Commercial Director*
Gianluca Braguti *Manufacturing Director*
John Sylvester *Non-Executive Director*
Peter Bream *Non-Executive Director*
Adrian Crockett *Chief Financial Officer*
(appointed 6 March 2017)

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

Dr Lynn Drummond is a Director of RPC Group plc.

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

Jerry Randall is a Director of Avantis UK 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 S.r.l, Biokosmes Immobiliare Srl, and Grafco2 Srl.

Peter Bream is a Director of Abramis Limited.

Directors share interests

The Directors in office at 31 December 2017 and their interests in the shares of the Company were as follows:

Director	Title	Number of 0.3p ordinary shares held at 31 December 2017	% of issued share capital	Number of 0.3p ordinary shares held at 31 December 2016	% of issued share capital
Jerry Randall[1]	Chief Executive Officer	3,931,129	10.7%	3,931,129	10.7%
Gianluca Braguti	Manufacturing Director	7,085,459	19.2%	7,085,459	19.2%
Sharon Collins	Commercial Director	1,582,417	4.3%	1,582,417	4.3%
Lynn Drummond	Non-Executive Chair	18,365	0.05%	18,365	0.05%
John Sylvester	Non-Executive Director	10,000	0.03%	10,000	0.03%
Peter Bream	Non-Executive Director	25,000	0.07%	—	—

1 Includes indirect holdings.

Share capital

As at 31 December 2017, the authorised and issued share capital of the Company was:

	Number of ordinary 0.3p shares	Amount £
Issued and fully paid up	36,837,106	110,511

The average market price of the Company's ordinary shares at close of business on 29 December 2017 was 43 pence.

The maximum share price during the period was 86 pence (18 May 2017) and the minimum price was 43 pence per share (29 December 2017).

Substantial share interests

At 21 March 2018, 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	% holding
Gianluca Braguti	7,085,459	19.2%
J O Hambro	4,400,892	12.0%
Jerry Randall and associated holdings	3,931,129	10.7%
Aviva plc and its subsidiaries	3,523,143	9.6%
Dr Michael Flynn and associated holdings	2,927,077	8.0%
Quilter Cheviot Limited	2,733,900	7.4%
Sharon Collins	1,582,417	4.3%
Anthony Ahearne and associated holdings	1,531,369	4.2%

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, 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 are set out on pages 18 and 19.

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.

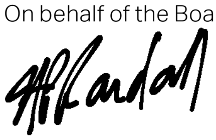
Auditor

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 re-appoint Grant Thornton UK LLP as auditor will be proposed at the forthcoming AGM.

2018 Annual General Meeting

The 2018 AGM will be held on 23 May 2018, the business of which is set out in the Notice of Annual General Meeting enclosed with this report.

On behalf of the Board,



Jerry Randall
Director
21 March 2018

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.

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.

All the Executive Directors currently participate in the same bonus scheme and achievement of bonuses is aligned to the achievement of the Group's financial targets. The bonus scheme 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

Prior to 2016, the Company used market value share options as its primary Senior Executive incentive arrangement to motivate and retain selected Senior Executives within the Group. Under that arrangement the Directors were granted the following share options:

	Share option scheme	Options as at 31 December 2016	Options granted during the year	Options lapsed during the year	Options as at 31 December 2017	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	1 Jul 2014	4 Nov 2023	41p	Non-market
Jerry Randall	Unapproved	483,333	—	—	483,333	1 Jul 2014	4 Nov 2023	41p	Non-market
Sharon Collins	EMI	705,700	—	—	705,700	31 Dec 2012	31 Aug 2022	45p	Non-market
Sharon Collins	EMI	162,187	—	—	162,187	1 Jul 2014	4 Nov 2023	41p	Non-market
Sharon Collins	Unapproved	483,333	—	—	483,333	1 Jul 2014	4 Nov 2023	41p	Non-market
James Hunter	EMI	300,000	—	300,000	—	9 Sep 2014	4 Nov 2023	82p	Non-market
James Hunter	EMI	200,000	—	200,000	—	1 Nov 2015	4 Nov 2023	82p	Non-market

No Directors exercised any options during the year.

During 2017, further awards were made under the Company's Long-Term Incentive Plan ("LTIP" or the "Plan") as its primary Senior Executive incentive arrangement to replace market value share options. The key terms of the LTIP are 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 financial results each year;
- the maximum annual value of nominal cost options that can be made to an individual is equivalent to 200% of basic salary at the date of grant;
- 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.

The Remuneration Committee administers the LTIP and the grant of nominal cost options under the LTIP.

A summary of the awards made during 2016 and 2017 are set out below:

Name	Award One (date of grant: 28 September 2016)	Award Two (date of grant: 28 September 2016)	Award Three (date of grant: 24 April 2017)
Jerry Randall	203,390	340,183	296,302
Gianluca Braguti	153,971	264,237	238,237
Sharon Collins	135,593	226,789	197,534
Adrian Crockett	—	—	165,525
	492,954	831,209	897,598

A full summary of the performance conditions attached to outstanding awards can be found in note 24. To the extent that these performance conditions are not met at the end of the vesting period, the options will lapse.

4. Pensions

The Group contributes to the personal pension plans of certain Executive Directors and employees. Under the scheme, the Group will make direct contributions. 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
Remuneration Committee 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	12 December 2013	Six months' notice to be given by the Executive and 30 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.
Adrian Crockett	6 March 2017	Six months' notice to be given by the Executive and 30 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.

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 2017

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive Directors							
Jerry Randall	194,670	—	18,357	213,027	58,401	30,589	302,017
Sharon Collins	173,040	—	984	174,024	25,956	22,884	222,864
Adrian Crockett[1]	119,904	—	1,078	120,982	17,986	15,595	154,563
Gianluca Braguti[2]	218,207	—	4,043	222,250	41,896	19,101	283,247
Non-Executive Directors							
Lynn Drummond	55,000	—	—	55,000	—	6,466	61,466
John Sylvester	27,000	—	—	27,000	—	2,602	29,602
Peter Bream	27,000	—	—	27,000	—	2,602	29,602
Total	814,821	—	24,462	839,283	144,239	99,839	1,083,361

1 Appointed 6 March 2017.

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 (2016: €240,000 and €10,000 respectively), translated at average exchange rate over the period.

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

Directors' remuneration 2016

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive Directors							
Jerry Randall	185,400	55,620	17,294	258,314	55,620	36,642	350,576
Sharon Collins	164,800	49,440	912	215,152	24,720	28,859	268,731
James Hunter[1]	135,788	—	2,149	137,937	19,828	17,931	175,696
Gianluca Braguti[2]	202,510	60,767	3,412	266,689	38,898	17,137	322,724
Non-Executive Directors							
Lynn Drummond	55,000	—	—	55,000	—	6,750	61,750
John Sylvester	27,000	—	—	27,000	—	2,886	29,886
Ian Mackinnon[3]	3,600	—	—	3,600	—	497	4,097
Peter Bream[4]	23,435	—	—	23,435	—	2,244	25,679
Total	797,533	165,827	23,767	987,127	139,066	112,946	1,239,139

1 Resigned on 30 November 2016.

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 (2015: €240,000 and €10,000 respectively), translated at average exchange rate over the period.

3 Resigned 17 February 2016.

4 Appointed 17 February 2016.

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

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.

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

John Sylvester
Chairman of the Remuneration Committee
21 March 2018

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 ("IFRSs") as adopted by the EU 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 to the Group financial statements and whether applicable UK accounting standards have been followed with respect to 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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Venture Life Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of cash flows, the Parent company Balance Sheet, the Parent company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs and of the parent company's affairs as at 31 December 2017 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 Accounts Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £161,000, which represents 1% of the group's revenue.
- Key audit matters were identified as revenue recognition and management override of controls.
- The operations that were subject to full-scope or targeted audit procedures made up 100% of consolidated revenues and 100% of total assets.

Independent Auditor's Report continued
to the members of Venture Life Group plc

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters – Group and parent	How the matter was addressed in the audit – Group and parent
Revenue recognition Revenues of £16.1m have been recognised in the year ended 31 December 2017, arising substantially from the sale of products. Revenue is the most significant item in the consolidated income statement and impacts a number of management's key performance indicators, and key strategic indicators. There is a risk of incorrect revenue recognition, arising from: • recognition of revenue without entitlement to that revenue; and • revenue is not recognised in accordance with IFRSs as adopted by the European Union. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • testing of revenue recognition policies to ascertain whether they were in accordance with IFRS 15 'Revenue from contracts with customers' via testing a sample of individual revenue items during the year and around the year-end, agreeing items selected for testing through to purchase orders and evidence of delivery and payment; and • Corroborating management's assessment of the five-step criteria included within IFRS 15 by comparing management's assessment to contracts and determining whether the two were consistent. The group's accounting policy on revenue is shown in note 3.5 to the financial statements and related disclosures are included in note 5. **Key observations** • IFRS 15 has been early adopted. Based on our testing the adoption of IFRS 15 has not had a material impact on the financial statements. Note 4 discloses appropriately the impact this has on the accounts. • Our testing did not identify instances where revenue was recognised without entitlement of that revenue. • Our testing did not identify incorrect revenue recognition.

Key Audit Matters – Group and parent	How the matter was addressed in the audit – Group and parent
Management override of controls The group financial statements comprise a number of accounting estimates made by management, which leads to a risk that the financial results are influenced through management bias in determining such estimates. We therefore identified management override of controls as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Comparison of accounting estimates, judgements and decision made by management to third party and post balance sheet evidence; and • Using data analytics and data interrogation techniques to identify journal entries with increased risk and ensure journals are in accordance with expectations; including corroborating any unusual entries to source documentation; **Key observations** Based on our audit work, we did not identify any instances of management override of control and we concluded that the accounting estimates in the financial statements were reasonable.

Our application of materiality

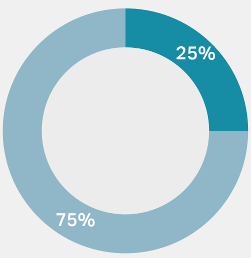
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

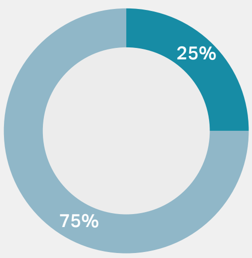
Materiality measure	Group	Parent
Financial statements as a whole	£161,000, which is 1% of total revenues. This benchmark is considered the most appropriate because it is the key driver of the results of the group and is monitored by management. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 to reflect the improvement in results in the current year.	£108,000, which is 5% of earnings before tax. This benchmark is considered the most appropriate because the company is a holding company without revenue, incurring costs for the group. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 to reflect the improvement in results in the current year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as related party transactions and directors' remuneration.	We determined a lower level of specific materiality for certain areas such as related party transactions and directors' remuneration.
Communication of misstatements to the audit committee	£8,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

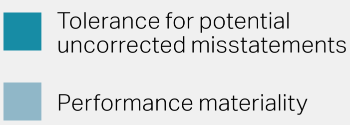
The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – group



Overall materiality – parent





Independent Auditor's Report continued
to the members of Venture Life Group plc

An overview of the scope of our audit

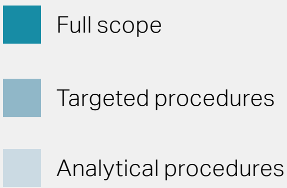
Our audit approach was based on a thorough understanding of the Group's and parent's business and is risk-based. The components of the Group were evaluated by the Group audit team based on a measure of materiality considering each as a percentage of total Group assets, liabilities, revenues and profit before taxes, to assess the significance of the component and to determine the planned audit response.

For those components that were evaluated as significant, either a full-scope or targeted audit approach was determined based on their relative materiality to the Group and our assessment of the audit risk. For significant components requiring a full-scope approach, we evaluated controls over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process and addressed critical accounting matters. We then undertook substantive testing on significant transactions and material account balances.

In order to address the audit risks described above as identified during our planning procedures, we performed a full-scope audit of the financial statements of the Parent Company and of the financial information of Venture Life Limited, Periproducts Limited, Lubatti Limited and Biokosmes Srl. The operations that were subject to full-scope or targeted audit procedures made up 100% of consolidated revenues and 100% of total assets.

Revenues

Total assets



Other information

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

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

21 March 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

Company number 05651130

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue	5	16,052	14,280
Cost of sales		(9,581)	(8,789)
Gross profit		6,471	5,491
Administrative expenses			
Operating expenses		(5,431)	(4,979)
Amortisation of intangible assets		(521)	(862)
Total administrative expenses		(5,952)	(5,841)
Other income		62	65
Operating profit/(loss) before exceptional items		581	(285)
Exceptional costs	6	—	(180)
Operating profit/(loss)	7	581	(465)
Finance income		—	—
Finance costs		(518)	(644)
Profit/(loss) before tax		63	(1,109)
Tax	10	(430)	(260)
Loss for the year		(367)	(1,369)
Other comprehensive income which will not be subsequently reclassified to the income statement		—	—
Other comprehensive income which will be subsequently reclassified to the income statement		121	317
Total comprehensive loss for the year attributable to equity holders of the parent		(246)	(1,052)

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

		Year ended 31 December 2017	Year ended 31 December 2016
Loss per share			
Basic and diluted loss per share (pence)	12	(1.00)	(3.76)
Adjusted profit/(loss) per share (pence)	12	0.66	(1.28)

Consolidated Statement of Financial Position

at 31 December 2017

Company number 05651130

	Note	At 31 December 2017 £'000	At 31 December 2016 £'000
Assets			
Non-current assets			
Intangible assets	14	16,175	16,272
Property, plant and equipment	15	5,069	1,279
		21,244	17,551
Current assets			
Inventories	16	3,563	3,141
Trade and other receivables	17	5,141	4,656
Cash and cash equivalents	18	1,361	1,998
		10,065	9,795
Total assets		31,309	27,346
Equity and liabilities			
Capital and reserves			
Share capital	19	111	111
Share premium account	19	13,289	13,289
Merger reserve	20	7,656	7,656
Convertible bond reserve	21	109	109
Foreign currency translation reserve	23	234	113
Share-based payments reserve	24	497	409
Retained earnings	25	(7,711)	(7,329)
Total equity attributable to equity holders of the parent		14,185	14,358
Liabilities			
Current liabilities			
Trade and other payables	26	4,404	4,347
Taxation		29	195
Interest-bearing borrowings	27	1,509	687
Convertible bond	21	171	171
Vendor loan notes	22	71	54
		6,184	5,454
Non-current liabilities			
Interest-bearing borrowings	27	6,243	2,986
Convertible bond	21	1,631	1,546
Vendor loan notes	22	1,751	1,700
Statutory employment provision	28	909	795
Deferred tax liability	11	406	507
		10,940	7,534
Total liabilities		17,124	12,988
Total equity and liabilities		31,309	27,346

The financial statements on pages 38 to 69 were approved and authorised for issue by the Board on 21 March 2018 and signed on its behalf by:

Jerry Randall
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Convertible bond reserve £'000	Foreign currency translation reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	103	11,826	7,656	—	(204)	367	(5,946)	13,802
Loss for the year	—	—	—	—	—	—	(1,369)	(1,369)
Foreign exchange on translation	—	—	—	—	317	—	—	317
Total comprehensive expense	—	—	—	—	317	—	(1,369)	(1,052)
Issue of share capital	8	1,463	—	—	—	—	—	1,471
Share options charge	—	—	—	—	—	42	—	42
Issue of convertible bond	—	—	—	109	—	—	—	109
Dividends	—	—	—	—	—	—	(14)	(14)
Transactions with shareholders	8	1,463	—	109	—	42	(14)	1,608
Balance at 1 January 2017	111	13,289	7,656	109	113	409	(7,329)	14,358
Loss for the year	—	—	—	—	—	—	(367)	(367)
Foreign exchange on translation	—	—	—	—	121	—	—	121
Total comprehensive expense	—	—	—	—	121	—	(367)	(246)
Share options charge	—	—	—	—	—	88	—	88
Dividends	—	—	—	—	—	—	(15)	(15)
Transactions with shareholders	—	—	—	—	—	88	(15)	73
Balance at 31 December 2017	111	13,289	7,656	109	234	497	(7,711)	14,185

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flow from operating activities		
Profit/(loss) before tax	63	(1,109)
Finance expense	518	644
Operating profit/(loss)	581	(465)
Adjustments for:		
– Depreciation of property, plant and equipment	668	176
– Amortisation of intangible assets	521	862
– Finance cost	(285)	(212)
– Disposal of capitalised development cost	165	—
– Leasing obligation repayments (previously in administration costs)	(486)	—
– Share-based payment expense	88	42
Operating cash flow before movements in working capital	1,252	403
Tax paid	(694)	(251)
Increase in inventories	(322)	(263)
Increase in trade and other receivables	(392)	(251)
Increase/(decrease) in trade and other payables	72	(95)
Net cash used in operating activities	(84)	(457)
Cash flow from investing activities:		
Acquisition of subsidiary – net cash payment	—	(4,258)
Purchases of property, plant and equipment	(285)	(185)
Expenditure in respect of intangible assets	(568)	(355)
Proceeds on disposal of tangible asset	—	7
Net cash used in investing activities	(853)	(4,791)
Cash flow from financing activities:		
Net proceeds from issuance of ordinary shares	—	1,471
Net proceeds from issuance of convertible bond	—	1,750
Drawdown of new interest-bearing borrowings	312	1,140
Repayment of existing interest-bearing borrowings	(45)	(41)
Dividends paid	(15)	(14)
Net cash from financing activities	252	4,306
Net decrease in cash and cash equivalents	(685)	(942)
Net foreign exchange difference	48	83
Cash and cash equivalents at beginning of period	1,998	2,857
Cash and cash equivalents at end of period	1,361	1,998

Notes to the Consolidated Statements
for the year ended 31 December 2017

1. General information

Venture Life Group plc ("the Company") was incorporated on 12 December 2005 and is domiciled in the UK, with its registered office located at 2 Arlington Square, Downshire Way, Bracknell, RG12 1WA. The Company is the holding company for four wholly-owned UK subsidiaries, 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 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 IFRSs.

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 and cash outflow for the year ended 31 December 2017, as it did in the year ended 31 December 2016. 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 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.

The most imminent capital repayment is the £1.9 million UKBN convertible bond which is due to be repaid, if not converted in March 2019. The Directors are already in discussions to either defer or refinance with debt this convertible bond and consequently fully expect this to be confirmed in the foreseeable future. Forecasts assume the convertible bond is refinanced rather than repaid from existing funds.

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 2017. 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. 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. Summary of significant accounting policies continued

3.4. Foreign currencies

(a) Functional and presentational currency

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

(b) Transactions and balances

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

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 each month 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.

The sterling/Euro exchange rates used in the Interim Financial Statements and the prior reporting period are as follows:

Sterling/Euro exchange rates	Year ended 31 December 2017	Year ended 31 December 2016
Average exchange rate for the period	1.146	1.234
Exchange rate at the period end	1.126	1.167

3.5. Revenue recognition

Revenue of the Group arises mainly from the sale of goods in both the Brands and Manufacturing and Development segments. To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

The Group typically enters into transactions involving the development and manufacture of the Group's or customer's own products. In each case, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due. There are neither unsatisfied performance obligations, nor contract assets held by the Group at the balance sheet date.

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

3. Summary of significant accounting policies continued

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 de-recognised 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

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 5-10 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:	10 years
Product formulations:	5 years
Trademarks:	10 years
Patents:	10 years

3. Summary of significant accounting policies continued

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 14 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 average cost 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 30 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 30 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 30 as '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 2014 was not considered material.

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

3. Summary of significant accounting policies continued

3.14. Financial Instruments continued

(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.

(d) Convertible bond

The carrying value of the convertible bond is determined with reference to the present value of the principal amount of the bond 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 convertible bond has been recognised within shareholders' funds as a convertible loan note reserve.

3.15. Leases

Under IFRS 16, all leases other than short-term and low value leases are recorded in the statement of financial position reflecting the Group's 'right-of-use' assets and lease liabilities. Capitalised right-of-use assets have been valued as the present value of future lease payment obligations, with an equal and opposite lease liability. The assets are written down on a straight-line basis over the term of the lease contract and the lease payments are charged against the lease liability, offset by a finance charge recorded in the income statement for each period. Further details are given in note 29.

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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

3.17. 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 Group stakeholder pension arrangement or personal pension plans of certain employees. Contributions are charged to the Consolidated Statement of Comprehensive Income as they become payable.

3. Summary of significant accounting policies continued

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.
- convertible bond reserve arising on the initial valuation of the convertible bond.
- share-based payments 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.
- 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.

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

(a) Judgements

(i) 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. Costs are amortised over five years once the projects are recorded as complete.

Notes to the Consolidated Statements continued

for the year ended 31 December 2017

3. Summary of significant accounting policies continued

3.22. Critical accounting estimates and judgements continued

(b) Estimates

(i) 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, including 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 2016 and 2017, no impairment charge was recognised as a result of these reviews.

(ii) 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 14 to the financial statements.

The Directors considered that no impairment was necessary in respect of goodwill recognised in the year ended 31 December 2017.

(iii) 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.

(iv) Amortisation periods

When acquiring a business, the Directors make best estimates about the future life of acquired assets. These best estimates are based on historic trends and the future of existing commercial relationships to determine a suitable future working life of each asset. See note 14 for further details.

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.

4. Accounting developments

a) New standards, amendments and interpretations issued and adopted

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. Although only mandatory for annual reporting periods beginning on or after 1 January 2018, the Group has elected to apply IFRS 15 early, on 1 January 2017. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2017. In accordance with the transition guidance, IFRS15 has only been applied to contracts that are incomplete as at 1 January 2017. The adoption of IFRS 15 has had no impact on the financial statements of the Group.

IFRS 16 replaces IAS 17 'Leases' and three related interpretations. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. Although only mandatory for annual reporting periods beginning on or after 1 January 2019, the Group has elected to apply IFRS 16 early, on 1 January 2017.

4. Accounting developments continued

The impact of adoption of IFRS 16 has mainly affected the following:

- Management has performed a full review of all lease contracts on the Group and classified and valued each leasing obligation in line with the guidance of IFRS 16
- The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2017

Further details of the adoption of IFRS 16 are included in note 29.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 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 neither 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 has 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.

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.

The impact of the above interpretations has not been quantified for the periods to which they will apply.

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 (Chief Operating Decision Maker) 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.

In summary, the operations of the Group are segmented as:

- Brands, which includes sales of branded healthcare and cosmetics products direct to retailers and under distribution agreement.
- Development and Manufacturing, which includes sales of products and services under contract development and manufacturing agreements.

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

5. Segmental Information continued

5.1 Segment revenue and results

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

	Brands £'000	Development and Manufacturing £'000	Consolidated Group £'000
Year ended 31 December 2017			
Revenue			
Sale of goods	4,502	13,491	17,993
Sale of services	—	297	297
Intercompany sales elimination	—	(2,238)	(2,238)
Total external revenue	4,502	11,550	16,052
Results			
Operating profit before exceptional items and excluding central administrative costs	255	1,756	2,011
Year ended 31 December 2016			
Revenue			
Sale of goods	3,764	11,099	14,863
Sale of services	—	243	243
Intercompany sales elimination	—	(826)	(826)
Total external revenue	3,764	10,516	14,280
Results			
Operating profit before exceptional items and excluding central administrative costs	17	1,509	1,526

All revenue of the Group is recognised at point in time as determined by IFRS15.

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating profit before exceptional items and excluding central administrative costs	2,011	1,526
Exceptional items	—	(180)
Central administrative costs	(1,430)	(1,811)
Finance costs	(518)	(644)
Profit/(loss) before tax	63	(1,109)

One customer generated revenue of £3,376,000 which accounted for 10% or more of total revenue (2016: one customer generated revenue of £3,388,000 which accounted for 10% or more of total revenue).

5. Segmental Information continued

5.2 Segmental assets and liabilities

	At 31 December 2017 £'000	At 31 December 2016 £'000
Assets		
Brands	3,255	2,431
Development and Manufacturing	13,683	9,820
Group consolidated assets	14,371	15,095
Consolidated total assets	31,309	27,346
Liabilities		
Brands	1,651	1,059
Development and Manufacturing	11,014	7,336
Group consolidated liabilities	4,459	4,593
Consolidated total liabilities	17,124	12,988

5.3 Other segmental information

	Depreciation and amortisation £'000	Additions to non-current assets £'000
Year ended 31 December 2017		
Brands	123	362
Development and Manufacturing	735	4,485
Central administration	331	—
	1,189	4,847
Year ended 31 December 2016		
Brands	79	81
Development and Manufacturing	258	463
Central administration	701	4,189
	1,038	4,733

5.4 Geographical information

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue		
UK	5,538	4,762
Italy	4,936	4,417
Switzerland	3,791	3,338
Rest of Europe	857	819
Rest of the World	930	944
Total revenue	16,052	14,280

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

6. Exceptional items

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Costs incurred in the acquisition of Periproducts	—	(180)
Total exceptional items	—	(180)

During the prior period the Group incurred legal and professional fees in relation to the Periproducts acquisition, as well as certain restructuring costs.

7. Operating profit

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Depreciation of property, plant and equipment included in operating expenses	668	176
Amortisation of intangible assets included in administrative expenses	521	862
Research and development costs included in operating expenses	387	426
Operating lease rentals	59	493
Share-based payments charge	88	42
Staff costs (note 8)	4,528	4,385
Auditor's remuneration		
– Fees for the audit of the Company's annual accounts	20	20
Fees payable to the Company's auditor and its associated for other services:		
– Audit of the accounts of the Company's subsidiaries	44	44
– Tax compliance services	14	12
– Audit related fee	4	4
– Corporate finance services	—	5

8. Employee information

The average number of staff, including Executive Directors, employed by the Group during the year are as shown below:

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Product development and manufacturing	66	55
Sales and marketing	12	13
Directors	7	7
Administration	14	15
	99	90

8. Employee information continued

Their aggregate remuneration comprises:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages and salaries	3,479	3,443
Social security costs	701	632
Pension costs	320	282
Other benefits	28	28
Equity settled share-based payments	88	42
	4,616	4,427

The equity settled share-based payments charge for the year included £59,000 in respect of the Directors of the Group (2016: £38,000). Further information on Directors remuneration is included in the Remuneration Report on page 28.

9. Pension costs and other post-retirement benefits

The Group operates a stakeholder pension scheme to which it makes contributions. As an alternative, the Group also makes contributions into the personal pension schemes of certain employees. The pension charge represents contributions payable by the Group and amounted to £320,000 (2016: £282,000). At year end an amount of £Nil (2016: £1,194) was payable in respect of pension contributions charged during the year.

10. Income tax expense

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Current tax:		
Current tax on profits for the year	528	455
Adjustments in respect of earlier years	—	(21)
Total current tax expense	528	434
Deferred tax:		
Origination and reversal of temporary differences	(98)	(174)
Total deferred tax expense	(98)	(174)
Total income tax expense	430	260

Tax on the Group's profit/(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 2017 £'000	Year ended 31 December 2016 £'000
Profit/(loss) before tax	63	(1,109)
Profit/(loss) before taxation multiplied by the local tax rate of 19% (2016: 20%)	(12)	(222)
Expenses not deductible for tax purposes	159	248
Research and development tax credit for current year	—	(21)
Change in recognised deferred tax liability	(98)	(174)
Change in unrecognised deferred tax asset	255	342
Higher rate on foreign taxes	126	87
Income tax charge	430	260

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 £8,610,000 (2016: £7,195,000) 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 Statements continued
for the year ended 31 December 2017

10. Income tax expense continued

The tax charge of the group is driven by tax paid on the profits of Biokosmes, offset by the release of deferred tax liabilities generated on the acquisition of Biokosmes and Periproducts businesses. In 2017 the effective tax rate of Biokosmes was 25% (2016: 25%).

11. Deferred tax

Deferred taxes arising from temporary differences are summarised as follows:

Deferred tax liabilities/(assets)	At 1 January 2017 £'000	Recognised in profit and loss £'000	Movements attributed to foreign exchange £'000	At 31 December 2017 £'000
Purchased goodwill	91	(9)	3	85
Other intangibles	(546)	96	—	(450)
Inventories	(53)	9	—	(44)
Trade and other receivables	1	2	—	3
Deferred tax liability	(507)	98	3	(406)

12. Earnings per share

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

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
For basic and diluted EPS calculation	36,837,106	36,409,340

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

	£'000	£'000
For basic and diluted EPS calculation	(367)	(1,369)
For adjusted EPS calculation[1]	242	(465)

1 Adjusted EPS is profit/(loss) after tax excluding amortisation and share-based payments.

The resulting EPS measures are:

	Pence	Pence
Basic and diluted EPS calculation	(1.00)	(3.76)
Adjusted EPS calculation	0.66	(1.28)

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.

13. Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Final dividend	15	14

The Directors recommend the payment of a dividend of 0.04 pence per share (2016: 0.04 pence per share) in 2017 and a resolution will be put to shareholders at the 2018 Annual General Meeting.

14. Intangible assets

	Development costs £'000	Patents and trademarks £'000	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost or valuation:					
At 1 January 2016	1,538	456	9,796	1,995	13,785
Additions	231	424	3,337	546	4,538
Disposals	(34)	(46)	—	—	(80)
Foreign exchange	139	—	—	—	139
At 1 January 2017	1,874	834	13,133	2,541	18,382
Additions	479	—	—	89	568
Disposals	(165)	—	—	—	(165)
Foreign exchange	80	—	—	—	80
At 31 December 2017	2,268	834	13,133	2,630	18,865
Amortisation:					
At 1 January 2016	305	255	—	698	1,258
Charge for the year	248	124	—	490	862
Disposals	—	(48)	—	—	(48)
Foreign exchange	38	—	—	—	38
At 1 January 2017	591	331	—	1,188	2,110
Charge for the year	258	172	—	91	521
Disposals	—	—	—	—	—
Foreign exchange	59	—	—	—	59
At 31 December 2017	908	503	—	1,279	2,690
Carrying amount:					
At 31 December 2016	1,283	503	13,133	1,353	16,272
At 31 December 2017	1,360	331	13,133	1,351	16,175

All trademark, license and patent renewals are amortised over their estimated useful lives, which is between five and ten 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. Also included in the intangible assets balance are patents and trademarks and customer relationships acquired through the acquisition of Periproducts. These assets were recognised at their fair value at the date of acquisition and were being amortised over a period of five years.

Following a review of the acquired assets, management has reassessed the future useful economic life of acquired customer relationships, patents and trademarks of the Group to ten years from 1 January 2017. The change in useful economic lives reduced the amortisation in 2017 by £397,000 and better reflects the utilisation of these long term assets.

The key judgements used in relation to the Biokosmes (Development and Manufacturing CGU) and Periproducts (part of the Brands CGU) impairment review are as follows:

- The estimates of profit after tax for the three years to 31 December 2020 are based on management forecasts of the Biokosmes and Periproducts businesses, with subsequent years growth forecasted at 5% and 2% respectively. Management consider 5% and 2% conservative growth rates for the businesses, but reflective of the operating sectors of the businesses.
- The Group has applied a discount rate to the future cash flows of Biokosmes for five years, with a terminal value reflecting future years, using a pre-tax average cost-of-capital of 15%. These assumptions generate a significant headroom over the assets of the business held at the balance sheet date.

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.

Financial statements

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

15. Property, plant and equipment

	Plant and equipment £'000	Other equipment £'000	Right-of-use assets £'000	Total £'000
Cost or valuation:				
At 1 January 2016	1,361	75	—	1,436
Additions	185	—	—	185
Disposals	(21)	—	—	(21)
Foreign exchange movements	204	11	—	215
At 1 January 2017	1,729	86	—	1,815
Additions	267	—	4,012	4,279
Disposals	—	—	—	—
Foreign exchange movements	64	—	129	193
At 31 December 2017	2,060	86	4,141	6,287
Depreciation:				
At 1 January 2016	252	64	—	316
Charge for the year	164	12	—	176
Disposals	(5)	—	—	(5)
Foreign exchange movements	39	10	—	49
At 1 January 2017	450	86	—	536
Charge for the year	203	—	465	668
Foreign exchange movements	14	—	—	14
At 31 December 2017	667	86	465	1,218
Carrying amount:				
At 31 December 2016	1,279	—	—	1,279
At 31 December 2017	1,393	—	3,676	5,069

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

Additions to right-of-use asset category reflect the recognition of the Group's leasing obligations under IFRS 16. Further details are included in note 29.

16. Inventories

	At 31 December 2017 £'000	At 31 December 2016 £'000
Raw materials	2,277	2,051
Finished goods	1,286	1,090
	3,563	3,141

An amount of £5,721,000 (2016: £5,695,000) was recognised in respect of expenditure on inventory in the Statement of Comprehensive Income.

17. Trade and other receivables

	At 31 December 2017 £'000	At 31 December 2016 £'000
Trade receivables	4,700	4,264
Prepayments and accrued income	152	92
Other taxation recoverable	—	25
Other receivables	289	275
	5,141	4,656

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 2017 £'000	At 31 December 2016 £'000
31 to 60 days past due	15	70
60 to 90 days past due	9	4
90 to 120 days past due	11	4
> 120 days past due	178	72
Overdue trade receivables gross	213	150
Provision for overdue receivables	(12)	(7)
Trade receivables – net	201	143

The Directors consider that the carrying value of trade and other receivables represents their fair value. As at the reporting date, a provision of £12,000 for overdue receivables has been made and is included in the carrying value of trade and other receivables (2016: £7,000). 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 30(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 30(c).

18. Cash and cash equivalents

	At 31 December 2017 £'000	At 31 December 2016 £'000
Cash and cash equivalents	1,361	1,998

The Group holds sterling, Chinese renminbi and Euro denominated balances in the UK. The Group's subsidiaries hold US dollar, yen 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 30(d).

The amounts of cash and cash equivalents denominated in currencies other than pounds sterling are shown in note 30(c).

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

19. 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 31 December 2016 and 2017	36,837,106	110,511	13,289	7,656

The Company issued no new shares during the period (2,433,572 in 2016).

The Group operates a Long-Term Incentive Plan. Up to the balance sheet date, there have been three awards under this plan, in which Executive Directors and senior management of the Group participate. Further details are included in the Directors' Remuneration Report set out on page 28.

20. 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 (2016: £7,656,000) has arisen through the acquisition of Venture Life Limited in 2010 (£50,000), and Biokosmes in March 2014 (£7,606,000).

21. Convertible bond

Convertible bonds with a principal value of £1.9 million were issued as part of the funding for the Periproducts acquisition in 2016. The bond carries a 9% coupon with interest payable quarterly over a three year term with full repayment of the convertible bond due on 3 March 2019. Bondholders have the right to convert their bonds to shares in the Group at a conversion price of 87.5 pence per Venture Life share (87.5 pence representing a 25% premium to the 70 pence placing price of the new equity at the time of the acquisition) which can be exercised at any point before 3 March 2019.

22. Vendor loan notes

Vendor loan notes totalling €2 million 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 £17,000 accrued during the period is payable on these vendor loan notes at the period end. Interest is payable on these vendor loan notes in October and April. The agreements covering these vendor loan notes were subsequently amended such that the latest repayment date of the loan notes was extended from July 2016 to July 2020 and the annual coupon increased to 4% effective 1 August 2017.

23. 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.

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

24.1 Share options

Share options are held by option holders in either 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 £88,000 (2016: £42,000) 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.

	2017 Number	2017 WAEP (p)	2016 Number	2016 WAEP (p)
Total outstanding at beginning of the year	3,880,670	53	3,653,770	54
Granted during the year	465,000	60	455,660	56
Exercised	—	—	—	—
Forfeited	(500,000)	82	(228,760)	80
Total outstanding at 31 December	3,845,670	50	3,880,670	53
Exercisable at 31 December	2,867,440	45	3,367,440	51

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

	2017 Number	2016 Number
Range of exercise prices		
0p-49p	2,827,440	2,827,440
50p-99p	921,900	956,900
100p-149p	96,330	96,330
Total	3,845,670	3,880,670

At 31 December 2017, the weighted average remaining contractual life of options exercisable is 5.22 years (2016: 6.31 years).

The weighted average fair value of options granted in the year is 45 pence (2016: 56 pence).

The non-market performance conditions for all share options outstanding at 31 December 2017 and which are exercisable at 31 December 2017 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:

	2017	2016
Weighted average share price (p)	59.5	59.3
Weighted average exercise price (p)	59.5	59.6
Weighted average expected volatility (%)	22.7	18.5
Weighted average expected life (years)	4	4
Weighted average-risk free rate (%)	0.51	1.19
Expected dividends (%)	0.067	0.004

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

24. Share-based payments and share-based payments reserve continued

24.1 Share options continued

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.

24.2 Long-Term Incentive Plan

The Group operates a Long-Term Incentive Plan. Up to the balance sheet date, there have been three awards under this plan, in which Executive Directors and senior management of the Group participate.

Awards under the Plan are granted in the form of nominal cost share options, and are to be satisfied either using market-purchased shares or by the issuing of new shares. The awards vest in full or in part dependent on the satisfaction of specified performance targets at the end of the vesting period applying to each plan. The number of awards that vest is dependent upon either the earnings per share ("EPS") achieved for the relevant year and the Group's Total Shareholder Return ("TSR") during the vesting period within a comparator group. Details are set out below:

	Award One	Award Two	Award Three
Grant date of awards	28 September 2016	28 September 2016	24 April 2017
Grant date fair value of award (pence per award)	54.5	54.5	64.5
Vesting date of awards	25 March 2018	28 September 2019	24 April 2020
Maximum number of awards	492,954	831,209	897,598
Vesting conditions based on	EPS and TSR	EPS and TSR	EPS and TSR
Relevant date for determination of vesting conditions	31 December 2017 for EPS and 25 March 2018 for TSR	31 December 2018 for EPS and 28 September 2019 for TSR	31 December 2019 for EPS and 24 April 2020 for TSR

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 28 to 31. The fair value at grant date of Award One was estimated based on the share price of the Group at grant date. Award Two includes vesting conditions that are market based, and allowance for these are included within the fair value at grant date. The weighted average fair value of options granted during the period determined using the Monte-Carlo valuation model was 64.5 pence per option. The significant inputs into the model were:

- weighted average share price of 64.5 pence at the grant date
- exercise price shown above
- dividend yield assumed nil for the basis of the calculation
- options are assumed to be exercised at point of vesting
- an annual risk-free interest rate of 0.141%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Movements in the number of awards outstanding, assuming maximum achievement of vesting conditions, are as follows:

	2017 Number	2016 Number
At 1 January	1,324,163	—
Granted	897,598	1,641,247
Forfeited	—	(317,084)
At 31 December	2,221,761	1,324,163

Please refer to note 7 for disclosure of the charge to the Consolidated Income Statement arising from share-based payments.

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.

25. Retained earnings

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

26. Trade and other payables

	At 31 December 2017 £'000	At 31 December 2016 £'000
Trade payables	2,998	2,528
Accruals and deferred income	949	1,360
Social security and other taxes	120	90
Other payables	337	369
	4,404	4,347

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 amount of trade and other payables denominated in currencies other than pounds sterling are shown in note 30(c).

27. Interest-bearing borrowings

	At 31 December 2017 £'000	At 31 December 2016 £'000
Current		
Invoice financing	965	629
Leasing obligations	485	—
Unsecured bank loans due within one year	59	58
	1,509	687
Non-current		
Deferred consideration	426	416
Leasing obligations	3,211	—
Unsecured bank loans due after one year	2,606	2,570
	6,243	2,986

All bank loans are held by the Group's Italian wholly-owned subsidiary, Biokosmes. During the year, an existing bank loan held with Unicredit SPA for €0.8 million, due to expire in November 2018, was extended. The loan principal remained at €0.8 million and the expiry date was extended to May 2023. Invoice financing includes the Italian RiBa (or "Ricevuta Bancaria") facility and UK invoice financing facility with HSBC. Both are short-term facilities. The balance shown above of £965,000 (2016: £629,000) reflects the amount that had been settled in Biokosmes's account under RiBa and drawn against invoices in the UK as at the reporting date.

Deferred consideration reflects the fair value of a loan held by the Company with the vendors of Periproducts. The loan principal of £400,000 is repayable in March 2019 and has an annual interest charge of 10% from September 2017. Its carrying value at 31 December 2017 was £426,000 (2016: £416,000).

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

27. Interest-bearing borrowings continued

A summary showing the contractual repayment of interest-bearing borrowings is shown below:

	At 31 December 2017			At 31 December 2016		
	Leasing obligations £'000	Other £'000	2017 £'000	Leasing obligations £'000	Other £'000	2016 £'000
Amounts and timing of non-current debt repayable						
Between 1 January 2018 and 31 December 2018	—	—	—	—	742	742
Between 1 January 2019 and 31 December 2019	486	612	1,098	—	473	473
Between 1 January 2020 and 31 December 2020	491	584	1,075	—	400	400
Between 1 January 2021 and 31 December 2021	489	533	1,022	—	343	343
Between 1 January 2022 and 31 December 2026	1,745	1,303	3,048	—	1,028	1,028
	3,211	3,032	6,243	—	2,986	2,986

	Short-term borrowings £'000	Long-term borrowings £'000	Total £'000
Reconciliation of debt			
1 January 2017	912	6,232	7,144
Cash flows:			
Draw-down/(repayment)	312	(45)	267
Non cash:			
Movements in fair value and foreign exchange	42	227	269
31 December 2017	1,266	6,414	7,680

Lease liability

The Group's net debt position remains unchanged from 2016 in respect of its lease contracts. Under IFRS16, leases that have previously been recognised as operating leases have now been recognised in the Statements of Financial Position showing additional lease liabilities at 31 December 2017 of £3,696,000 offsetting right-of-use assets of £3,676,000, giving a net liability position of £20,000

28. 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.

29. Leases

During the year the Group early adopted IFRS 16 'Leases', which has been applied from 1 January 2017.

IFRS 16 requires the Group, with the exception of short-term and low value leases, to value all leasing obligations disclosing right-for-use assets and corresponding lease liabilities. As detailed below, all leases of the group have been considered to have balance sheet leasing obligations with the exception of a UK property lease which expired within the year.

29. Leases continued

Right-of-use assets

	Office equipment £'000	Motor vehicles £'000	Property £'000	Total £'000
Carrying value 1 January 2017	62	15	3,664	3,741
Additions	—	—	271	271
Depreciation charge in the year	(16)	(10)	(439)	(465)
Foreign exchange	2	—	127	129
Carrying value 31 December 2017	48	5	3,623	3,676
Interest charge in the year	1	—	41	42
Cash outflow for leases in the year	17	10	459	486

Lease liabilities were calculated as the present value of the future lease obligations of the Group. The future leasing obligations were discounted using the relevant Italian and UK local borrowing rates of 1% and 5% respectively.

There was one lease contract of the Group that remained as an operating lease in the year, with its monthly lease payments taken through the income statement. This lease contract for the office of the former UK headquarters, was terminated in October 2017 and consequently was considered short term in nature. The ten monthly lease payments made during the year totalled £59,000.

The lease categories of the Group are made up of:

Office equipment

- Photocopiers and laboratory equipment leased by the Group in Italy and the UK are rented under contract with lease terms extending between 2019 and 2021. Each contract comes with a three month break clause, but management do not expect that these break clauses will be exercised.

Motor vehicles

- A company car is provided to the Group's Chief Executive Officer. This lease has a three year term ending June 2018 where upon the leased asset is required to be returned to the lessor.

Property

- The Group's Italian 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. Both locations have a six year extension option at the end of the initial term that is available to the Group. Due to the fixed nature of the Italian business, management consider that these extensions will be exercised.
- The Group's current UK operation is headquartered in a leased premises in Bracknell. The lease contract commenced in August 2017 and expires in July 2022. The contract has a three year break clause, but management does not expect that this break clause will be exercised.

At transition IFRS 16 permits the cumulative effect of adopting the standard to be taken to retained earnings. The Group has also elected to value the right-of-use assets in line with lease liabilities at transition. There were no movements taken to retained earnings in the year as a result of transition.

If IFRS 16 was not adopted in the year, operating profit of the Group for the year would be reduced by £21,000 and profit before tax would be increased by £21,000.

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

30. 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 deferred revenue)
- Convertible bond
- Vendor loan notes
- Interest-bearing debt
- Leasing obligations
- Invoice financing

Set out below are details of financial instruments held by the Group as at:

	31 December 2017		31 December 2016	
	Loans and receivables £'000	Total financial assets £'000	Loans and receivables £'000	Total financial assets £'000
Financial assets:				
Trade and other receivables[1]	4,989	4,989	4,564	4,564
Cash and cash equivalents	1,361	1,361	1,998	1,998
Total	6,350	6,350	6,562	6,562

	31 December 2017		31 December 2016	
	Liabilities (amortised cost) £'000	Total financial liabilities £'000	Liabilities (amortised cost) £'000	Total financial liabilities £'000
Financial liabilities:				
Trade and other payables[2]	4,389	4,389	4,260	4,260
Leasing obligations	3,696	3,696	—	—
Convertible bond	1,802	1,802	1,717	1,717
Vendor loan note	1,822	1,822	1,754	1,754
Interest-bearing debt	4,056	4,056	3,673	3,673
Total	15,765	15,765	11,404	11,404

1 Trade and other receivables excludes prepayments.

2 Trade and other payables excludes deferred revenue.

During the period the Group adopted the lease accounting standard IFRS 16. The standard requires the recognition of leasing obligations which are included above. See note 29 for further details.

30. 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 and 19.

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	Yen £'000	Total £'000
At 31 December 2017						
Assets						
Trade and other receivables	52	306	—	4,116	—	4,474
Cash and cash equivalents	57	55	20	926	—	1,058
	109	361	20	5,042	—	5,532
Liabilities						
Trade and other payables	63	47	—	3,398	—	3,508
Vendor loan notes, convertible bond and interest-bearing debt	—	—	—	8,580	—	8,580
	63	47	—	11,978	—	12,088
Net position	46	314	20	(6,936)	—	(6,556)
At 31 December 2016						
Assets						
Trade and other receivables	—	23	—	3,227	—	3,250
Cash and cash equivalents	41	5	1	1,490	—	1,537
	41	28	1	4,717	—	4,787
Liabilities						
Trade and other payables	—	—	—	3,052	46	3,098
Vendor loan notes and interest-bearing debt	—	—	—	5,011	—	5,011
	—	—	—	8,063	46	8,109
Net position	41	28	1	(3,346)	(46)	(3,322)

Notes to the Consolidated Statements continued
for the year ended 31 December 2017

30. Financial instruments continued

c. Market risk continued

Foreign exchange risk continued

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

	£ currency impact strengthening £'000	£ currency impact weakening £'000
At 31 December 2017		
Assets	503	(503)
Liabilities	(1,060)	1,060
At 31 December 2016		
Assets	435	(435)
Liabilities	(737)	737

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 the previous reporting date, the Group had a significant concentration of cash held on deposit with certain banks in the United Kingdom. This deposit was used in part to fund the Periproducts acquisition during the year and so the cash concentration is no longer held.

The Group considers its credit risk by counterparty and geography.

At 31 December 2017, the Group was also owed £1,238,000 (2016: £1,352,000) from one (2016: one) of its major customers, the balance being shown under trade receivables.

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

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

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

30. Financial instruments continued

d. Credit risk continued

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 2017 was:

	Fixed rate		Floating rate		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Sterling	—	—	303	461	303	461
Euro	—	—	926	1,490	926	1,490
RMB	—	—	55	5	55	5
USD	—	—	57	41	57	41
Swiss franc	—	—	20	1	20	1
Total	—	—	1,361	1,998	1,361	1,998

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 27.

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 Statements continued
for the year ended 31 December 2017

30. Financial instruments continued

g. Capital management continued

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

	At 31 December 2017 £'000	At 31 December 2016 £'000
Total equity	14,185	14,358
Cash and cash equivalents	(1,361)	(1,998)
Capital	12,824	12,360
Total equity	14,185	14,358
Borrowings	7,680	7,144
Leasing obligations	3,696	—
Overall financing	25,561	21,502
Capital to overall financing ratio	0.50	0.57

31. 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 2017 were £5,061 (2016: £5,051).

In March 2016 the Company issued a 9% convertible bond for £1.9 million. The bond was issued to a number of bondholders including Jerry Randall and Gianluca Braguti, both Directors of the Company. Both Directors subscribed to £200,000 of the issued bond. Interest is accrued on the bond at 9% and is paid in March, June, September and December each year (which are the same terms as the other bondholders).

Gianluca Braguti, a Director and shareholder of the Group, was provided with services by the Group totalling £3,765 (2016: £2,977). At 31 December 2017, Gianluca Braguti owed the Group £3,700 (2016: £3,839).

Gianluca Braguti, a Director and shareholder of the Group, was issued vendor loan notes by the Group for €2 million as part of the Biokosmes acquisition in March 2014. The agreements covering these vendor loan notes were amended in the year such that the latest repayment date of the loan notes was extended from July 2017 to July 2020. The interest rate on the loan was also increased from 3% in the initial loan agreement to 4%, effective from 1 August 2017 and for the remainder of the loan notes term. Interest totalling €68,000 (2016: €60,000) was charged on the vendor loans note during the year. See note 22 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 (2016: €250,935), of which Gianluca Braguti's liability is €248,426 (2016: €248,426). There is still one litigation case outstanding, upon settlement of which, Gianluca Braguti will clear any outstanding liability with the Group.

31. Related party transactions continued

(b) Transactions with other related parties

Bragut's real estate Srl (formerly known as Biokosmes Immobiliare Srl), a company 100% owned by Gianluca Braguti, a Director and shareholder of the Group provided property lease services to Biokosmes Srl, the Group's Italian subsidiary, totalling €460,000 in the year to 31 December 2017 (2016: €460,000). At 31 December 2017, the Group owed Bragut's real estate Srl €413,661 (€692,000 at 31 December 2016).

Services purchased from Biogenico Srl, a company 47% owned by Gianluca Braguti, a Director and shareholder of the Group, totalled £8,499 (2016: £4,016). At 31 December 2017, the Group owed Biogenico Srl £nil (2016: £8,189). Services provided to Biogenico Srl totalled £68,364 (2016: £17,466). At 31 December 2017, Biogenico Srl owed the Group £10,617 (2016: £14,318).

Services purchased from A. Erre, a company 10% owned by Gianluca Braguti, a Director and shareholder of the Group, totalled £36,311 (2016: £71,784). At 31 December 2017, the Group owed A. Erre £nil (2016: £4,682).

Services purchased from Farmacia San Francesco, a company 10% owned by Gianluca Braguti, a Director and shareholder of the Group, who is also a Director, totalled £794 (2016: £381 provided to Farmacia San Francesco). At 31 December 2017, Farmacia San Francesco owed the Group £nil (2016: £nil).

32. Post balance sheet events

There were no material events after the balance sheet date.

Parent Company Balance Sheet

for the year ended 31 December 2017

Company number 05651130

	Note	At 31 December 2017 £'000	At 31 December 2016 £'000
Fixed assets			
Investments	5	19,062	19,033
		19,062	19,033
Current assets			
Debtors	6	8,734	7,219
Cash at bank		33	210
		8,767	7,429
Creditors			
Amounts falling due within one year	7	(452)	(739)
Net current assets		8,315	6,690
Total assets less current liabilities		27,377	25,723
Creditors			
Amounts falling due after one year	8	(5,139)	(3,662)
		(5,139)	(3,662)
Net assets		22,238	22,061
Capital and reserves			
Called up share capital	9	111	111
Share premium account		13,289	13,289
Convertible bond reserve		109	109
Merger reserve		7,656	7,656
Share-based payments reserve		497	409
Profit and loss account brought forward		472	387
Profit and loss account for the year		104	100
Shareholders' funds		22,238	22,061

The financial statements on pages 70 to 76 were approved and authorised for issue by the Board on 21 March 2018 and signed on its behalf by:

Jerry Randall
Director

Parent Company Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Convertible bond reserve £'000	Share-based payments reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2016	103	11,826	7,656	—	368	401	20,354
Profit for the year	—	—	—	—	—	100	100
Total comprehensive income	—	—	—	—	—	100	100
Share-based payments charge	—	—	—	—	41	—	41
Convertible bond reserve	—	—	—	109	—	—	109
Issue of share capital	8	1,463	—	—	—	—	1,471
Dividends	—	—	—	—	—	(14)	(14)
Transactions with shareholders	8	1,463	—	109	41	(14)	1,607
Balance at 31 December 2016	111	13,289	7,656	109	409	487	22,061
Profit for the year	—	—	—	—	—	104	104
Total comprehensive income	—	—	—	—	—	104	104
Share-based payments charge	—	—	—	—	88	—	88
Dividends	—	—	—	—	—	(15)	(15)
Transactions with shareholders	—	—	—	—	88	(15)	73
Balance at 31 December 2017	111	13,289	7,656	109	497	576	22,238

Notes to the Parent Company Balance Sheet
for the year ended 31 December 2017

1. Company Information

Venture Life Group plc is a publicly traded company on the UK alternative investments market ("AIM"), incorporated in the United Kingdom whose registered office, and principal place of business, is 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.

Financial Reporting Standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Going concern

The most imminent capital repayment of the Company is the £1.9 million UKBN convertible bond which is due to be repaid, if not converted in March 2019. The Directors are already in discussions to either defer or refinance with debt this convertible bond and consequently fully expect this to be confirmed in the foreseeable future. Forecasts assume the convertible bond is refinanced rather than repaid from existing funds.

On the basis of the above, 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.

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.

2. Accounting convention continued

Share-based payments continued

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.

Financial Instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company 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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the 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.

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.

Financial liabilities and equity

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.

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 Company's vendor loan notes issued in 2014 was not considered material.

Convertible bond

The carrying value of the convertible bond is determined with reference to the present value of the principal amount of the bond 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 convertible bond has been recognised within shareholders' funds as a convertible loan note reserve.

Judgements: Intercompany loan obligations

On the basis of the forecasts prepared by the Group, 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.

Notes to the Parent Company Balance Sheet continued
for the year ended 31 December 2017

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 £104,000 (2016: profit of £100,000).

The current auditors' remuneration in respect of audit services provided to the Company is disclosed in note 7 of the consolidated financial statements.

4. Directors' remuneration

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

5. Investments

	Investments in subsidiary undertakings Shares £'000	Capital contributions from share-based payments £'000	Other investments £'000	Total £'000
Cost				
At 1 January 2017	18,756	277	31	19,064
Additions	—	29	—	29
At 31 December 2017	18,756	306	31	19,093
Accumulated Impairment				
At 1 January 2016	—	—	(31)	(31)
Charge for the year	—	—	—	—
At 31 December 2017	—	—	(31)	(31)
Net book value				
At 31 December 2016	18,756	277	—	19,033
At 31 December 2017	18,756	306	—	19,062

Venture Life Group plc has four UK subsidiary undertakings, Venture Life Limited (Company number 07186207), Lubatti Limited (Company number 06704099), Tracey Malone Originals Limited (Company number 06703243) and Periproducts Limited (Company number 02864374) which are all Incorporated in England and registered with the same address as the Company. It also has one Italian subsidiary (Biokosmes Srl, registered address 20122 Milano – Via Besana, 10) and one Swiss subsidiary (Permapharma AG, registered address Oberallmendstrasse 24, 6304 Zug).

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
Periproducts Limited	Ordinary	100%	UK
PermaPharm AG	Ordinary	100%	Switzerland
Biokosmes Srl	Ordinary	100%	Italy

6. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Other debtors	10	48
Other taxation	16	47
Prepayments and accrued income	45	18
Amounts owed by Group undertakings	350	252
	421	365
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	8,313	6,854
Aggregate amounts	8,734	7,219

7. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	61	88
Other taxation and social security costs	38	23
Accruals and deferred income	100	356
Vendor loan notes	71	54
Convertible bond	171	171
Other payables	11	47
	452	739

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

	2017 £'000	2016 £'000
Amounts owed to Group undertakings	1,331	—
Vendor loan notes	1,751	1,700
Convertible bond	1,631	1,546
Deferred consideration	426	416
	5,139	3,662

Vendor loan notes

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 paid 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 subsequently extended to July 2020. The interest due on the loan notes was also increased from 3% to 4% effective 1 August 2017.

	£'000
Amortised cost valuation of vendor loan notes at 31 December 2016	1,754
Foreign exchange movements and changes in fair value of vendor loan notes	51
Accrued interest not paid	17
Amortised cost valuation of vendor loan notes at 31 December 2017	1,822
Current element of vendor loan notes liability	71
Non-current element of vendor loan notes liability	1,751
	1,822

The interest expensed for the year is calculated by applying an effective interest rate of 3% from the date the loan notes were issued (subsequently updated to 4%, effective 1 August 2017). 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 2016 and 2017 was not considered material.

Notes to the Parent Company Balance Sheet continued
for the year ended 31 December 2017

8. Creditors: Amounts falling due after more than one year continued

Convertible bonds

The value of the liability and associated costs are held on the balance sheet at amortised cost. The initial amortised cost valuation gave a carrying value, net of fees, of £1.6 million which was recorded as a liability at 4 March 2016. This will increase to its principal value of £1.9 million over the life of the bond to 3 March 2019, with interest costs being taken to the Income Statement on a monthly basis. The resulting equity value is £0.1 million which is recorded as a convertible bond reserve.

	£'000
Amortised cost valuation of convertible bond at 31 December 2016	1,717
Accrued interest not paid	14
Change in fair value of convertible bonds	71
Amortised cost valuation of convertible bonds at 31 December 2017	1,802
Current element of convertible bonds liability	171
Non-current element of convertible bonds liability	1,631
	1,802

Deferred consideration

Deferred consideration reflects the fair value of a loan held by the Company with the vendors of Periproducts. The loan principal of £400,000 is repayable in March 2019 and has an annual interest charge of 10% from September 2017.

The amortised cost valuation of deferred consideration included in non-current liabilities at the balance sheet date was £426,000 (2016: £416,00).

9. Share capital

	2017 £'000	2016 £'000
Allotted, issued and fully paid:		
(2016: 36,837,106) ordinary shares of 0.3 pence each	111	111

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

10. Post balance sheet events

There were no material events after the balance sheet date.

Shareholder Information

Company contact details and registered office

Venture House
2 Arlington Square
Bracknell
Berkshire
RG12 1WA

Incorporated and registered in England and Wales with No. 05651130

Company Secretary

Peter Shepherd

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:

Link 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 Jerry Randall on +44 (0)1344 578 004.

Alternatively, they can e-mail their enquiry to ir@venture-life.com.

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

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