Growth for *the future*

Venture Life Group plc
Annual Report & Accounts 2018

Our *mission*

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

See pages 2 and 3 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

Jerry Randall
Chief Executive Officer

"2018 has been a period of continued organic and acquisitive growth for the business. The Placing and acquisition of the Dentyl® brand, which completed in August, has been transformational for the Group."

See pages 4 to 5 for more information

Highlights 2018

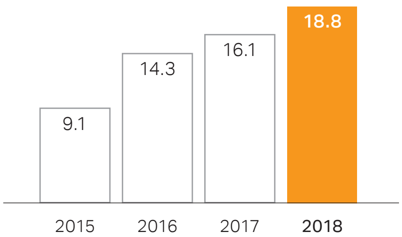
Financial

- Revenue of £18.8 million, +17% over 2017
- EBITDA of £2.7 million*, +42% over 2017
- First reported profit after tax of £0.4 million* (2017: loss £0.4 million)
- Adjusted earnings per share of 2.06 pence
- Operating cash generative
- Gross profit percentage in second half of year 41% (36% in first half) – 39% for full year

* Before exceptional items.

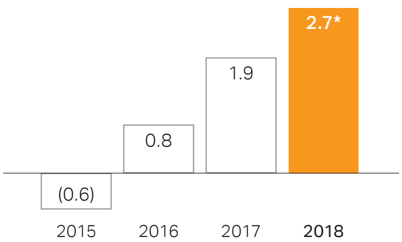
Revenue (£m)

+17%



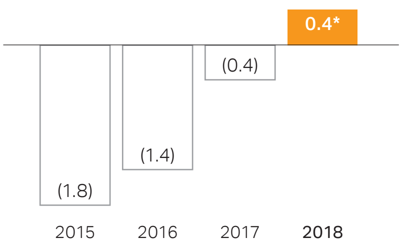
EBITDA profit (£m)

+42%*



Maiden profit after tax (£m)

£0.4m*



* Before exceptional items.

Commercial

- 16 new distribution agreements signed on key brands, including the recently acquired Dentyl
- Nine new international markets signed for UltraDEX brand with new partners in Austria, Belgium, Malta, China, Hong Kong, Taiwan, Macau, Iraq, and the UAE
- Five new product launches in new territories, including France
- Innovation – UltraDEX One GO™, UltraDEX Starter Kit and UltraDEX Whitening launched in the UK market
- Morrisons, Ocado and Amazon launch Dentyl/Dentyl BB Mints in the UK
- Post period end – new deals in France, South Africa and Finland signed Q1 2019 on key brands – Myco Clear, UltraDEX and Dentyl, respectively

Distribution agreements

16 new distribution agreements signed

See page 19 for more information

UltraDEX brand

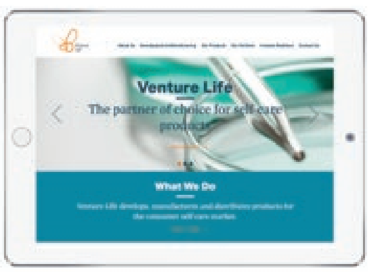
9 new international markets

See page 19 for more information

New territories, including France

5 new product launches

See page 19 for more information



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

At a Glance

Significant growth potential *in the 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. People are living longer and taking more interest in and responsibility for their health, with an increased focus on preventative wellness.

Business model

Based on a vertically integrated approach, we either acquire or develop in-house self-care products, which are typically manufactured in our factory; these are then distributed either directly to customers (in the UK) or through a network of global distribution partnerships.

Our brands → Our manufacturing capability → Our distribution network → Opportunity

Our platform for growth

Read more on our business model on page 7

Our brands

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

Many of our products have intellectual property, which can include 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.

Key brands
7

Branded products
58

New brand
1

Our key acquisitions

2010
Venture Life co-founded by Jerry Randall and Sharon Daly (née Collins)

Acquisition of Original Bioscalin brand

2014
Acquisition of Biokosmes Srl, an Italian development and manufacturing business, founded by Gianluca Braguti; year of IPO

2016
Acquisition of Periproducts Ltd, including UltraDEX brand

2018
Acquisition of Dentyl brand

Four key growth drivers of the business

Read more on page 8

Key partners

UK

Boots
Tesco
Superdrug
Sainsbury's
amazon

International

ALLIANCE Breathing life into medicines
娇兰佳人 GIALEN
Almirall
SUNSTAR
the MENARINI group

Distribution

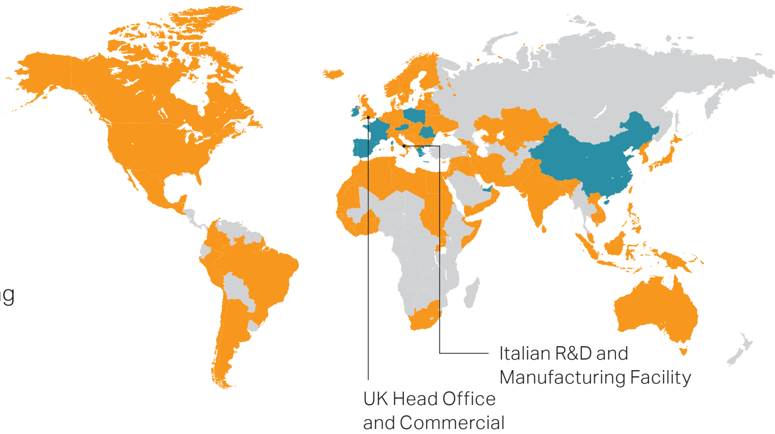
International

Our international business follows a B2B model. We partner our own brands around the world, focusing on key markets.

Our partners have local market expertise and they cover all in-market costs, so we have no exposure to funding sales, marketing and distribution costs.

UK

Within the UK, we have direct access to the UK retail market including key pharmacy and grocery multiple retailers such as Boots, Tesco and Amazon. This direct route earns us higher revenues per unit, and in return we invest money in UK consumer marketing to support the products.



- Countries where products sold or partnered
- Countries where key deals signed/products launched in 2018
- Countries where no products sold or partnered

Partners **100+**

Markets worldwide **44**

Read more on page 19

Chair's Statement

A year of organic and *acquisitive growth*

Dr Lynn Drummond
Non-Executive Chair

"We undertook the largest equity raise in the Group's history in July 2018. The new funds were used to make an exciting new brand acquisition, repay a significant proportion of debt on our balance sheet, and provide additional cash for further brand acquisitions."

Summary

- Record financial performance, including maiden post-tax profit, driven by organic and acquisitive growth
- Largest equity raise in the Group's history in July 2018, raising £18.75 million before expenses
- Successful acquisition of the Dentyl® brand for £4.2 million
- Strengthened balance sheet with repayment of all convertible debt and deferred consideration

During the year, we have delivered on a number of strategic priorities in line with our clear strategy of leveraging our significant operating capacity to grow revenues and profitability.

The Group delivered a record financial performance, with revenues of £18.8 million, an increase of 17% over 2017, and our first profit after tax of £0.4 million (before exceptional items). This marks a significant milestone in the journey of the business towards sustainable profitability and cash generation, achieved against the backdrop of a challenging consumer environment in the UK. The truly international nature of our business gives the Group robustness against local market dynamics and this has again been demonstrated with our 2018 results.

In July 2018, we undertook the largest equity raise in the Group's history, raising £18.75 million, before expenses, via a significantly oversubscribed Placing. The funds were used to make an exciting new brand acquisition, repay a significant proportion of the debt on our balance sheet and provide additional cash for further add-on brand acquisitions in 2019 and beyond. We would like to welcome the 18 new institutional investors onto our shareholder register and thank them, together with our existing shareholders, for their support.

As well as continuing to deliver underlying organic growth, the Group successfully executed against its acquisitive growth strategy, with the acquisition of the Dentyl brand for £4.2 million in August 2018. This is in line with our strategy of identifying unloved brands that we can rapidly integrate into the Venture Life business platform to generate growth in revenue and profitability. Dentyl, a unique dual-action mouthwash for removing plaque, has been sold in the UK market for over 22 years and is familiar to many UK consumers. With limited exposure to international markets to date, this brand is well suited for global expansion, which will allow us to maximise its value.

During the year, we repaid £3.7 million of convertible debt in our balance sheet and we settled £0.4 million of deferred consideration associated with the UltraDEX acquisition that completed in 2016.

These instruments had a combined annual interest cost of £0.28 million, which is now removed from our profit and loss account.

The remainder of the net proceeds of the equity raise added £9.2 million of cash to our balance sheet. This has put us in a strong net cash position of £5.8 million (excluding finance leases) at the year end. As a result, the Group has the flexibility and resources needed to pursue its acquisitive growth strategy and the Board continues to assess acquisition opportunities.

The Group's objective is to continue to grow revenues both organically and through acquisition, utilising the Group's significant operating leverage to increase profit. The next two to three years are likely to present opportunities for the fleet-of-foot acquisitive businesses that possess the operating structures capable of absorbing and leveraging brand assets. Larger companies are often rationalising their brand portfolios to focus on bigger assets and this may release suitable assets for sale to companies such as ours. Venture Life is well placed to use its operational capabilities to integrate new brands into our business and now with a deeper, wider shareholder base supportive of our acquisitive growth strategy, we believe we have a strong proposition on offer to take advantage of these opportunities.

During the year one of our non-executive directors, John Sylvester, left the Board. We would like to thank John for his support and wise counsel to us all during his time with us since the Group's IPO in March 2014.

We were delighted to welcome Carl Dempsey to the Board in September 2018. Until recently, Carl was Worldwide Vice President Global Customer Management at Johnson & Johnson responsible for global sales of US$3.6 billion across 22 countries. This was the culmination of a 29-year career with Johnson & Johnson, which also included leading the successful integration of Pfizer Consumer Healthcare, including the Listerine brand. Carl has already made a strong positive contribution to our Board and his experience and expertise will be invaluable to us as we continue to grow.

Following the departure of Adrian Crockett earlier this year, we are pleased to confirm that we have identified a suitable replacement and expect to announce the appointment of a new Group Finance Director in the near future.

We expect 2019 to be another year of growth and development for the Group. I would like to thank our incredible staff in both the UK and Italy for their consistent hard work, determination and ambition, which has resulted in these record results.

Dr Lynn Drummond
Non-Executive Chair
18 April 2019

Venture Life and Alliance Pharma partnership

The extension and expansion of our manufacturing contract with the international pharmaceutical company Alliance Pharma plc, illustrates how we strive to be "the partner of choice", by delivering a consistently high level of service and quality excellence.

2018 highlights include:

- Manufacturing contract extended to 2026
- Manufacture of Atopiclair™ added to the agreement

The aforementioned is testament to our consistent service and quality excellence.

Market Review

The market in which *we operate*

We create value for shareholders with our expertise and agility in being able to identify, develop and manufacture for growing market segments. A growing population living longer drives the ever-increasing demand for self-care and preventative wellness.

Self-medication market – continuing global growth

With global healthcare budgets under pressure, governments are encouraging consumers towards both self-diagnosis and self-medication, and promoting the role of the pharmacist. With people living longer, the growth of self-care and over-the-counter ("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.

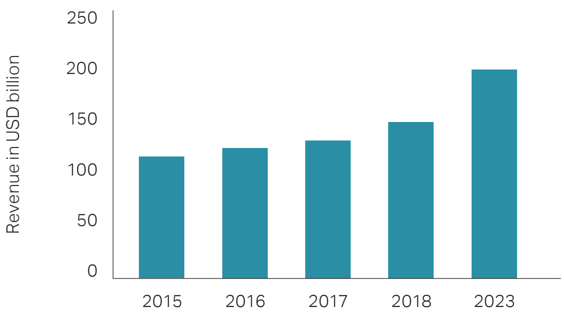
$132.79bn*

Global OTC market value (in 2017)

6.5%*

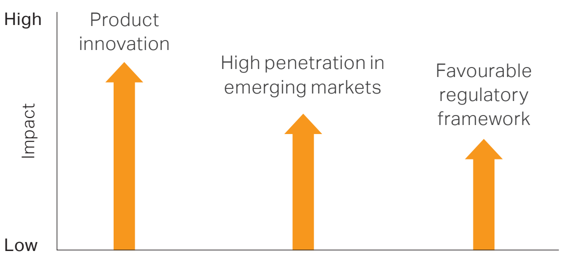
Forecasted global growth in OTC market between 2018 and 2023

Over the counter ("OTC") global market 2015–2023

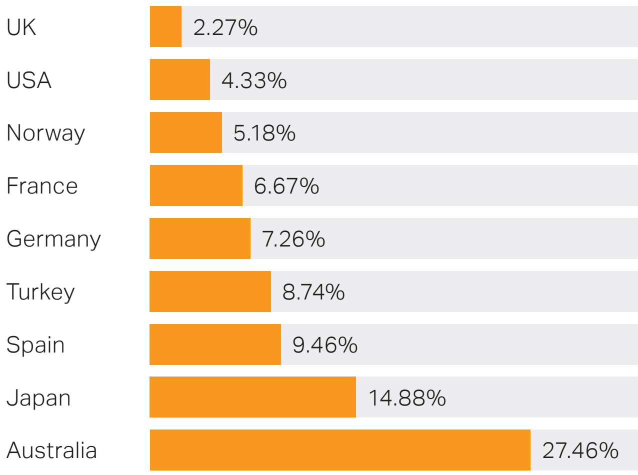


* Source: Mordor Intelligence – Over the Counter (OTC), Growth Forecast (2018–2023).

Market drivers



Self-medication market annual change 2014–2015



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

Our response

- Our vertically integrated model means we can be quick to innovate and launch to market
- An active acquisition strategy for self-care brands allows us to manufacture in-house and commercialise these brands internationally, where appropriate
- We have long-term exclusive agreements with global partners and can maximise their local expertise of the pharmacy market to produce sustainable revenue growth

Our operating *platform*

With our portfolio of brands, distribution partners and manufacturing capabilities, Venture Life has the operational leverage for continued growth.

Our platform for growth

Our brands

Our key portfolio of self-care brands covers a wide range of healthcare issues.

Our distribution network

Our network covers over 40 countries with 100 marketing partners.

Our manufacturing capability

130,000
units per day capacity

23m
finished products manufactured in 2018

10
filling and packaging lines

Opportunity

We aim to acquire unloved, under-commercialised brands, develop them further and integrate them into our platform.

Our Strategy

A buy and build *strategy*

2018 has seen our strategy deliver 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 2018

- Extension of partnership with Alliance Pharma plc
- 16 new deals signed internationally

Read more on **page 5**

Revenue growth from developing innovative products

Achievements in 2018

- New revenues generated in 2018 from the newly launched UltraDEX One GO™, UltraDEX Starter Kit and UltraDEX Whitening
- New revenues generated in 2018 from Myco Clear, which was developed in-house

Read more on **page 19**

Profit growth through operational leverage

Achievements in 2018

- Units produced through our factory in 2018 were up 10% over 2017
- First year of positive profit after tax as a result of leveraging a predominantly fixed cost base

Read more on **page 24**

Revenue growth from product acquisitions

Achievements in 2018

- UltraDEX partnered in nine new markets
- Dentyl and Dentyl BB Mints launch in Ocado, Amazon and Morrisons in the UK
- Dentyl signed in Ireland and Malta

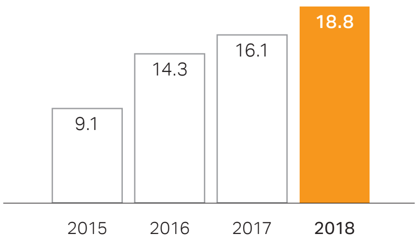
Read more on **page 19**

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 (£m)

+17%

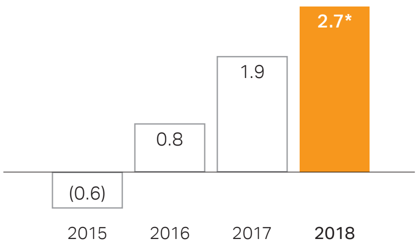


Description: Growth in revenue between reporting periods.

Comment: This increase is a result of organic growth and the acquisition of the Dentyl brand.

EBITDA (£m)

£2.7m*

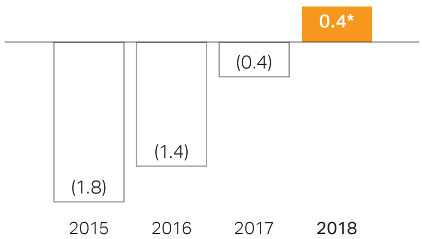


Description: Earnings before interest, tax, depreciation, amortisation and share-based payment charges and exceptional costs.

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

Profit after tax (£m)

£0.4m*

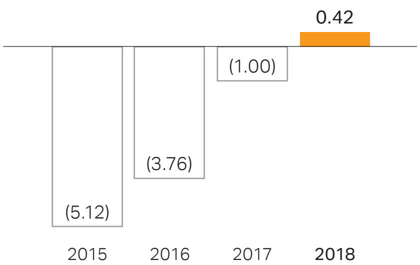


Description: Revenue after the costs of sales, all other business costs and the tax charge.

Comment: The profit resulted from increased revenue and margins and overall costs being a smaller percentage of revenue.

EPS (p)

0.42p

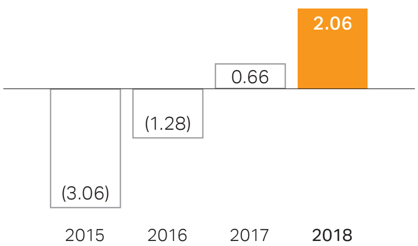


Description: Earnings (LAT/PAT – loss/profit after tax) per share (pence).

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

Adjusted EPS (p)

2.06p



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

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

* Before exceptional costs.

Reinvigorating Brands

Building on the *success of UltraDEX®...*

Acquired in 2016, UltraDEX is an oral care brand that targets halitosis (or bad breath). Although already established in the UK, the brand had very small sales internationally and outdated sales and marketing strategies. Upon acquisition, the Venture Life Group implemented five key objectives, resulting in a complete reinvigoration of the brand. This successful strategy will be replicated with the newly acquired Dentyl brand.

Before acquisition, UltraDEX generated revenue of £2.8 million. In 2018, UltraDEX revenue was £3.3 million with increased profitability. By working through these five objectives, UltraDEX has become a more profitable asset in our hands and demonstrates management's ability to successfully acquire, integrate and grow a declining asset.

The same strategy will be applied for Dentyl, as we look to increase distribution in the UK and internationalise the brand through a network of partners. At the same time, we will invigorate the sales and marketing strategies, and look to bring the manufacturing in-house in the near future.

1. Increase UK sales and distribution
2. Internationalise the brand
3. Revitalise sales and marketing of the brand
4. Innovate
5. Streamline manufacturing costs

...to replicate again *with Dentyl®*

- Distribution of UltraDEX in the UK has increased by 55% since acquisition
- UltraDEX now in 20 international markets (+18 since acquisition)
- Marketing campaigns launched to include TV advertising and advertising on the London Underground
- Economy of cost of goods with in-house manufacturing capabilities

About Dentyl

The Dentyl brand consists of a range of mouthwashes, presented in a distinctive bottle shape, highlighting the novel dual action formulation. In addition to the mouthwash range, a fresh breath mint, Dentyl BB Mints, has recently launched.

In recent years, the brand has suffered from a lack of investment, thus creating a strong opportunity for Venture Life to reinvigorate the brand and reverse the declining revenue trend in the UK.

It also plans to internationalise Dentyl, provide much needed innovation as quickly as possible and bring manufacturing in-house, where appropriate.

Chief Executive Officer's Statement

A transformational year for the Group

Jerry Randall
Chief Executive Officer

"In addition to double-digit growth at both revenue and EBITDA level, we achieved our first profit after tax of £0.4 million*. This is a key milestone for the Group as we now begin to deliver sustainable growth at the after tax profit level and cash generation going forward."

Summary

- Record revenues of £18.8 million, +17%
- Record EBITDA £2.7 million*, +42%
- First profit after tax of £0.4 million* (2017: loss after tax £0.4 million)

* Before exceptional items.

Introduction

The Group's performance in 2018 has been a testament to the hard work, expertise, enthusiasm and commitment of the whole team at Venture Life. Despite volatile market conditions, we have delivered another year of double-digit growth in both revenues and profits, driven by our organic and acquisitive growth strategy. We achieved our maiden profit after tax of £0.4 million before exceptional items (2017: loss after tax £0.4 million). This is a key milestone for the Group against our core focus of building a sustainably profitable, cash-generative business.

Underneath the headline revenue growth of 17%, the Group delivered organic growth from its existing portfolio of 8%, with 9% added through the acquisition of the Dentyl brand. We expect that the Dentyl brand will provide additional revenue and cash flow from both the UK and its two overseas markets, China and South Africa.

We achieved a gross margin percentage for the year of 39% (2017: 40%). In the second half, our gross margin percentage rose to 41%, from 36% in the first half, as the higher revenues and throughput at our factory demonstrated the impact of our operating leverage as we grow revenues. First-half gross margin, which was impacted by larger than expected Lubatti orders from our distribution partner in China, was at the lower end of our expectations.

The organic growth of the business was accomplished through our existing customers developing their in-market sales, utilising our expertise in new product development and manufacturing to enhance both their sales and our revenues. It was also attained by expanding those customer relationships through the addition of new territories and products from within our portfolio. Our international teams across the business have been very active in this development during 2018, with 16 new distribution agreements completed.

Growth strategy

Our growth strategy is based on a continuing combination of organic and acquisitive growth. We are seeking to increase our revenues through our existing operating structure, delivering higher rates of marginal profit and cash flow to our business.

Organic revenue growth is delivered through growing the revenues of our existing portfolio of products. Outside of the UK, this involves deepening and broadening relationships with existing international partners in existing markets and then looking to appoint new partners in new markets. In the UK we have direct relationships with key pharmacy chains and grocery multiples, where we develop joint business plans on an annual basis. This involves a partnership from both sides, to expand the presence of our brands, including marketing strategies and innovation through new product development.

Our acquisitive growth strategy is principally focused on acquiring unloved, profitable, cash-generative brands that we can integrate into our operating structure effectively and efficiently.

We then seek to grow those brand revenues through rapid geographical expansion and new product development, while also improving profitability by utilising our own operating capabilities. Our acquisition strategy, as demonstrated by the acquisition of the Dentyl business, should result in earnings enhancement and increased cash generation for the Group going forward.

We expect that further bolt-on brand acquisitions, of similar size to UltraDEX and Dentyl, would be financed utilising existing cash resources, supplemented as appropriate with modest debt finance. We have a number of such opportunities under review and hope to update shareholders about these during 2019.

Strategy in action

Acquisition: *Dentyl*

Launched in the UK in 1996, the Dentyl brand consists of a range of mouthwashes, which have a novel dual action as well as a newly launched fresh breath mint Dentyl BB Mints.

A lack of investment by previous owners had resulted in declining sales – a similar scenario to the UltraDEX brand, which under our ownership, has seen increased distribution, revenue and profitability.

The Dentyl acquisition represents a significant step in the Group's strategy to accelerate growth, build on the success of the UltraDEX acquisition and leverage our operating platform.

Chief Executive Officer's Statement continued

Operating review

Venture Life brands

UltraDEX

Revenues for the year for UltraDEX, our fresh breath oral care brand, were £3.3 million across all markets, compared to £3.4 million in 2017. Revenue from the UK and Ireland was £2.7 million (2017: £2.8 million), down slightly against the prior year. 2017 saw the first deliveries of UltraDEX in many of the new international territories. As is common with all our products, first orders are generally larger than the subsequent follow-on orders as they contain an element of channel stocking as well as expected sell-out. Subsequent orders are to only cover sell-out. Consequently, it is not uncommon to see lower repeat revenues in the second year of a new international market.

As reported at the half year, UltraDEX faced some headwinds in the UK market – our biggest customer went through a process of destocking throughout the first half of 2018 due to the closure of a warehouse. Competitor activity intensified impacting the category average retail price. Despite the substantial decrease in retail price and increase in consumer marketing from our main competitor, UltraDEX remained relatively unaffected by this, which is an indication of the underlying strength of the brand. We will continue to monitor this.

Internationally, we have seen the continued progress of the UltraDEX brand, which was partnered in 20 countries as at the end of 2018, including the UK and Ireland (2017: 12 countries). Most recently, we have seen the product partnered in China, Macau, Taiwan and Hong Kong with the partner we inherited through the Dentyl acquisition, who has marketed Dentyl in China for the last 18 months. They will launch the product in H1 2019 and will be presenting both Dentyl and UltraDEX at Asia's largest beauty trade show, China Beauty Expo, in May 2019. Furthermore, we have seen new agreements in Austria, France, Spain, Portugal, Belgium (the latter two in mass market only), Malta, Ireland, UAE and Iraq.

Dentyl

Dentyl is a unique dual action mouthwash for the effective removal of plaque within the oral cavity. The product has been on the market for over 22 years and is well recognised in the UK.

The Dentyl brand was acquired in August 2018. In addition to the mouthwash range, we also acquired the UK and Ireland's rights to a novel fresh breath mint (Dentyl BB Mints), which had been launched by the vendor in a number of Tesco stores from May 2018.

Dentyl contributed £1.6 million of revenue to the Group for the approximate five months from the date of acquisition to the year end. Of this, £0.8 million was sold in the UK. Internationally, there were only two active partners at the time of the brand's acquisition, one in South Africa and one in China. Of the international reported revenues of £0.8 million in 2018 for the Group, less than 5% came from the South African partner. Revenues for the brand for the full year of 2018, on a proforma basis, were £3.9 million, a 34% increase against 2017.

Read more on page 2

Our R&D team are experts in developing medical devices

Prior to the acquisition of the Dentyl brand, there had been almost no marketing or advertising in the UK for the previous four years and, as a result, sales had fallen consistently over a number of years. We acquired the brand for £4.2 million which represented a multiple of 1.5 times 2017 revenue and 3.5 times 2017 profit before tax.

In the early months of ownership, there were some losses of smaller listings in the UK, the risk of which had been identified through our due diligence process. However, since acquisition, our team has obtained new listings in the UK for Dentyl mouthwash, including in Lloyds Pharmacy, Amazon and Ocado and new listings for the Dentyl BB Mints in Morrisons, WH Smith Travel, Amazon and Ocado.

Internationally, our business development team has begun to work with the brand and has already signed new long-term distribution partners in Ireland and Malta and, post period end, in Finland. There is good interest globally, with discussions ongoing with a number of potential distribution partners across different countries and we would expect to announce further progress as we move through 2019.

We continue to invest in product development, as well as formulating the existing range at our facility in Italy to ensure we maximise the profit opportunity for Dentyl.

Lubatti

Revenues for the Lubatti brand through our Chinese partner grew in 2018 to £0.8 million (2017: £0.5 million); a proportion of this was building stock to meet new promotional plans. Our China distribution partner ran a number of promotions through the year to generate growth in the brand and bring more customers into the brand. In November 2018, the brand reached its highest monthly sell-out to date in China of RMB 3.6 million (approximately £0.4 million). The Chinese market still presents some logistical challenges, which means the product has a longer than normal lead time for the distribution partner. We continue to work with them in order to reduce this lead time.

Other brands

Revenues from our other Group brands continue to grow and totalled £0.9 million for the year (2017: £0.5 million). In 2018, we achieved the following new distribution partnership agreements across our global network: for Procto-eze Plus (medical device class IIa for haemorrhoids), we have new partners in Austria, Romania and Poland and for NeuroAge (food supplement for brain function in healthy brains), we have partnered with a new company in Greece. However, as is evident, our main focus was on partnering UltraDEX and Dentyl throughout 2018.

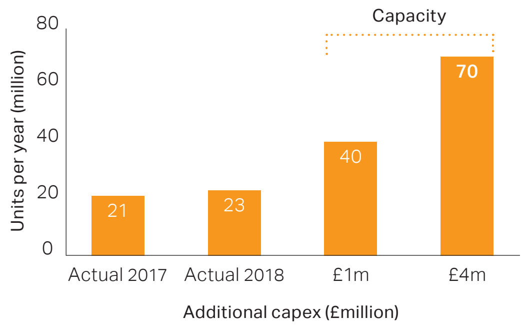
Strategy in action

Manufacturing

Profit growth through operational leverage

Our manufacturing facility has plenty of scope for additional revenue generation without significant capacity investment.

Our manufacturing scalability



Read more on page 24

Partnerships

Revenue growth from existing and new partners

- Alliance Pharma plc contract has been extended to 2026 with the manufacture of further products included for the future
- Post-period end – new deals in France, South Africa and Finland signed Q1 2019 on key brands – Myco Clear, UltraDEX and Dentyl, respectively

Read more on page 19

Chief Executive Officer's Statement continued

Operating review continued

Venture Life brands continued

Other brands continued

In total, 16 new distribution agreements were signed in 2018 and we gained 11 new distribution partners. During the year we saw five new product launches in the international markets by our existing distribution partners, which included Procto-eze Plus in Austria and Romania, as well as UltraDEX in France and Italy.

Customer brands

Our Customer Brands business is where we develop and manufacture products for third parties, with a focus on those products where we have a specialism and can add value to the process. Revenues for our Customer Brands business, through Biokosmes Srl in Italy, were £12.1 million (excluding intercompany revenues), an increase of 5% over 2017. This growth has come from a number of customers who are expanding sales in their own markets.

In particular, this year we have seen strong progress from one of our key customers, Alliance Pharma plc ("Alliance"), with 2018 revenues ahead of 2017. As previously announced, Alliance agreed to extend its manufacturing contract with us. The current agreement expired in 2019, with a run-off period of three years thereafter. This has now been extended to 2026, with a three-year run-off period at the end if not further extended. This extension has secured these growing revenues for a further seven years over the previous arrangements. In addition, as also previously announced, Alliance has agreed to transfer the manufacture of its Atopiclair products to us, which will add another valuable revenue stream and production to our business in 2019.

Another of our key partners, Menarini Group, launched its Relife range of products in Italy in 2018, which includes 21 products developed and manufactured for them at our Biokosmes facility.

Strategy in action

Innovation:
UltraDEX® One GO™

Product innovation is a key strength of our business model. Our manufacturing facility has over 35 years' experience in developing products.

UltraDEX One GO™ is an innovative new product that delivers the UltraDEX fresh mint mouthwash in the form of single-use sachets, for convenient on-the-go use. In today's fast-paced "on-the-go" lifestyle, we responded to this market trend and launched a mouthwash, which is clinically proven to provide 12-hour fresh breath wherever you are.

UltraDEX One GO™ launched in June 2018 in Superdrug stores and is also now stocked in Boots, Sainsbury's, Amazon and other leading retailers, as well as in some international markets.

ultra DEX one GO

This launch has gone well and contributed to the revenue growth in 2018. We are expecting these products to be launched by our partner into additional markets in 2019 and beyond.

We are undertaking this process with a number of other customers, generating meaningful future revenue streams for this part of our business. Also during 2018 we have undertaken a significant amount of work for customers to adapt and modify products for the changes to the medical device regulations in Europe that become effective in May 2020. This work will also continue through 2019 but we expect will deliver significant revenues to our business in the future.

Work continues on the clinical studies for NeuroAge and Myco Clear, which are expected to conclude in late 2019 or early in 2020. Both products are registered and selling in some markets, but we have undertaken further studies to support and enhance the marketing of these products.

1. UK Head Office, Bracknell
2. Turbo mixers at manufacturing facility
3. Filling line at manufacturing facility

Summary

We are very pleased with the continued development of the Group in 2018. As well as achieving our maiden profit after tax, the equity raise in July 2018 was another major milestone for the business, which brought three key benefits: the Dentyl acquisition, reduced debt levels and a significantly strengthened balance sheet which can be utilised for further bolt-on acquisitions.

Through the combined strategy of both organic and acquisitive profitable growth, we aim to significantly increase Group revenue, profits and cash generation over the coming years. The current market environment is challenging for businesses generally, but we believe we have a solid and diverse business, with many strengths and opportunities. We continue to seek, assess and review suitable acquisition opportunities and, subject to meeting our strict criteria, we hope to bring you news of more acquisitions in due course.

Chief Executive Officer's Statement continued

Summary continued

We have undertaken Brexit planning, in order to mitigate against associated risks and remain well prepared and alert to possible disruptions as a result of a no deal Brexit. Some of the products we sell into the UK are manufactured at our plant in Italy and we have ensured there is additional stock in the UK in case there are congestion issues with products moving into the UK. We have also liaised with our UK manufacturers to make sure they are able to continue supply in the short term.

Beyond these short-term measures, the Group is well placed with backup suppliers in the UK if importing our products becomes prohibitively expensive. In the longer term, with the major part of the Group's operations based in Italy and distributing to multiple countries, we believe that the operational impact of Brexit will be limited. Fluctuations in the value of sterling will continue to affect how the Group's euro denominated revenues and costs are reported in the UK; however, as the Group has natural hedging, the impact on the profitability of these currency fluctuations is not expected to be significant.

We would like to thank all of our shareholders for their important and valued support in 2018, and we look forward to the future growth of our business with confidence.

Jerry Randall
Chief Executive Officer
18 April 2019

Q&A

With Sharon Daly (née Collins)
Co-founder and Chief Commercial Officer

2018 highlights

- 16 new distribution agreements signed on key brands, including the recently acquired Dentyl
- Nine new international markets signed for UltraDEX brand, with new partners in Austria, Belgium, Malta, China, Hong Kong, Taiwan, Macau, Iraq, and the UAE
- Innovation – UltraDEX One GO™, UltraDEX Starter Kit and UltraDEX Whitening launched in the UK market
- Ocado, Amazon and Morrisons launch Dentyl and Dentyl BB Mints in the UK
- Post-period end – new deals in France, South Africa and Finland signed Q1 2019 on key brands – Myco Clear™, UltraDEX and Dentyl, respectively

What is the commercial model of Venture Life Group?

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 they cover all in-market costs so we have no exposure to funding, sales and marketing costs.

We have a different model in the UK. The acquisition of the UltraDEX and Dentyl brands has given us direct access to the UK retail market, including key retailers such as Boots, Tesco and Amazon. This direct route earns us a higher revenue per unit, and we then invest this extra money in UK consumer marketing to support the products' life cycle.

What have been the highlights of 2018?

There have been a number of highlights. Firstly, 16 new distribution agreements were signed, illustrating the international progress made by the team and the international demand of our brands.

Since we acquired UltraDEX in March 2016, the brand is now present in a total of 20 countries, including four of the five biggest EU countries, with nine new partners in new markets in 2018.

Secondly, the speed at integrating Dentyl into the portfolio; the integration of Dentyl is now complete and brings another exciting opportunity for the commercial team to exploit in 2019 and beyond.

Finally, it's also been a year of innovation, with the launch of three new products within the UltraDEX range; One GO™, the Fresh Breath Starter Kit and a new whitening range.

What has been key to the continued commercial growth of the Company?

Key to our growth is the success in reinvigorating acquired, unloved brands, bringing them back to health in the UK market and internationalising these brands worldwide.

Our success can be attributed to the strong commercial team we have in place. They have decades of experience in partnering healthcare products in the UK and around the globe, and have an established network of companies that just keeps growing.

How is 2019 looking so far?

Very positive. We have some exciting opportunities arising from our acquisition of the Dentyl brand. Since ownership, we've already increased the UK distribution with Ocado, Amazon and Morrisons and we're also focused on securing some new international partners for the Dentyl brand.

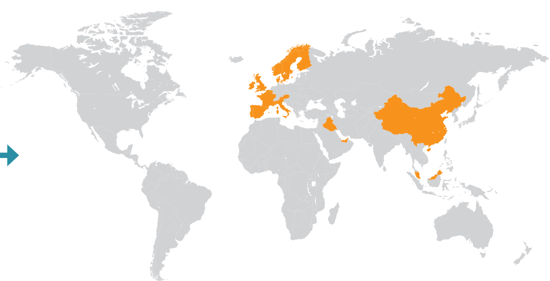
2019 looks bright, with interesting discussions in both the UK and international markets for our key brands.

Internationalising the UltraDEX brand

UltraDEX distribution partners pre-acquisition

Total 3 markets in 2015

UltraDEX distribution partners in 2018



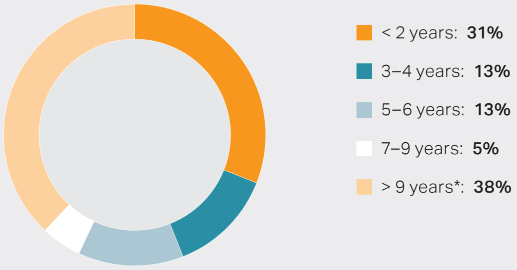
Total 20 partnered markets at the end of 2018

Our People

Committed to *operating responsibly*

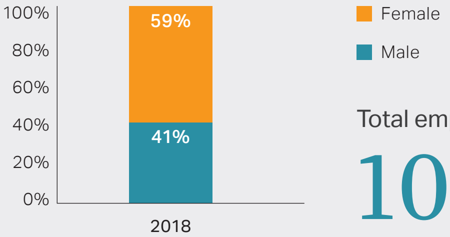
Employing 106 people, we recognise and reward loyalty and success, as well as nurture new talent to ensure the business continues to grow.

Length of service at Venture Life Group



* Venture Life acquired the manufacturing facility in 2014, but it was founded in 1983, with many of the employees having worked there for more than nine years.

Gender diversity



Total employees

106

Our people

The acquisition of our manufacturing facility in 2014 was pivotal in helping to solidify the culture of the Company. Our UK Head Office employs 18 people, is based in Bracknell, Berkshire; it manages the commercial aspects of the business for the Venture Life Brands and Head Office functions. Our Italian manufacturing facility is based in the north of Milan, Italy, and employs 88 people; it houses development, production, procurement, technical regulation and customer service. We have placed huge efforts in integrating the two geographic operations with the goal of working as one team, and we are all focused on delivering the best customer experience.

Diversity

We are 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. We employ 18% more women than men.

Employee satisfaction

The motivation of staff and creating an environment where innovation and team working is encouraged is key in our business. The UK and Italy offices work very closely together. An annual team-building trip is organised, which allows the opportunity for the whole Company to gather together and celebrate shared successes.

As a Company, we look to nurture new talent by supporting people at the early stages of their career. In addition to offering roles to new graduates, we also promote and transfer people into new roles within the Company, which helps them to develop their career and also their experience at Venture Life.

Recognising high performance

At our annual Company gathering, we celebrate the Company's key successes at a Group level, but individual high performance is also recognised within each of the offices. For example, in the UK, we run an Employee of the Quarter Award. This is where the team nominates who they feel has delivered a high performing result throughout the quarter. These achievements can be varied according to their role within the Company. Also across the Company we hold quarterly update meetings to enable the executive management to give Company updates; this promotes internal communication and fosters an informal, relaxed environment between colleagues.

Smart Works charity

Our CCO is a volunteer at a UK charity called Smart Works. Smart Works helps women get back into employment once they have been offered an interview. The charity provides interview coaching and high quality, work-appropriate clothing to help women succeed at their job interview. 60% of these women get offered the job after they have been to Smart Works.

Venture Life will be supporting this charity in various ways – from volunteering support in interview training to providing free products to help with their confidence during the interviewing process.

www.smartworks.co.uk

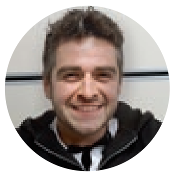
Awards

Our people are committed to and motivated by the success of the Company. Since Venture Life was founded in 2010, we are extremely proud to have been named one of the London Stock Exchange "1000 Companies to Inspire Britain" for three consecutive years (2016, 2017 and 2018) as well as being nominated for the "One to Watch" at the 2017/2018 European Business Awards. In recognising our fast and dynamic business growth, these business awards are a testament to the high calibre team we have in place.

A team built *for success*

"Venture Life has a real entrepreneurial spirit. Having worked for the Company for almost four years, it's fast-paced with a 'can-do' ethos that makes for a dynamic working environment. I'm entrusted with the freedom to operate in utilising my network of potential partners, but at the same time I have the full support and advice from senior management to help enable me to maximise my results."

Natalia Ocio
Regional Business Development Director



"We strive to be the 'partner of choice' in whatever aspect we do and delivering on our customers' expectations is a key part of my role. This requires a lot of teamwork from regulatory through to technical and production. A highlight for me has to be the successful FDA inspection in 2017, which allows our 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 not only a testament to our high quality facility but also what a great team we have in place and I'm proud to be a part of it."

Domenico Barbaro
Head of Procurement

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 acquisition of UltraDEX and the recent acquisition of the Dentyl brand, 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. While 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, 2017 and 2018 was 59%, 56%, 50% and 54% 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	The Group's revenues are 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 80% 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.

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 reviews 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, 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. 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 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 74% 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 26% currently represents the sales of UltraDEX which is manufactured in our plant in Italy, then imported to the UK and sold to customers. It is 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 already have in place secondary suppliers in the UK that 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

First profit after tax *in 2018*

Giuseppe Gioffrè
Group Financial Controller

"The Group delivered again on its profitability progression, by driving greater revenues through its structure: after achieving a first EBITDA profit in 2016, and a first profit before tax in 2017, the Group has now achieved its first profit after tax of £0.4 million* in 2018."

Summary

- 17% year-on-year revenue increase
- Gross margin percentage 39%
- Maiden year of profit after tax
- Organic and acquired growth, with the acquisition of the Dentyl brand

* Before exceptional costs.

2018 delivered on the dual strategy of organic and acquired growth. Revenues for the year of £18.8 million were up 17% from 2017. The Group delivered again on its profitability progression, by driving greater revenues through its structure; after achieving a first adjusted EBITDA profit in 2016, and a first profit before tax in 2017, the Group has now achieved its first profit after tax of £0.4 million in 2018 (before exceptional items).

Statement of Comprehensive Income

The Group reported 2018 revenues of £18.8 million, an increase of 17% over the £16.1 million reported in 2017. IFRS 15 and 16 were early adopted in the prior year. The increase includes the first five months of the Dentyl brand. The Brands segment, which includes the Dentyl brand, increased revenues by 50% to £6.6 million (2017: £4.5 million). Of the total Brands revenue in 2018, £2.7 million was generated by UltraDEX brand sales with UK and Ireland retailers and revenues from international UltraDEX partners in countries including France, Italy, as well as countries in Scandinavia, added a further £0.6 million. Our Development and Manufacturing business, where we develop and manufacture products on behalf of third parties to be sold under their brands, reported revenues (excluding intercompany sales) of £12.1 million, an increase of 5% over 2017.

The euro continued to strengthen against the pound in 2018 – the average exchange rate during 2018 was EUR:GBP 1.13 compared to EUR:GBP 1.15 during 2017. This has very slightly increased reported revenue and administrative costs where large elements 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 slightly higher revenue offset by slightly higher costs, and a foreign exchange charge resulting from the revaluation of the Group's euro denominated loans.

The gross margin for 2018 was 39% (2017: 40%). Gross margin in the second half was 41%, which resulted from higher revenues and factory throughput, demonstrating the effect of our operating leverage. We reported a gross margin of 36% in the first half, which was affected by significant lower margin sales from our Lubatti partner in China and lower overall sales than in H2. We also increased the operating capacity of the plant in H1 2018, which has slightly increased our cost base but which should deliver the benefits of increased capacity in the future.

Administrative costs (pre-exceptional items) remained relatively stable in 2018 at £6.2 million (2017: £6.0 million). This reflects the continued focus on cost control against a backdrop of increasing revenues. Exceptional costs of £172,000 (2017: £Nil) relate to legal and professional fees incurred in the acquisition of the Dentyl business.

Operating profit was £1.2 million (2017: £0.6 million) (before exceptional items) with the profit before tax for the Group of £0.9 million (before exceptional items) (2017: £0.1 million). The Group reported its maiden profit after tax of £0.4 million (before exceptional items) (2017: loss of £0.4 million).

These translated into basic earnings per share of 0.42 pence (2017: loss per share of 1.00 pence), with the improvement in business performance generating enhanced shareholder value. Adjusted earnings per share (adjusted for exceptional items, share-based payments and amortisation of intangible assets) were 2.06 pence (2017: adjusted earnings per share 0.66 pence). The number of shares in issue as at 31 December 2018 was 83,712,106 (31 December 2017: 36,837,106).

Statement of Financial Position

Intangible assets increased significantly due to the acquisition of the Dentyl brand for £4.2 million, further capitalisation of development costs of £0.5 million and continuing investment in patents and trademarks of £0.2 million. Capitalised development costs are carried in the amount of £1.5 million and reflect the recent peak in workflow assisting our customers with formulation upgrades and changes pursuant to the forthcoming change in Medical Device regulations arising in 2020. Whilst consuming cash, this investment continues to be value-enhancing through strengthening relationships with our customer base.

Property, plant and equipment increased as a result of investment of £0.3 million in new equipment in the Customer Brands business. The net working capital balance at 31 December 2018 increased from the prior year end due to the increased activity in 2018 as well as the addition of the Dentyl brand business. Total fixed assets of £25.1 million as at 31 December 2018 were £3.9 million higher than as at 31 December 2017, largely as a result of the acquisition of the Dentyl business.

Cash and debt

Cash and cash equivalents at the year end totalled £9.6 million (2017: £1.4 million) and were £8.1 million higher than as at 30 June 2018. Net cash inflow during 2018 amounted to £8.2 million with the increase in cash balances accounted for as follows:

- Operating cash flow before movements in working capital – inflow of £2.4 million
- Tax paid – outflow of £(0.6) million
- Net movement in working capital, including build of working capital for the Dentyl business – outflow of £(1.6) million
- Investment in manufacturing facility – outflow of £(0.3) million
- Investment in intangible development assets – outflow of £(0.7) million
- Acquisition of Dentyl – outflow of £(4.2) million
- Net movement in interest-bearing borrowings – outflow of £(4.4) million
- Net proceeds from equity raise – inflow of £17.7 million

Net debt, excluding finance lease obligations, reduced from £6.3 million as at 31 December 2017 to a net cash position of £5.8 million as at 31 December 2018.

The Group is financed by a range of largely euro denominated interest-bearing debt of varying maturities, comprising of invoice financing and unsecured bank loans. As highlighted earlier and given our net cash position at the year end, 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 the Group to continue to operate profitably in the foreseeable future.

Giuseppe Gioffrè
Group Financial Controller
18 April 2019

Directors and Advisers

Leading with *an experienced team*

Dr Lynn Drummond
Non-Executive Chair
Joined Venture Life as Non-Executive Chair in November 2013.

Jerry Randall
Chief Executive Officer
Co-founded Venture Life in 2010.

Sharon Daly (née Collins)
Chief Commercial Officer
Co-founded Venture Life in 2010.

Gianluca Braguti
Chief Manufacturing Officer
Joined the Board in March 2014 following the acquisition by Venture Life of Biokosmes, the company he founded.

Peter Bream
Non-Executive Director
Joined Venture Life in February 2016.

Carl Dempsey
Non-Executive Director
Joined the Board in September 2018.

Giuseppe Gioffrè
Group Financial Controller and Company Secretary
Joined Venture Life Group in 2014 and manages the operational finances as Group Financial Controller.

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.

Committee memberships

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

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.

Sharon Daly (née Collins)
Chief Commercial Officer

Sharon co-founded Venture Life in 2010. Sharon has over 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 2005.

Gianluca Braguti
Chief Manufacturing Officer

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.

Carl Dempsey
Non-Executive Director

Carl Dempsey joined the Venture Life board as Non-Executive Director in September 2018. Until recently, Carl was Worldwide Vice President Global Customer Management at Johnson & Johnson ("J&J") where he was responsible for global sales of US$3.6 billion across 22 countries.

During his 29 year career at J&J, Carl had particular responsibility for developing the Health and Wellness Partnership strategy. He also led the successful integration of≈Pfizer Consumer Healthcare across Europe, Africa and the Middle East which included the Listerine mouthwash brand.

Committee memberships

Chair of the Group's Remuneration Committee. Member of the Audit and Risk and Nomination Committees.

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.

Committee memberships

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

Giuseppe Gioffrè
Group Financial Controller and Company Secretary

Giuseppe manages the operational finances as Group Financial Controller and provides Company secretarial support to the Board, and assists with finance matters as required.

Giuseppe started his career as a business management and fiscal adviser before joining Biokosmes, the manufacturing facility of Venture Life Group in 2014.

Giuseppe has a Master of Science in public administration and international institutions management obtained at Bocconi University in Milan. He is a Certified Chartered Accountant and certified registered auditor.

Directors
Dr Lynn Drummond
Non-Executive Chair
Jerry Randall
Chief Executive Officer
Sharon Daly (née Collins)
Chief Commercial Officer
Gianluca Braguti
Chief Manufacturing Officer
Carl Dempsey
Non-Executive Director
Peter Bream
Non-Executive Director

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Company Secretary
Giuseppe Gioffrè

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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 and has adopted the principles of the Quoted Company Alliance ("QCA") Code. The ten principles of the QCA Code are detailed in the Investor Relations section of the Group's website (www.venture-life.com/investor-relations/corporate-governance/). This statement sets out the corporate governance procedures that are in place.

The Board

During the year, the Board of Venture Life Group plc comprised of three Non-Executive Directors, one of whom chaired 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 Carl Dempsey (appointed on 20 September 2018) and Dr Lynn Drummond. Prior to Carl Dempsey's appointment, John Sylvester fulfilled this role.

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 Carl Dempsey (appointed on 20 September 2018). Lynn Drummond and Peter Bream are the other members of the Committee. Prior to Carl Dempsey's appointment, John Sylvester fulfilled the role of Chair.

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 Carl Dempsey (appointed on 20 September 2018) and Peter Bream as the other members of the Committee. Prior to Carl Dempsey's appointment, John Sylvester fulfilled this role.

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 their 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 2019 AGM will be held on 3 June 2019 and a Notice of Annual General Meeting can be found enclosed with this report.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
18 April 2019

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	5/5	2/2	2/2
Peter Bream	5/5	2/2	2/2
Jerry Randall	5/5	—	—
Sharon Daly (née Collins)	5/5	—	—
Carl Dempsey[1]	2/5	1/2	1/2
Gianluca Braguti	5/5	—	—
John Sylvester[2]	3/5	1/2	1/2
Adrian Crockett	5/5	2/2	1/2
Total meetings held in the year	5	2	2

1 appointed 20 September 2018.

2 resigned 20 September 2018.

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

Corporate governance

Directors' Report

General matters

The Directors submit their report and the financial statements of Venture Life Group plc for the year ended 31 December 2018. 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, Italy and Switzerland.

Results

The profit before tax for the year ended 31 December 2018 was £0.9 million (2017: £0.1 million). The detailed results for the year and the financial position at 31 December 2018 are shown in the Consolidated Statement of Comprehensive Income on page 43 and the Consolidated Statement of Financial Position on page 44.

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 Company made a profit after tax during the year of £0.4m. The Company undertook an equity raise in July 2018, raising £18.75 million before expenses. The new funds after expenses were used to acquire the Dentyl brand and enabled the repayment of £3.7 million of convertible debt. £1.9 million of this debt was due for repayment in March 2019. A further £1.8 million was due for repayment in the middle of 2020. These two loans had a combined annual interest cost of £0.28 million, which has now ceased. The remaining equity raise (after expenses) has added £9.2 million of cash to the balance sheet. The Company is in a strong net cash position of £5.8 million at the year end which makes the existing gross debt, excluding finance leases, to EBITDA ratio of 1.0.

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 17. 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 (2017: £nil).

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 Daly (née Collins) *Chief Commercial Officer*
Gianluca Braguti *Chief Manufacturing Officer*
John Sylvester[1] *Non-Executive Director*
Carl Dempsey[2] *Non-Executive Director*
Peter Bream *Non-Executive Director*
Adrian Crockett[3] *Chief Financial Officer*

1 resigned 20 September 2018.

2 appointed 20 September 2018.

3 resigned 28 January 2019.

Information on Directors' remuneration, share options, long-term executive plans, pension contributions and benefits is set out in the Remuneration Report on pages 33 to 36.

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.

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 Srl, Biokosmes Immobiliare Srl, and Grafco2 Srl.

Peter Bream is a Director of Abramis Limited.

Carl Dempsey is a Director of Big Blue Bear Limited.

Directors' share interests

The Directors in office at 31 December 2018 and their interests in the shares of the Company were as follows:

Director	Title	Number of 0.3p ordinary shares held at 31 December 2018	% of issued share capital	Number of 0.3p ordinary shares held at 31 December 2017	% of issued share capital
Jerry Randall[1]	Chief Executive Officer	3,931,129	4.7%	3,931,129	10.7%
Gianluca Braguti[1]	Chief Manufacturing Director	7,085,459	8.1%	7,085,459	19.2%
Sharon Daly (née Collins)	Commercial Director	1,665,333	2.0%	1,582,417	4.3%
Lynn Drummond	Non-Executive Chair	18,365	0.02%	18,365	0.05%
Carl Dempsey	Non-Executive Director	—	—	—	—
Peter Bream	Non-Executive Director	25,000	0.03%	25,000	0.07%

1 Includes indirect holdings.

Share capital

As at 31 December 2018, the authorised and issued share capital of the Company was:

	Number of ordinary 0.3p shares	Amount £
Issued and fully paid up	83,712,106	251,136

The average market price of the Company's ordinary shares at close of business on 31 December 2018 was 44 pence.

The maximum share price during the period was 52.50 pence and the minimum price was 39.50 pence per share.

Substantial share interests

At 28 March 2019, 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
J O Hambro Capital Management Limited	9,037,892	10.8%
BGF Investment Management Limited	7,880,000	9.4%
Mr Gianluca Braguti and associated holdings[1]	7,085,459	8.5%
Livingbridge VC LLP	6,570,000	7.8%
Gresham House Asset Management Ltd	6,244,000	7.8%
Ennismore Fund Management Limited	6,250,000	7.5%
Otus Capital Management LP	5,500,000	6.6%
River & Mercantile Asset Management LLP	4,409,500	5.3%
Mr Jerry Randall and associated holdings	3,931,129	4.7%
Quilter PLC	3,803,275	4.5%
LGT Vestra LLP	3,184,510	3.8%
Dr Michael Flynn and associated holdings	2,812,577	3.3%

1 Includes 300,000 shares owned by his wife and 2,000,000 owned by his adult children. Mr Braguti retains control of the voting rights for these 2,300,000 whilst he remains a director of Venture Life Group plc.

Directors' Report continued

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 22 and 23.

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 has expressed its 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.

2019 Annual General Meeting

The 2019 AGM will be held on 3 June 2019, 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
18 April 2019

The Company's Remuneration Committee consists of the Chair and the other two Non-Executive Directors. The Chief Financial 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 Executive Directors 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 2017	Options granted during the year	Options lapsed during the year	Options as at 31 December 2018	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 Daly (née Collins)	EMI	705,700	—	—	705,700	31 Dec 2012	31 Aug 2022	45p	Non-market
Sharon Daly (née Collins)	EMI	162,187	—	—	162,187	1 Jul 2014	4 Nov 2023	41p	Non-market
Sharon Daly (née Collins)	Unapproved	483,333	—	—	483,333	1 Jul 2014	4 Nov 2023	41p	Non-market

No Directors exercised any options during the year.

Remuneration Report continued

Remuneration Committee continued

3. Long-Term Incentive Plan continued

Since 2016, further awards have been 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 2018 and those awarded in previous years that have not yet lapsed are set out below:

Name	Award Two (date of grant: 28 September 2016)	Award Three (date of grant: 24 April 2017)	Award Four (date of grant: 23 March 2018)
Jerry Randall	170,092	296,302	448,548
Gianluca Braguti	132,118	238,237	360,650
Sharon Daly (née Collins)	113,395	197,534	299,032
	415,605	732,073	1,108,230

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.

Directors' letters of appointment and contracts

All Executive Directors 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 Daly (née Collins) Gianluca Braguti	12 December 2013 12 December 2013 19 March 2019	Six months' notice to be given by the Executive Director 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
Peter Bream	17 February 2016	Three months
Carl Dempsey	20 September 2018	Three months

Directors' remuneration 2018

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive Directors							
Jerry Randall	210,537	—	18,289	228,826	53,534	30,589	312,949
Sharon Daly (née Collins)	173,040	—	1,046	174,086	25,956	22,726	222,768
Adrian Crockett	145,000	—	1,632	146,632	21,750	18,856	187,238
Gianluca Braguti[1]	230,292	—	4,103	234,395	42,515	19,384	296,294
Non-Executive Directors							
Lynn Drummond	55,000	—	—	55,000	—	6,436	61,436
John Sylvester[2]	19,350	—	—	19,350	—	1,226	20,576
Peter Bream	27,000	—	—	27,000	—	2,572	29,572
Carl Dempsey[3]	7,331	—	—	7,331	—	721	8,052
Total	867,550	—	25,070	892,620	143,755	102,510	1,138,885

1 Gianluca Braguti's salary and fees equate to €250,000 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 (2017: €240,000 and €10,000 respectively), translated at average exchange rate over the period.

2 Resigned 20 September 2018.

3 Appointed 20 September 2018.

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

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 Daly (née Collins)	173,040	—	984	174,024	25,956	22,884	222,864
Adrian Crockett	119,904	—	1,078	120,982	17,986	15,595	154,563
Gianluca Braguti[1]	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 Gianluca Braguti's salary and fees equate 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 were considered to be the key management of the Group.

Remuneration Report continued

Remuneration Committee continued

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 schemes 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,

Carl Dempsey
Chairman of the Remuneration Committee
18 April 2019

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare 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 IFRS 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 (www.venture-life.com). 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 2018 which comprises 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 and, as regards the parent company financial statements, 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 and of the parent company's affairs as at 31 December 2018 and of the group's profit 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.

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: £250,000, which represents 1.5% of the group's revenue at planning stage.
- Key audit matters were identified as revenue recognition, valuation and accuracy of intangible assets and recoverability of investments and intercompany balances (applicable to the parent company only).
- The operations that were subject to full-scope or targeted audit procedures made up 100% of consolidated revenues and 100% of total assets.

Key audit matters

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	How the matter was addressed in the audit – Group and parent
Revenue recognition Revenues of £18.8m million have been recognised in the year ended 31 December 2018, 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 not being 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' by comparing management's assessment of the point of revenue recognition under IFRS 15 to the conditions set out in IFRS 15; • corroborating management's assessment of the five-step approach included within IFRS 15 by comparing management's assessment of the treatment of new customer contracts to contract terms and conditions and determining whether the two were consistent; and • testing the occurrence of revenue by selecting a sample of individual revenue items during the year and around the year-end and agreeing items selected for testing through to purchase orders and evidence of delivery and payment. 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 • Our testing did not identify instances where revenue was recognised without entitlement of that revenue. • Our testing did not identify any inconsistencies in the recognition of revenue under IFRS.

Financial statements

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

Key Audit Matters – Group	How the matter was addressed in the audit – Group and parent
Valuation and accuracy of intangible assets Acquisition of Dentyl On the 7th August 2018 the group acquired the Dentyl oral care brand trade and assets for a consideration of £4.2m. Following the acquisition, a purchase price allocation exercise was performed by management to determine how the associated assets should be recognized. Intangible assets with a total value of £4,378,000 were classified as Brand (£1,089,000), International Distribution Agreements (£19,000), Customer Relationships (£170,000) and Goodwill (£3,100,000). The purchase price allocation involves a high degree of estimation and judgement. Impairment of goodwill and other intangible assets For goodwill and other indefinite-lived intangible assets, the directors are required to perform an annual impairment review. The directors are also required to assess impairment indicators to determine whether the Group's other intangible assets might be impaired. Where such indicators exist, the directors are required to perform an impairment review. The process for assessing whether impairment exists under International Accounting Standard (IAS) 36 Impairment of assets is complex. The process of determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified valuation and accuracy of intangible assets 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: • Using our own valuation specialists, challenging the group's identification of intangible assets, assessed the appropriateness of valuation methodologies used and the fair values determined; • assessing the reasonableness of the estimates of the useful lives and the amortisation policies applied, including the charge recognised in the period; and • assessing the impairment review performed by the directors as described further below. The group's accounting policies on Business Combinations and Acquired Intangible Assets are in note 3.3 and 3.10, respectively and related disclosures are included in note 14. Our audit work included, but was not restricted to: • challenging management's assessment of impairment indicators relating to intangible assets; • obtaining management's assessment of intangible assets impairment and recalculating the arithmetical accuracy of those calculations; • testing the assumptions utilised in the impairment models, including growth rates, discount rates and terminal values and corroborating to supporting market data; • comparing current market capitalisation to carrying value of net assets and calculated value in use for the group; • completing sensitivity analysis on the impairment models used by management; • testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and reviewing the cash flows for exceptional or unusual items or assumptions; and • corroborating the detailed disclosures to ensure information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review. The group's accounting policy on "Impairment of Intangible Assets," is shown in note 3.12 and related disclosures are included in note 14. Key observations • We consider the categorisation of intangible fixed assets acquired to be appropriate. • Revisions were made to the identification and calculation of intangible assets arising from the Dentyl acquisition following our review. • Sensitivity analyses indicated headroom in varying circumstances. • We found that the assumptions made and estimates used in arriving at the value in use of intangible assets were balanced. • We found no errors in the calculations. • Our audit work did not identify an impairment of intangible assets at year end.

Key Audit Matters – Group	How the matter was addressed in the audit – Group and parent
Recoverability of investments and intercompany balances Investments and intercompany balances at the year end stand at £23.2m and £10m respectively. The directors make an annual assessment to determine whether there are indicators that these balances are impaired. In 2018 an impairment was posted of £5.5m. Where indicators of impairment are identified and in order to determine if these balances are impaired management prepare discounted cash flow forecasts. Assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified recoverability of investments and intercompany balances 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:** • obtaining management's assessment and recalculating the arithmetical accuracy of those calculations and testing the assumptions utilised, including growth rates, discount rates and terminal values by corroborating to third market data; • testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and reviewing the cash flows for exceptional or unusual items or assumptions; and • completing sensitivity analysis on the impairment models used by management. Related disclosures in the financial statements are included in notes 5 and 8 to the parent company accounts. Key observations • Our analysis indicates headroom is sensitive to changes in key assumptions. • We found that the assumptions made and estimates used were balanced. • We found no errors in the calculations. • Our audit work did not identify an impairment of investments or intercompany balances.

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	£250,000 which is 1.5% of total revenues at planning stage. 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 2017 to reflect the improvement in results in the current year.	£235,000 which is 2% of total assets, restricted to 94% of group materiality. 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 2017 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	£12,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

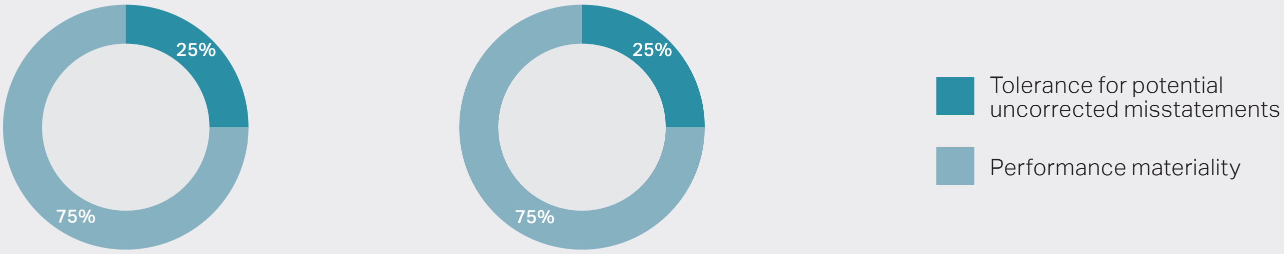
Independent Auditor's Report continued
to the members of Venture Life Group plc

Our application of materiality continued

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



An overview of the scope of our audit

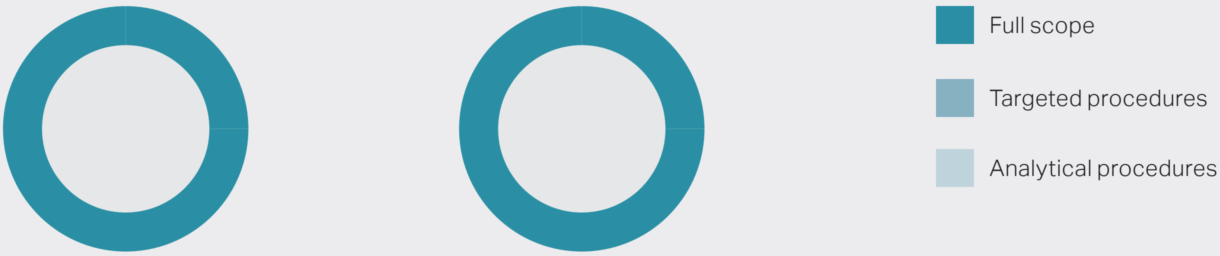
Our audit approach was based on a thorough understanding of the group's and parent's business and is risk-based. The components of the group were evaluated by the group audit team based on a measure of materiality considering each as a percentage of total group assets, liabilities, revenues and profit 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 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 and accounts, 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 in 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 37, 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.

Use of our report

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

Norman Armstrong BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
18 April 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

Company number 05651130

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue	5	18,770	16,052
Cost of sales		(11,482)	(9,581)
Gross profit		7,288	6,471
Administrative expenses			
Operating expenses		(5,534)	(5,431)
Amortisation of intangible assets		(625)	(521)
Total administrative expenses		(6,159)	(5,952)
Other income		94	62
Operating profit before exceptional items		1,223	581
Exceptional costs	6	(172)	—
Operating profit	7	1,051	581
Finance income		—	—
Finance costs		(341)	(518)
Profit before tax		710	63
Tax	10	(474)	(430)
Profit/(loss) for the year		236	(367)
Other comprehensive income which will be subsequently reclassified to the income statement		18	121
Total comprehensive profit/(loss) for the year attributable to equity holders of the parent		254	(246)

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

		Year ended 31 December 2018	Year ended 31 December 2017
Profit/(loss) per share			
Basic profit/(loss) per share (pence)	12	0.42	(1.00)
Diluted profit/(loss) per share (pence)	12	0.38	(1.00)
Adjusted profit per share (pence)	12	2.06	0.66
Adjusted diluted profit per share (pence)	12	1.83	0.66

Consolidated Statement of Financial Position

at 31 December 2018

Company number 05651130

	Note	At 31 December 2018 £'000	At 31 December 2017 £'000
Assets			
Non-current assets			
Intangible assets	14	20,542	16,175
Property, plant and equipment	15	4,591	5,069
		25,133	21,244
Current assets			
Inventories	16	3,869	3,563
Trade and other receivables	17	7,020	5,141
Cash and cash equivalents	18	9,623	1,361
		20,512	10,065
Total assets		45,645	31,309
Equity and liabilities			
Capital and reserves			
Share capital	19	251	111
Share premium account	19	30,824	13,289
Merger reserve	20	7,656	7,656
Convertible bond reserve	21	—	109
Foreign currency translation reserve	23	252	234
Share-based payments reserve	24	609	497
Retained earnings	25	(7,512)	(7,711)
Total equity attributable to equity holders of the parent		32,080	14,185
Liabilities			
Current liabilities			
Trade and other payables	26	4,868	4,404
Taxation		—	29
Interest-bearing borrowings	27	1,911	1,509
Convertible bond	21	—	171
Vendor loan notes	22	—	71
		6,779	6,184
Non-current liabilities			
Interest-bearing borrowings	27	5,157	6,243
Convertible bond	21	—	1,631
Vendor loan notes	22	—	1,751
Statutory employment provision	28	1,062	909
Deferred tax liability	11	567	406
		6,786	10,940
Total liabilities		13,565	17,124
Total equity and liabilities		45,645	31,309

The financial statements on pages 44 to 75 were approved and authorised for issue by the Board on 18 April 2019 and signed on its behalf by:

Jerry Randall
Director
18 April 2019

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	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 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 1 January 2018	111	13,289	7,656	109	234	497	(7,711)	14,185
Impact of adoption of IFRS 9 on opening balances	—	—	—	—	—	—	(37)	(37)
Balance at 1 January 2018 (adjusted)	111	13,289	7,656	109	234	497	(7,748)	14,148
Profit for the year	—	—	—	—	—	—	243	243
Foreign exchange on translation	—	—	—	—	18	—	—	18
Total comprehensive income	—	—	—	—	18	—	236	254
Issue of share capital	140	17,535	—	—	—	—	—	17,675
Repayment of convertible bond	—	—	—	(109)	—	—	14	(95)
Share options charge	—	—	—	—	—	112	—	112
Dividends	—	—	—	—	—	—	(14)	(14)
Transactions with shareholders	140	17,535	—	(109)	—	112	—	17,678
Balance at 31 December 2018	251	30,824	7,656	—	252	609	(7,512)	32,080

During the year the convertible loan note was fully repaid. A settlement loss of £14,000 versus the fair value of the liability component and a settlement gain of £109,000 versus the fair value of the equity component were recognised in the financial result for the year within finance costs. The bond reserve of £109,000 was released in full, with the sum of £14,000 being transferred into retained earnings.

IFRS 9 was adopted with effect from 1st January 2018. The impact of adoption on the opening position was to increase the bad debt provision at 1 January 2018 by £37,000 and accordingly reduce retained earnings by £37,000.

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flow from operating activities		
Profit before tax	710	63
Finance expense	341	518
Operating profit	1,051	581
Adjustments for:		
– Depreciation of property, plant and equipment	756	668
– Amortisation of intangible assets	625	521
– Finance cost	(276)	(285)
– Disposal of non current assets	148	165
– Share-based payment expense	112	88
Operating cash flow before movements in working capital	2,452	1,738
Tax paid	(565)	(694)
Increase in inventories	(259)	(322)
Increase in trade and other receivables	(1,868)	(392)
Increase in trade and other payables	478	72
Net cash used in operating activities	238	402
Cash flow from investing activities:		
Acquisition of Dentyl business	(4,200)	—
Purchases of property, plant and equipment	(271)	(285)
Expenditure in respect of intangible assets	(744)	(568)
Net cash used in investing activities	(5,215)	(853)
Cash flow from financing activities:		
Net proceeds from issuance of ordinary shares	17,675	—
Repaid convertible bond	(1,900)	—
Repaid vendor loan note	(1,790)	—
Repayment of deferred consideration	(410)	
Drawdown of interest-bearing borrowings	200	267
Leasing obligation repayments (previously in administration costs)	(528)	(486)
Dividends paid	(14)	(15)
Net cash from financing activities	13,233	(234)
Net increase/(decrease) in cash and cash equivalents	8,256	(685)
Net foreign exchange difference	6	48
Cash and cash equivalents at beginning of period	1,361	1,998
Cash and cash equivalents at end of period	9,623	1,361

Notes to the Consolidated Statements
for the year ended 31 December 2018

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 three 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, manufacture and commercialisation of healthcare products, including food supplements, medical devices and dermo-cosmetics for the global selfcare market.

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 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 Group has reported a profit and cash inflow for the year ended 31 December 2018. The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements, and have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors believe that the Group is well placed to manage its business risks successfully. 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 2018. 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 2018	Year ended 31 December 2017
Average exchange rate for the period	1.129	1.146
Exchange rate at the period end	1.121	1.126

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 2018

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. Summary of significant accounting policies continued

3.10. Acquired intangible assets

The Group recognises value in respect of acquired intangible assets at cost less accumulated amortisation and impairment. Initial recognition is at fair value and amortisation takes place across their useful economic lives except when such lives are determined to be infinite.

The effective life of each new class of intangible asset acquired is determined as follows:

Brands – expected cash-generating life of the name, term, design, symbol or other feature that identifies the product as distinct from those of other sellers.

Customer relationships – expected cash-generating life of the commercial relationship.

Distribution Agreements – expected cash generating life of the commercial relationship.

Product formulations – expected cash-generating life of the particular product formulation.

The following useful economic lives are applied:

Brands:	The application of an indefinite life to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brand. Indefinite life brands are tested at least annually for impairment. A review of the useful economic life of brands is performed annually, to ensure that these lives are still appropriate. The carrying value of a Brand that is considered to have a finite life is amortised over that period. In reaching a determination that an asset has an indefinite life in accordance with IAS 38 the Directors consider a number of factors including: i.) length of time the brand has been established in the marketplace; ii.) stability of the industry in which the brand is traded; iii.) potentials for obsolescence and erosion of sales; iv.) competitors and barriers to entry; v.) availability of marketing and promotional resources; vi.) any dependencies on other assets having finite economic lives; Many such indefinite life assets have patent protection which have finite lives. It is the opinion of the Directors that these patents do not provide any incremental value and therefore no separate value has been placed on these patents. In reaching their determination the Directors assess future profitability before and after patent expiry based upon past experience with similar assets.
Customer relationships:	10 years
Distribution agreements:	10 years
Product formulations:	5 years
Trademarks:	10 years
Patents:	10 years

3.11. Goodwill

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

3.12. Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its assets, including those acquired in Business Combinations, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset, such as goodwill, with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

The Directors have carried out an impairment review of the Group's tangible and intangible assets as at the reporting date, as is its normal practice. They have assessed the likely cash flows to be generated by those assets and determined that they are stated at fair value and that consequently no impairment is necessary. See note 14 on intangible assets for further details.

Notes to the Consolidated Statements continued

for the year ended 31 December 2018

3. Summary of significant accounting policies continued

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. The Vendor loan notes were fully repaid during 2018.

(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. The Convertible bond was fully repaid during 2018.

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. Summary of significant accounting policies continued

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.

3.19. 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.

Notes to the Consolidated Statements continued

for the year ended 31 December 2018

3. Summary of significant accounting policies continued

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.

(ii) Selection of suitable accounting treatments for acquisitions

The Directors exercise judgement in their choice of accounting treatment applied to acquisitions. This judgement takes into account the economic resources and systems acquired and the respective outputs produced and considers the extent to which such acquisition comprises all or some of such elements. In circumstances where substantially all elements are acquired then the acquisition is treated as a business combination in accordance with IFRS 3.

(iii) Estimation of economic life of intangible assets

The Directors exercise judgement when estimating the economic life of intangible assets. This involves estimating the number of years that the asset is expected to generate revenues and profits and makes reference to the market position, competitors, availability of marketing promotional resources and other factors.

(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 generation of estimates of 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 2017 and 2018, no impairment charge was recognised as a result of these reviews. In the year ending 31 December 2018 a charge of £148,000 was recognised in respect of impaired capitalised development costs.

3. Summary of significant accounting policies continued

3.22. Critical accounting estimates and judgements continued

(b) Estimates continued

(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 2018.

(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 last year elected to apply IFRS 15 early, on 1 January 2017. The new Standard was 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 was only 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 last year elected to apply IFRS 16 early, on 1 January 2017.

The impact of adoption of IFRS 16 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 was 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.

Notes to the Consolidated Statements continued

for the year ended 31 December 2018

4. Accounting developments continued

a) New standards, amendments and interpretations issued and adopted continued

IFRS 9, Financial Instruments, replacing 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 new standard was required to be applied for annual reporting periods beginning on or after 1 January 2018.

The Group has considered the impact of IFRS 9, on its trade receivables and developed an expected credit loss model based upon its past experience.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2018 and not adopted early

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.

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.

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 2018			
Revenue			
Sale of goods	6,627	14,476	21,103
Sale of services	—	411	411
Intercompany sales elimination	—	(2,744)	(2,744)
Total external revenue	6,627	12,143	18,770
Results			
Operating profit before exceptional items and excluding central administrative costs	404	2,333	2,737
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

All revenue of the Group is recognised at point in time as determined by IFRS 15.

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

5. Segmental information continued

5.1 Segment revenue and results continued

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Operating profit before exceptional items and excluding central administrative costs	2,737	2,011
Exceptional items	(172)	—
Central administrative costs	(1,514)	(1,430)
Finance costs	(341)	(518)
Profit before tax	710	63

One customer generated revenue of £4,170,000 which accounted for 10% or more of total revenue (2017: one customer generated revenue of £3,376,000 which accounted for 10% or more of total revenue).

5.2 Segmental assets and liabilities

	At 31 December 2018 £'000	At 31 December 2017 £'000
Assets		
Brands	8,284	3,255
Development and Manufacturing	14,078	13,683
Group consolidated assets	23,283	14,371
Consolidated total assets	45,645	31,309
Liabilities		
Brands	2,249	1,651
Development and Manufacturing	10,953	11,014
Group consolidated liabilities	363	4,459
Consolidated total liabilities	13,565	17,124

5.3 Other segmental information

	Depreciation and amortisation £'000	Additions to non-current assets £'000
Year ended 31 December 2018		
Brands	163	4,379
Development and Manufacturing	916	1,015
Central administration	301	—
	1,380	5,394
Year ended 31 December 2017		
Brands	123	362
Development and Manufacturing	735	4,485
Central administration	331	—
	1,189	4,847

Notes to the Consolidated Statements continued
for the year ended 31 December 2018

5. Segmental information continued
5.4 Geographical information
The Group's revenue from external customers by geographical location of customer is detailed below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue		
UK	7,667	5,538
Italy	4,279	4,936
Switzerland	3,388	3,791
Rest of Europe	1,421	857
Rest of the World	2,015	930
Total revenue	18,770	16,052

6. Exceptional items

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Costs incurred in the acquisition of the Dentyl brand	172	—
Total exceptional items	172	—

During the period the Group incurred legal and professional fees in relation to the Dentyl acquisition.

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Depreciation of property, plant and equipment included in operating expenses	756	668
Amortisation of intangible assets included in administrative expenses	625	521
Research and development costs included in operating expenses	237	387
Operating lease rentals	—	59
Share-based payments charge	112	88
Staff costs excluding share-based payment charge (note 8)	4,667	4,528
Auditor's remuneration		
– Fees for the audit of the Company's annual accounts	28	20
Fees payable to the Company's auditor and its associated for other services:		
– Audit of the accounts of the Company's subsidiaries	37	44
– Tax compliance services	—	14
– Audit related fee	4	4
– Other advisory services	8	—

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 2018 Number	Year ended 31 December 2017 Number
Product development and manufacturing	72	66
Sales and marketing	13	12
Directors	7	7
Administration	14	14
	106	99

Their aggregate remuneration comprises:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Wages and salaries	3,572	3,479
Social security costs	745	701
Pension costs	334	320
Other benefits	16	28
Equity settled share-based payments	112	88
	4,779	4,616

The equity-settled share-based payments charge for the year included £108,000 in respect of the Directors of the Group (2017: £59,000). Further information on Directors remuneration is included in the Remuneration Report on page 35.

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. For the Group's Italian subsidiary, a severance indemnity liability is created as required under Italian law (see note 28). The pension charge represents contributions payable by the Group including the Italian severance indemnity liability and amounted to £334,000 (2017: £320,000). At year end an amount of £nil (2017: £nil) was payable in respect of pension contributions charged during the year. Amounts relating to the Italian severance indemnity liability are paid when they fall due.

10. Income tax expense

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Current tax:		
Current tax on profits for the year	531	528
Adjustments in respect of earlier years	—	—
Total current tax expense	531	528
Deferred tax:		
Origination and reversal of temporary differences	(57)	(98)
Total deferred tax expense	(57)	(98)
Total income tax expense	474	430

Notes to the Consolidated Statements continued

for the year ended 31 December 2018

10. Income tax expense continued

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 2018 £'000	Year ended 31 December 2017 £'000
Profit before tax	710	63
Profit/(loss) before taxation multiplied by the local tax rate of 19% (2017: 19%)	135	(12)
Expenses not deductible for tax purposes	70	159
Change in recognised deferred tax liability	(57)	(98)
Change in unrecognised deferred tax asset	257	255
Higher rate on foreign taxes	69	126
Income tax charge	474	430

Changes to the UK corporation tax rates were enacted as part of the Finance Bill 2015 on 18 November 2015. These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A subsequent change to reduce the UK corporation tax rate to 17% from 1 April 2020 was included within the Finance Bill 2016 which was enacted on 6 September 2016.

As at the reporting date, the Group has unused tax losses of £9,257,000 (2017: £8,610,000) 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.

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, Periproducts and Dentyl businesses. In 2018 the effective tax rate of Biokosmes was 22% (2017: 25%).

11. Deferred tax

Deferred taxes arising from temporary differences are summarised as follows:

Deferred tax liabilities/(assets)	At 1 January 2018 £'000	Recognised in profit and loss £'000	Arising upon acquisition of Dentyl £'000	Movements attributed to foreign exchange £'000	At 31 December 2018 £'000
Purchased goodwill	85	(20)	—	—	65
Other intangibles	(450)	88	(217)	—	(579)
Inventories	(44)	(14)	—	(1)	(59)
Trade and other receivables	3	3	—	—	6
Deferred tax liability	(406)	57	(217)	(1)	(567)

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 2018 Number	Year ended 31 December 2017 Number
For basic EPS calculation	55,715,531	36,837,106
For diluted EPS calculation	62,496,480	36,837,106

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

	£'000	£'000
For basic and diluted EPS calculation	236	(367)
For adjusted EPS calculation[1]	1,145	242

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

12. Earnings per share continued

The resulting EPS measures are:

	Pence	Pence
Basic EPS calculation	0.42	(1.00)
Diluted EPS calculation	0.38	(1.00)
Adjusted EPS calculation[1]	2.06	0.66
Adjusted diluted EPS calculation	1.83	0.66

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

In respect of 2017, the loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted profit/loss per ordinary share are identical to those used for basic profit/(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 profit/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 2018 £'000	Year ended 31 December 2017 £'000
Final dividend	14	15

The Directors do not recommend the payment of a dividend in 2018 (2017: 0.04 pence per share).

14. Intangible assets

	Development costs £'000	Brands £'000	Patents and trademarks £'000	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost or valuation:						
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 1 January 2018	2,268	—	834	13,133	2,630	18,865
Additions	579	1,089	165	3,100	189	5,122
Disposals	(148)	—	(3)	—	—	(151)
Foreign exchange	13	—	—	—	—	13
At 31 December 2018	2,712	1,089	996	16,233	2,819	23,849
Amortisation:						
At 1 January 2017	591	—	331	—	1,188	2,110
Charge for the year	258	—	172	—	91	521
Foreign exchange	59	—	—	—	—	59
At 1 January 2018	908	—	503	—	1,279	2,690
Charge for the year	319	—	162	—	144	625
Disposals	—	—	(3)	—	—	(3)
Foreign exchange	(4)	—	—	—	—	(4)
At 31 December 2018	1,223	—	662	—	1,423	3,307
Carrying amount:						
At 31 December 2017	1,360	—	331	13,133	1,351	16,175
At 31 December 2018	1,489	1,089	334	16,233	1,396	20,542

All trademark, licence 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.

Notes to the Consolidated Statements continued
for the year ended 31 December 2018

14. Intangible assets continued

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 between five and ten years.

Assets with indefinite economic lives are tested for impairment at least annually or more frequently if there are indicators that amounts might be impaired. The impairment review involves determining the recoverable amount of the relevant cash-generating unit, which corresponds to the higher of the fair value less costs to sell or its value in use.

The key assumptions 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 2021 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 12.2%. These assumptions generate a significant headroom over the assets of the business held at the balance sheet date.

These assumptions are subjective and provide key sources of estimation uncertainty, specifically in relation to growth assumptions, future cashflows and the determination of discount rates. The actual results may vary and accordingly may cause adjustments to the Group's valuation in future financial years. Sensitivity analysis has been performed on the impairment review and indicate sufficient headroom in the event of reasonably possible changes in key assumptions are unlikely to result in an impairment for intangibles.

14 a. Business Combinations

In August 2018 the Company completed the acquisition of the Dentyl brand from DDD Limited, a UK based healthcare products company. The acquisition consideration was £4.37 million, comprising £0.17 million in acquisition-related costs recognised as expense during the period, £0.04 million net inventory at completion and a balance of £4.16 million. The acquisition consideration paid was £4.2 million, comprising £4.16 million plus the value at completion of the net inventory. The acquisition was funded through the Company's own resources which had been increased by way of a placing of new shares raising £18.75 million (gross) during July 2018.

Dentyl is a unique bi-phase mouthwash with plaque removal claims. The Group acquired the brand to expand its oral care portfolio both domestically where it operates through an established infrastructure, and internationally via its B2B model. The Group expects that the inclusion of this additional brand into its portfolio will increase the leverage of its trading infrastructure and generate improved profitability. The acquisition has been accounted for under IFRS 3 as a business combination. The Consolidated Financial Statements include the results of trading of the Dentyl brand for the period from August 2018 to 31 December 2018.

The fair values of the identifiable assets and liabilities of the Dentyl brand as at the date of acquisition were:

	Fair value £'000
Assets	
Non-current assets	
Brand*	1,089
Customer Relations*	170
Distribution Agreements*	19
Current Assets	
Inventories	39
Total assets	1,317
Non-current liabilities	
Deferred tax	(217)
Total net assets	1,100
Net Assets acquired	1,100
Goodwill	3,100
Total Consideration	4,200
Satisfied by:	
Cash paid at completion	4,200

* Intangible assets identified as part of the Dentyl acquisition. See note 3.10 for further details.

14. Intangible assets continued

Revenue and profit impact of the acquisition

Dentyl contributed group revenues of £1.6 million and operating profit before exceptional items and management charges of £0.3 million in the period from August 2018 to 31st December 2018. If the acquisition had taken place on 1 January 2018, the first day of the reporting period under review, total Group revenue and operational profit before exceptional items and management charges for the period arising from Dentyl would have been £3.9 million and £0.9 million respectively.

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 2017	1,729	86	—	1,815
Additions	267	—	4,012	4,279
Disposals	—	—	—	—
Foreign exchange movements	64	—	129	193
At 1 January 2018	2,060	86	4,141	6,287
Additions	260	11	—	271
Disposals	(18)	—	(15)	(33)
Foreign exchange movements	15	—	—	15
At 31 December 2018	2,317	97	4,126	6,540
Depreciation:				
At 1 January 2017	450	86	—	536
Charge for the year	203	—	465	668
Foreign exchange movements	14	—	—	14
At 1 January 2018	667	86	465	1,218
Charge for the year	209	3	544	756
Disposals	(18)	—	(15)	(33)
Foreign exchange movements	8	—	—	8
At 31 December 2018	866	89	994	1,949
Carrying amount:				
At 31 December 2017	1,393	—	3,676	5,069
At 31 December 2018	1,451	8	3,132	4,591

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 2018 £'000	At 31 December 2017 £'000
Raw materials	2,499	2,277
Finished goods	1,370	1,286
	3,869	3,563

An amount of £7,068,000 (2017: £5,721,000) was recognised in respect of expenditure on inventory in the Statement of Comprehensive Income.

Notes to the Consolidated Statements continued

for the year ended 31 December 2018

17. Trade and other receivables

	At 31 December 2018 £'000	At 31 December 2017 £'000
Trade receivables	6,412	4,700
Prepayments and accrued income	152	152
Other receivables	456	289
	7,020	5,141

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 2018 £'000	At 31 December 2017 £'000
31 to 60 days past due	92	15
60 to 90 days past due	4	9
90 to 120 days past due	—	11
>120 days past due	142	178
Overdue trade receivables gross	238	213
Provision for overdue receivables	(20)	(12)
Trade receivables – net	218	201

The Directors consider that the carrying value of trade and other receivables represents their fair value. As at the reporting date, a specific provision of £20,000 for overdue receivables has been made and is included in the carrying value of trade and other receivables (2017: £12,000). 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). The Group has adopted IFRS9 to trade receivables and considered the recoverability of amounts owing from its customers by reference to historic experience and territorial factors. Accordingly a general provision against trade receivables of £61,000 has been made (2017: £37,000). 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 2018 £'000	At 31 December 2017 £'000
Cash and cash equivalents	9,623	1,361

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).

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 2018	83,712,106	251,136	30,824	7,656
At 31 December 2017	36,837,106	110,511	13,289	7,656

The Company issued 46,875,000 new shares during the year (zero in 2017).

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 pages 33 and 34.

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 (2017: £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 Ltd acquisition in 2016. The bond carried a 9% coupon with interest payable quarterly over a three year term with full repayment of the convertible bond being due on 3 March 2019. Bondholders had 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 could have been exercised at any point before 3 March 2019.

In September 2018 the Company repaid the convertible bonds in the amount of £1.9 million. This gave rise to a £14,000 settlement loss versus the amortised cost of the liability component and a £109,000 settlement gain versus the equity component and consequent release of the bond reserve.

22. Vendor loan notes

Vendor loan notes totalling €2 million which pay an annual coupon of 4% (2017: 3% to 4%) were issued by the Group in March 2014 in connection with the acquisition of Biokosmes. In September 2018 the Company repaid the full amount of the €2 million loan notes.

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. Interest was payable on these vendor loan notes in October and April of each year. In September 2018 the Company repaid the full amount of the €2 million loan notes including all outstanding accrued interest.

Interest amounting to £nil (2017: £17,000) remains payable on these vendor loan notes at the year end.

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.

Notes to the Consolidated Statements continued
for the year ended 31 December 2018

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 £112,000 (2017: £88,000) 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.

	2018 Number	2018 WAEP (p)	2017 Number	2017 WAEP (p)
Total outstanding at beginning of the year	3,845,670	50	3,880,670	53
Granted during the year	613,600	45	465,000	60
Exercised	—	—	—	—
Forfeited	(350,330)	72	(500,000)	82
Total outstanding at 31 December	4,108,940	46	3,845,670	50
Exercisable at 31 December	3,157,440	45	2,867,440	45

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

	2018 Number	2017 Number
Range of exercise prices		
0p–49p	3,351,040	2,827,440
50p–99p	757,900	921,900
100p–149p	—	96,330
Total	4,108,940	3,845,670

At 31 December 2018, the weighted average remaining contractual life of options exercisable is 4.22 years (2017: 5.22 years).

The weighted average exercise price of options granted in the year is 45 pence (2017: 45 pence).

The non-market performance conditions for all share options outstanding at 31 December 2018 and which are exercisable at 31 December 2018 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:

	2018	2017
Weighted average share price (p)	44.0	59.5
Weighted average exercise price (p)	46.4	59.5
Weighted average expected volatility (%)	30.7	22.7
Weighted average expected life (years)	4	4
Weighted average risk free rate (%)	0.88	0.51
Expected dividends (%)	0.089	0.067

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 Two	Award Three	Award Four
Grant date of awards	28 September 2016	24 April 2017	23 March 2018
Grant date fair value of award (pence per award)	54.5	64.5	46.5
Vesting date of awards	28 September 2019	24 April 2020	23 March 2021
Maximum number of awards	415,605	897,598	1,358,806
Vesting conditions based on	TSR	EPS and TSR	EPS and TSR
Relevant date for determination of vesting conditions	28 September 2019 for TSR	31 December 2019 for EPS and 24 April 2020 for TSR	31 December 2019 for EPS and 23 March 2021 for TSR

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 33 and 34. Regarding award one, the vesting conditions were not met and the awards were forfeited. Award Two and award three include 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 year determined using the Monte-Carlo valuation model was 46.5 pence per option. The significant inputs into the model were:

- weighted average share price of 46.5 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 0.939%

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:

	2018 Number	2017 Number
At 1 January	2,221,761	1,324,163
Granted	1,358,806	897,598
Forfeited	(908,558)	—
At 31 December	2,672,009	2,221,761

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

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

Notes to the Consolidated Statements continued
for the year ended 31 December 2018

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 2018 £'000	At 31 December 2017 £'000
Trade payables	3,591	2,998
Accruals and deferred income	868	949
Social security and other taxes	125	120
Other payables	284	337
	4,868	4,404

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 2018 £'000	At 31 December 2017 £'000
Current		
Invoice financing	1,240	965
Leasing obligations	485	485
Unsecured bank loans due within one year	186	59
	1,911	1,509
Non-current		
Deferred consideration	—	426
Leasing obligations	2,741	3,211
Unsecured bank loans due after one year	2,416	2,606
	5,157	6,243

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, was extended to €3.1 million principal with an expiry date of 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 £1,240,000 (2017: £965,000) reflects the amount that had been settled in Biokosmes' 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 was repaid in September 2018 and had an annual interest charge of 10% from September 2017. The carrying value at 31 December 2018 was £nil (2017: £426,000).

27. Interest-bearing borrowings continued

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

	At 31 December 2018			At 31 December 2017		
	Leasing obligations £'000	Other £'000	2018 £'000	Leasing obligations £'000	Other £'000	2017 £'000
Amounts and timing of non-current debt repayable						
Between 1 January 2019 and 31 December 2019	—	—	—	486	612	1,098
Between 1 January 2020 and 31 December 2020	491	577	1,068	491	584	1,075
Between 1 January 2021 and 31 December 2021	489	533	1,022	489	533	1,022
Between 1 January 2022 and 31 December 2022	449	533	982	431	533	964
Between 1 January 2023 and 31 December 2027	1,312	773	2,085	1,314	770	2,084
	2,741	2,416	5,157	3,211	3,032	6,243

	Short-term borrowings £'000	Long-term borrowings £'000	Total £'000
Reconciliation of debt			
1 January 2018	1,266	6,414	7,680
Cash flows:			
Draw-down/(repayment)	160	(4,060)	(3,900)
Non cash:			
Movements in fair value and foreign exchange	—	62	62
31 December 2018	1,426	2,416	3,842

Lease liability

In 2017 the Group adopted IFRS 16 which means that lease contracts that have previously been recognised as operating leases are now being recognised as finance leases. In the Statements of Financial Position additional lease liabilities at 31 December 2018 of £3,226,000 (2017: £3,696,000) are offsetting right-of-use assets of £3,132,000 (2017: £3,676,000), giving a net liability position of £94,000 (2017: £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 2017 the Group early adopted IFRS 16 "Leases", which was 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 2017.

Notes to the Consolidated Statements continued

for the year ended 31 December 2018

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
Carrying value 1 January 2018	48	5	3,623	3,676
Additions	—	—	—	—
Depreciation charge in the year	(15)	(5)	(524)	(498)
Foreign exchange	—	—	—	16
Carrying value 31 December 2018	33	—	3,099	3,132
Interest charge in the year	—	—	44	44
Cash outflow for leases in the year	17	5	506	528

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.

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 was provided to the Group's Chief Executive Officer. This lease had a three year term which ended in June 2018 where upon the leased asset was returned.

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 also elected to value the right-of-use assets in line with lease liabilities at transition. There were no movements taken to retained earnings as a result of transition.

If IFRS 16 was not required, operating profit of the Group for the year would be reduced by £30,000 (2017: £21,000) and profit before tax would be increased by £14,000 (2017: £21,000).

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).
- Interest-bearing debt.
- Leasing obligations.
- Invoice financing.

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

	31 December 2018		31 December 2017	
	Loans and receivables £'000	Total financial assets £'000	Loans and receivables £'000	Total financial assets £'000
Financial assets:				
Trade and other receivables[1]	6,868	6,868	4,989	4,989
Cash and cash equivalents	9,623	9,623	1,361	1,361
Total	16,491	16,491	6,350	6,350

	31 December 2018		31 December 2017	
	Liabilities (amortised cost) £'000	Total financial liabilities £'000	Liabilities (amortised cost) £'000	Total financial liabilities £'000
Financial liabilities:				
Trade and other payables[2]	5,107	5,107	4,389	4,389
Leasing obligations	3,226	3,226	3,696	3,696
Convertible bond	—	—	1,802	1,802
Vendor loan note	—	—	1,822	1,822
Interest-bearing debt	3,842	3,842	4,056	4,056
Total	12,175	12,175	15,765	15,765

1 Trade and other receivables excludes prepayments.

2 Trade and other payables excludes deferred revenue.

During 2017 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.

Notes to the Consolidated Statements continued
for the year ended 31 December 2018

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 23.

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	CHF £'000	Euro £'000	Total £'000
At 31 December 2018					
Assets					
Trade and other receivables	48	3	—	4,595	4,646
Cash and cash equivalents	25	—	—	1,099	1,124
	73	3	—	5,694	5,770
Liabilities					
Trade and other payables	63	—	—	2,697	2,760
Vendor loan notes, convertible bond and interest-bearing debt	—	—	—	3,842	3,842
	63	—	—	6,539	6,602
Net position	10	3	—	(845)	(832)

	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)

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 2018		
Assets	525	(525)
Liabilities	(561)	561
At 31 December 2017		
Assets	503	(503)
Liabilities	(1,060)	1,060

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 Dentyl brand 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 2018, the Group was also owed £1,427,000 (2017: £1,238,000) from one (2017: 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.

Notes to the Consolidated Statements continued
for the year ended 31 December 2018

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 was:

	Fixed rate		Floating rate		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Sterling	—	—	8,499	303	8,499	303
Euro	—	—	1,099	926	1,099	926
RMB	—	—	—	55	—	55
USD	—	—	25	57	25	57
Swiss franc	—	—	—	20	—	20
Total	—	—	9,623	1,361	9,623	1,361

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 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.

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

	At 31 December 2018 £'000	At 31 December 2017 £'000
Total equity	32,080	14,185
Cash and cash equivalents	(9,623)	(1,361)
Capital	22,457	12,824
Total equity	32,080	14,185
Borrowings	3,842	7,680
Leasing obligations	3,226	3,696
Overall financing	39,148	25,561
Capital to overall financing ratio	0.57	0.50

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 2018 were £5,061 (2017: £5,061).

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). In September 2018 the whole of the convertible bond was repaid.

Gianluca Braguti, a Director and shareholder of the Group, was provided with services by the Group totalling £3,754 (2017: £3,765). At 31 December 2018, Gianluca Braguti owed the Group £3,700 (2017: £3,700).

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 €54,575 (2017: €68,000) was charged on the vendor loans note during the year. See note 22 for further details. In September 2018 the whole of the vendor loan notes was repaid.

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 (2017: €250,935), of which Gianluca Braguti's liability is €248,426 (2017: €248,426). There is still one litigation case outstanding, upon settlement of which, Gianluca Braguti will clear any outstanding liability with the Group.

(b) Transactions with other related parties

Braguti's real estate Srl (formerly known as Biokosmes Immobiliare Srl), a company 2% owned by Gianluca Braguti, a Director and shareholder of the Group provided property lease services to Biokosmes Srl, the Group's Italian subsidiary, totalling £407,368 in the year to 31 December 2018 (2017: £408,526). At 31 December 2018, the Group owed Braguti's real estate Srl £243,030 (£367,372 at 31 December 2017).

Services purchased from Biogenico Srl, a company 47% owned by Gianluca Braguti, a Director and shareholder of the Group, totalled £651 (2017: £8,499). At 31 December 2018, the Group owed Biogenico Srl £nil (2017: £nil). Services provided to Biogenico Srl totalled £60,670 (2017: £68,364). At 31 December 2018, Biogenico Srl owed the Group £nil (2017: £10,617).

Services purchased from A. Erre, a company 10% owned by Gianluca Braguti, a Director and shareholder of the Group, totalled £60,961 (2017: £36,311). At 31 December 2018, the Group owed A. Erre £11,333 (2017: £nil).

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 £791 (2017: £794 provided to Farmacia San Francesco). At 31 December 2018, Farmacia San Francesco owed the Group £nil (2017: £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 2018
Company number 05651130

	Note	At 31 December 2018 £'000	At 31 December 2017 £'000
Fixed assets			
Investments	5	19,053	19,062
Intangible assets	6, 7	4,451	—
		23,504	19,062
Current assets			
Debtors	8	4,196	8,734
Cash at bank		7,331	33
		11,527	8,767
Creditors			
Amounts falling due within one year	9	(212)	(452)
Net current assets		11,315	8,315
Total assets less current liabilities		34,819	27,377
Creditors			
Amounts falling due after one year	10	(217)	(5,139)
		—	(5,139)
Net assets		34,602	22,238
Capital and reserves			
Called up share capital	11	251	111
Share premium account		30,824	13,289
Convertible bond reserve		—	109
Merger reserve		7,656	7,656
Share-based payments reserve		609	497
Profit and loss account brought forward		561	472
Profit and loss account for the year		(5,299)	104
Shareholders' funds		34,602	22,238

The financial statements on pages 76 to 84 were approved and authorised for issue by the Board on 18 April 2019 and signed on its behalf by:

Jerry Randall
Director
18 April 2019

Parent Company Statement of Changes in Equity

for the year ended 31 December 2018

	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 2017	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
Loss for the year	—	—	—	—	—	(5,299)	(5,299)
Total comprehensive expenses	—	—	—	—	—	(5,299)	(5,299)
Issue of share capital	140	17,535	—	—	—	—	17,675
Repayment of convertible bond	—	—	—	(109)	—	14	(95)
Share-based payments charge	—	—	—	—	112	—	112
Dividends	—	—	—	—	—	(14)	(14)
Transactions with shareholders	140	17,535	—	(109)	112	—	17,678
Balance at 31 December 2018	251	30,824	7,656	—	609	(4,738)	34,602

During the year the convertible loan note was fully repaid. A settlement loss of £14,000 versus the fair value of the liability component and a settlement gain of £109,000 versus the fair value of the equity component were recognised in the financial result for the year within finance costs. The bond reserve of £109,000 was released in full, with the sum of £14,000 being transferred into retained earnings.

Notes to the Parent Company Balance Sheet
for the year ended 31 December 2018

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 is at:

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

The Company's principal place of business is at:

12 The Courtyard, Eastern Road, Bracknell, Berkshire RG12 2XB

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; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Going concern

On the basis of the strength of the balance sheet and performance of the business, the Directors are confident that the Company and its Group are well placed to manage business risks successfully. 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 vendor loan notes were repaid during 2018.

Convertible bond

The convertible bond was repaid during 2018.

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 2018

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 loss dealt with in the financial statements of the parent Company was £5,299,000 (2017: profit £104,000).

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 page 35.

5. Investments

	Investments in subsidiary undertakings shares £'000	Capital contributions from share-based payments £'000	Other investments £'000	Total £'000
Cost				
At 1 January 2018	18,756	306	31	19,093
Additions	—	17	—	17
Revaluation adjustment	—	(26)	—	(26)
At 31 December 2018	18,756	297	31	19,084
Accumulated impairment				
At 1 January 2018	—	—	(31)	(31)
Charge for the year	—	—	—	—
At 31 December 2018	—	—	(31)	(31)
Net book value				
At 31 December 2017	18,756	306	—	19,062
At 31 December 2018	18,756	297	—	19,053

Venture Life Group plc has three UK subsidiary undertakings, Venture Life Limited (Company number 07186207), Lubatti Limited (Company number 06704099), 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 (PermaPharm 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
Periproducts Limited	Ordinary	100%	UK
PermaPharm AG	Ordinary	100%	Switzerland
Biokosmes Srl	Ordinary	100%	Italy

The former subsidiary undertaking Tracey Malone Originals Limited (Company number 06703243) was dissolved during 2018.

6. Business combinations

In August 2018 the Company completed the acquisition of the Dentyl brand from DDD Limited, a UK based healthcare products company. The acquisition consideration was £4.37 million, comprising £0.17 million in acquisition-related costs recognised as expense during the period, £0.04 million net inventory at completion and a balance of £4.16 million. The acquisition was funded through the Company's own resources which had been increased by way of a placing of new shares raising £18.75 million (gross) during July 2018.

Dentyl is a unique bi-phase mouthwash with plaque removal claims. The Group acquired the brand to expand its oral care portfolio both domestically where it operates through an established infrastructure, and internationally via its B2B model. The Group expects that the inclusion of this additional brand into its portfolio will increase the leverage of its trading infrastructure and generate improved profitability. The parent company currently reports under FRS102 and has accounted for the acquisition as a business combination. The treatment differs from IFRS 3 in relation to the carrying value of intangible assets (especially Brand and Goodwill) which are required to be amortised under FRS 102. These have accordingly been assessed as having at least a 20 year useful economic life and have hence been amortised across 20 years. The Consolidated Financial Statements include the results of trading of the Dentyl brand for the period from August 2018 to 31st December 2018.

The fair values of the identifiable assets and liabilities of the Dentyl brand as at the date of acquisition were:

	Fair value £'000
Assets	
Non-current assets	
Brand*	1,089
Customer Relations*	170
Distribution Agreements*	19
Current Assets	
Inventories	39
Total assets	1,317
Non-current liabilities	
Deferred tax	(217)
Total net assets	1,100
Net Assets acquired	1,100
Goodwill	3,272
Total Consideration	4,372
Satisfied by:	
Cash paid at completion	4,200
Transaction costs	172
Total Consideration	4,372

* Intangible assets identified as part of the Dentyl acquisition. See note 3.10 for further details.

Revenue and profit impact of the acquisition

The Dentyl brand has been commercialised within some of the subsidiaries of the company. The company has to date not received any royalty income arising from Dentyl trading activities.

Financial statements

Notes to the Parent Company Balance Sheet continued

for the year ended 31 December 2018

7. Intangible assets

	Brands £'000	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost or valuation:				
At 1 January 2018	—	—	—	—
Additions	1,089	3,272	189	4,550
At 31 December 2018	1,089	3,272	189	4,550
Amortisation:				
At 1 January 2018	—	—	—	—
Charge for the year	23	68	8	99
At 31 December 2018	23	68	8	99
Carrying amount:				
At 31 December 2018	1,066	3,204	181	4,451

Other intangible assets are amortised over their estimated useful lives, which is between five and ten years. Goodwill and Brands are amortised over 20 years.

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

8. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Other debtors	3	10
Other taxation	13	16
Prepayments and accrued income	20	45
Amounts owed by Group undertakings	—	350
	36	421
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	4,160	8,313
Aggregate amounts	4,196	8,734

Amounts owed by Group undertakings

As part of annual impairment review procedures the Directors assessed the recoverability of its loans to Group undertakings based upon estimates of likely sales and profits from each subsidiary in turn. A Group loan to Venture Life Limited in the amount of £7.2m was considered to be significantly impaired and a charge of £5.5m was recognised in the Income Statement in respect of this.

9. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	26	61
Other taxation and social security costs	33	38
Accruals and deferred income	149	100
Vendor loan notes	—	71
Convertible bond	—	171
Other payables	4	11
	212	452

10. Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Amounts owed to Group undertakings	—	1,331
Vendor loan notes	—	1,751
Convertible bond	—	1,631
Deferred consideration	—	426
Deferred tax	217	—
	217	5,139

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 was subsequently extended to July 2020. The interest due on the loan notes was also increased from 3% to 4% effective 1 August 2017. The vendor loan notes were fully repaid on 7 September 2018.

	2018 £'000	2017 £'000
Amortised cost valuation of vendor loan notes at 1 January	1,822	1,754
Repaid during the year	(1,790)	—
Foreign exchange movements and changes in fair value of vendor loan notes	(32)	51
Accrued interest not paid	—	17
Amortised cost valuation of vendor loan notes at 31 December	—	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 2017 and 2018 was not considered material.

Notes to the Parent Company Balance Sheet continued

for the year ended 31 December 2018

10. 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.

	2018 £'000	2017 £'000
Amortised cost valuation of convertible bond at 1 January	1,802	1,717
Repaid during the year	(1,900)	—
Gain on equity component recognised in income statement	109	—
Loss versus amortised cost on liability component recognised in income statement	(14)	—
Transaction adjustment	3	—
Accrued interest not paid	—	14
Change in fair value of convertible bonds	—	71
Amortised cost valuation of convertible bonds at 31 December	—	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 was repayable in March 2019 and had an annual interest charge of 10% from September 2017. The deferred consideration was repaid fully on 7 September 2018.

The amortised cost valuation of deferred consideration included in non-current liabilities at the balance sheet date was £nil (2017: £426,000).

11. Share capital

	2018 £'000	2017 £'000
Allotted, issued and fully paid:		
During the year 46,875,000 ordinary shares were issued. At the balance sheet date there were 83,712,106 (2017: 36,837,106) ordinary shares of 0.3 pence each	251	111

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

12. 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

Giuseppe Gioffrè

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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