Venture Life Group
Annual Report & Accounts 2019

Significant growth potential in the self-care market

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.

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.

Strategic Review
We explain who we are, where we operate, our business and a summary of how we performed against our key performance indicators.

Corporate Governance
We introduce our Board, explain our approach to corporate governance and give details of the Group's remuneration principles and policies.

Financial Statements
This section contains the Financial Statements, the Auditor's Report, the accounting policies and the notes to the accounts.

Our Highlights

Another year of continued growth

Revenue (£m)

£20.2m

(2018: £18.8m) +7%

2019	£20.2m
2018	£18.8m
2017	£16.1m

EBITDA* (£m)

£3.0m

(2018: £2.7m) +11%

2019	£3.0m
2018	£2.7m
2017	£1.8m

* Before exceptional items

Profit after tax (£m)

£0.9m

(2018: £0.2m) +287%

2019	£0.9m
2018	£0.2m
2017	£(0.4)m

Distribution agreements

10

New distribution agreements signed

UltraDEX brand

17

International markets

New product launches

14

In-market launches

Financial

- Revenue of £20.2 million, +7% over 2018
- Gross profit increased 10% to £8.0 million (2018: £7.3 million)
- Adjusted EBITDA* increased 11% to £3.0 million (2018: £2.7 million)
- Profit before tax, amortisation and exceptional items increased to £2.2 million (2018: profit £1.5 million)
- Adjusted earnings per share of 2.18 pence (2018: 2.06 pence)
- Net cash generated from operating activities of £3.0 million (2018: £2.5 million)
- Gross margin percentage increase to 39.6% (2018: 38.8%)

* Before exceptional items

Commercial

- 10 new distribution agreements signed on key brands
- 2 new international markets signed for Dentyl in Finland and France
- 14 new product launches, including in Israel and Poland
- ASDA and Well Pharmacy launch UltraDEX in the UK
- Dentyl launches in Lloyds Pharmacy in the UK

Post-period end

- Acquisition of PharmaSource BV, a group of companies based in The Netherlands engaged in the manufacture and sale of medical device self-care products to distributors and retailers
- 6 new international partnering agreements signed, including a new agreement on the recently acquired PharmaSource BV products

At a Glance

Significant growth potential in 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.

A growing global population living longer drives the ever-increasing demand for self-care and preventative wellness. Combined with global healthcare budgets being under pressure and governments encouraging consumers towards both self-diagnosis and self-medication, means the self-care market is a continually growing market space.

Venture Life brands

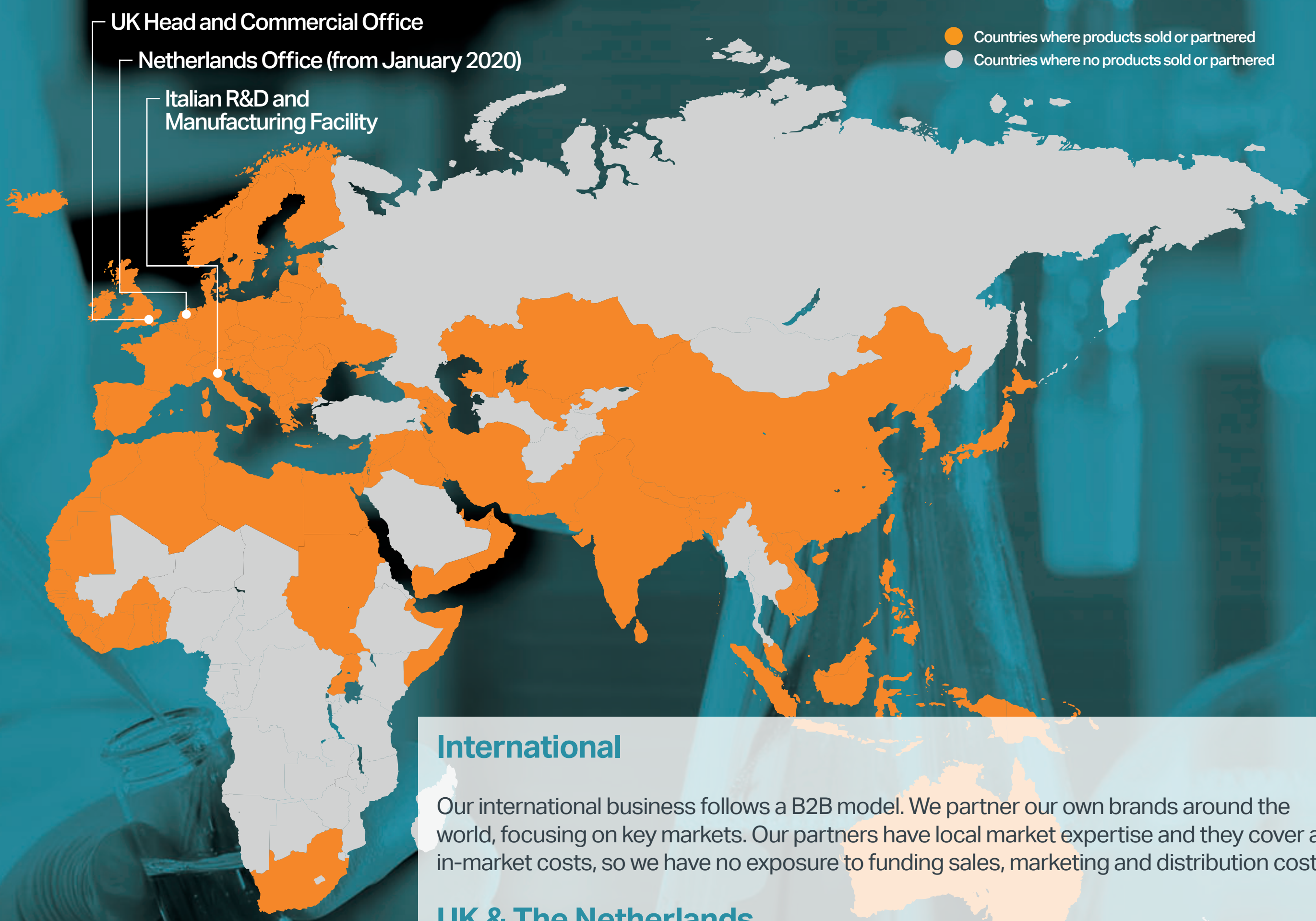
Venture Life has its own portfolio of self-care brands, which are sold without prescription through pharmacies and other retailers in the UK and internationally. They address a wide range of healthcare issues including oral healthcare, women's intimate health, neurology and dermatology.

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.

7
Key brands

14
New products launched in 2019

10
New international agreements in 2019



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 & The Netherlands

Within the UK and The Netherlands (as from January 2020), we have direct access to both retail markets, including key pharmacy and grocery multiple retailers, such as Boots, Kruidvat and Amazon. This direct route earns us higher revenues per unit, and in return we only invest money in UK consumer marketing to support the products.

110+
Partners

47
Markets worldwide

Chair's Statement

Venture Life continued the momentum built in 2018 to deliver record revenues and an earning enhancing acquisition

Dr Lynn Drummond
Non-Executive Chair

Highlights

- Record revenues of £20.2 million, +7%
- Record EBITDA* £3.0 million, +11%
- Conditional acquisition of PharmaSource BV, a self-care business based in the Netherlands (completed 24 January 2020)

* Before exceptional items

Venture Life continued the momentum built in 2018 to deliver record revenues of £20.2 million and adjusted EBITDA of £3.0 million (before exceptional items). This performance was delivered against a mixed global economic backdrop and demonstrates the strength of the Group's business model and niche focus.

In 2019, we were again included as one of the companies listed in the London Stock Exchange's publication '1000 Companies to Inspire Britain' for the fourth consecutive year – a publication that recognises businesses across the UK that outperform their peers. This is a strong testament to the continued growth and development achieved by the whole team at Venture Life.

The practical Brexit challenges and uncertainties during 2019 for the Group centred around supply chain and making sure our UK customers did not suffer any interruption to the supply of product made in our factory in Italy, in the event of UK border related issues. This also included maintaining back up manufacturers in the UK for the relevant products. The whole Venture Life team worked tirelessly and effectively to manage this potential issue and, although there still remains uncertainty over how the UK will conclude trade deals with its international counterparts, the Group is well positioned to manage all outcomes with limited impact on the business, if any.

Despite the slower than expected first half of the year, impacted by one-off costs related to finance department restructuring and an M&A project we terminated in the due diligence stage, the business once again delivered a typically strong second half to the year, with revenues of £10.8 million (H1 £9.4 million), gross margin of 41.5% (H1 37.4%), and adjusted EBITDA of £2.3 million (H1 £0.7 million). The stronger margin in H2 reflected the effect of higher revenues through our fixed cost base, demonstrating the Group's operational leverage. Revenues in the second half were weighted towards the back end of the year and were impacted slightly by the weakening euro in November and December.

In May, we welcomed Andrew Waters, FCA, to the Board of Venture Life as Chief Financial Officer. Andrew has been a welcome addition to the team as we pursue our ambitious growth plans.

Our growth strategy continues to be focused on achieving sustainable organic growth through our existing business, combined with the selective acquired growth of assets that would benefit the Group's operational leverage. Despite reviewing a significant number of potential acquisition opportunities, we did not exchange contracts on a transaction until late December, when the Group acquired PharmaSource BV based in Breda, Netherlands subject to the fulfilment of certain critical requirements, which were subsequently met on 24 January 2020. The Group is in a solid financial position, with sufficient cash on the balance sheet and available debt facilities that we can deploy. We will continue to consider acquisitions that complement our existing business and satisfy our due diligence requirements.

On 24 January 2020, we completed the acquisition of PharmaSource BV, a Netherlands based development and distribution company. This is a successful, profitable and fast growing business that has excellent product assets and customer channels that we can continue to develop and grow within the Group. Additionally, PharmaSource BV provides direct access to the Dutch retail pharmacy and grocery channels. I am confident that this will be a valuable addition to the Group. The financial results for 2019 and the statement of financial position at 31 December 2019 exclude the results and financial position of PharmaSource BV.

The impact of Covid-19 is being felt around the globe at this time, and we at Venture Life are not immune from this impact. However, the Group has instigated precautions and safety procedures at all of its locations to protect its employees and its operations. The safety of all our employees has been our utmost priority, and we have been able to successfully achieve this to date whilst maintaining production in Italy, and supply of raw materials, to be able to meet our customers' requirements. This has all been achieved by our amazing team of dedicated and committed employees, particularly those in Italy that have been operating under lockdown conditions, and on behalf of the Board, I give them our sincerest thanks and congratulations for this.

I would like to thank all our shareholders, employees and other stakeholders for their support and wise counsel during this year and into 2020. We start the new financial year with a record order book and strong balance sheet, in addition to our recently acquired PharmaSource BV business, which puts the business on the strongest possible footing to weather the current Covid-19 situation and one which will allow us to emerge even stronger once we are all through this.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
8 April 2020

Case study:

Giuliani, Italy

Our partnership with Giuliani, an Italian pharmaceutical company, illustrates a key company ethos of how we nurture and foster our partner relationships. Our manufacturing division has been working with Giuliani for over 13 years.

Our R&D team co-developed the formulation for the dermatological repair cream, Trosyd® Repair, to which Giuliani acquired the distribution licence. In 2019, we started manufacturing this Medical Device for Giuliani, under a manufacturing agreement.

Our Business Model and Strategy

Venture Life is a business with multiple revenue growth opportunities, both organically and through its acquisition strategy

Our company

We are committed to providing innovative and efficacious products for the self-care market. Key to our growth is our continued drive to be the "partner of choice" for self-care products. We have the agility to move fast, to capitalise on the growing consumer trends and our model is supported by the following key components:

- Experienced management team
- Committed and dynamic team of 109 people
- Vertically integrated business model
- Head office in the UK
- Commercial operations in the UK, Italy and The Netherlands (as of January 2020)
- 5,500m² in-house manufacturing and development facility in Italy
- Expertise in product development, manufacturing and distribution
- Experience in acquiring products/brands and reinvigorating them
- We foster and nurture partnerships – strong relationships with 110+ partners

Our key activities

Based on a vertically integrated approach, we either acquire or develop self-care products. These products are then manufactured in-house and sold to a network of international partners and to key retailers in the UK market.

Our key aquisitions

2010

Venture Life co-founded by Jerry Randall and Sharon Daly

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

2020

Acquisition of PharmaSource BV

Our buy and build strategy

2019 has seen our strategy deliver another year of both organic growth and growth from acquired brands, with the Group increasing both revenues and profit through four key growth drivers.

Key achievements

As well as steady organic growth, the acquisition of PharmaSource BV, based in The Netherlands, gives the company its first mainland European foothold directly into the retailer market.

2019 achievements include:

- 10 new commercial distribution agreements signed on key brands
- Acquisition of PharmaSource BV, a Netherlands-based development and distribution company. Completed January 2020
- Units produced through our factory in 2019 were up 13% over 2018
- Continued internationalisation of acquired brands – distribution agreements for Dentyl signed in Finland and France and for UltraDEX in Italy and the UAE
- ASDA and Well Pharmacy launch UltraDEX in the UK

Our Investment Case

We create value for shareholders by developing, manufacturing and commercialising products for the self-care market

Highly capable team with a proven business model

- Experienced management team
- Vertically integrated business model
- Expertise in product development, manufacturing and distribution
- Experience in reinvigorating acquired brands and turning them to growth

Read more on page 24

Profitable and cash generative

- Adjusted EBITDA* of £3.0 million, +11% over 2018
- Operating cash generative
- Strong balance sheet

* Before exceptional items

Read more on page 22

Geared for growth

- Organic growth from distribution partners
- Growth from developing innovative products
- Additional growth through acquisitions

Read more on pages 6 and 7

Operational leverage

- Increased operational leverage
- Scope for additional revenue generation without significant capacity investment

Read more on pages 10 and 11

10
Years of operation

+7%
Revenue growth

+11%
EBITDA profit

40%
Gross margin

Key Performance Indicators

Revenue (£m)

£20.2m

(2018: £18.8m) +7%

2019	**£20.2m**
2018	£18.8m
2017	£16.1m

EBITDA* (£m)

£3.0m

(2018: £2.7m) +11%

2019	**£2.9m**
2018	£2.7m
2017	£1.8m

* Before exceptional items

Profit after tax (£m)

£0.9m

(2018: £0.2m) +287%

2019	**£0.9m**
2018	£0.2m
2017	£(0.4)m

EPS (p)

1.08p

(2018: 0.42p) +157%

2019	**1.08p**
2018	0.42p
2017	(1.00p)

Adjusted EPS (p)

2.18p

(2018: 2.06p) +6%

2019	**2.18p**
2018	2.06p
2017	0.66p

Development and Manufacturing

Our 5,500m² manufacturing facility is a key differentiating factor from our peers

Manufacturing capabilities

Our in-house manufacturing capability is a key differentiating factor from our competitors. Our 5,500m² facility is located in Italy. This facility manufactures both our Venture Life Brands and Customer Brands for customers, which are sold under the customers' brand name.

Research & development

With over 35 years experience in developing Cosmetics and Medical Devices, we have a very strong technical team in place, with regulatory expertise. This enables us to be agile in responding to market demand in both the development and manufacturing of new products.

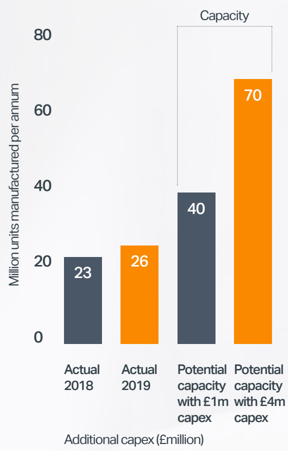
Quality, environment, health & safety

We have an integrated quality system based on international standards for the assurance of quality and safety. Our certifications are worldwide.

Operational leverage

Our factory has plenty of scope for additional revenue generation without significant capacity investment:

Our manufacturing scalability



130,000
Units per day capacity

5,500m²
Manufacturing facility north of Milan

26m
Finished products in 2019

35+
Years of experience in development and regulatory affairs

6
Turbo mixers

10
Filling and packaging lines

Our key customers

Key to our growth is fostering and nurturing our customer partnerships, both with new and existing customers. We strive to be "the partner of choice" in whatever we do.

ALLIANCE Breathing life into medicines

SUNSTAR

GIULIANI

Almirall

HELSINN

the MENARINI group

Chief Executive Officer's Statement

Delivering continued growth through our organic and acquisitive strategy

Jerry Randall
Chief Executive Officer

Highlights

- Continued growth through our organic and acquisitive strategy
- Increase in operating cash generation of 20%
- Customer brands business up 11% to £13.5 million (2018: £12.1 million)
- PharmaSource BV acquisition

Introduction

The Group has once again delivered growth in revenues and profits, combined with another immediately earnings enhancing acquisition post period end. Despite facing a number of macro level challenges during the period, the Group reported an increase in revenues of 7%, an increase in adjusted EBITDA of 10%, as well as an increase in operating cash generation of 20%.

The Group acquires, develops and manufactures products at its facility in Italy. These products are sold either direct to retailers in the UK and The Netherlands, through the Group's sales operations, or via distributors in all other territories. The products are split into two categories: Venture Life Brands (VLG Brands), assets and brands that the Group owns, which represented 33% of the revenues in 2019 (2018: 35%); and Customer Brands, customer-owned assets and brands, developed and manufactured by the Group. This represented 65% of the revenues during 2019 (2018: 65%). By developing the Customer Brands, the Group is able to lock in long-term manufacturing revenues.

The Group's products are registered either as medical devices or cosmetics, with medical devices representing approximately 59% of total Group revenues. This will increase in 2020 through organic growth and with the addition of the PharmaSource BV products, which are mostly medical devices.

Revenues for the year increased to £20.2 million (2018: £18.8 million), helped by growth in both our VLG Brands business, which was up 1% to £6.7 million (2018: £6.6 million) and our Customer Brands business, up 11% to £13.5 million (2018: £12.2 million). We are satisfied with the progress achieved in our VLG Brands business given that both of our Chinese customers purchased significantly less product in 2019 compared to 2018, and that we were still dealing with the annualisation of the legacy UK delists of Dentyl that we inherited when we bought the brand.

As is normal for the business, due to historic customer ordering patterns, second half revenues were higher (+14%) than in the first half. This resulted in a significantly higher gross margin of 41.5% in the second half (H1 37.4%), demonstrating the strong operational leverage effect of higher revenues.

Our Customer Brands business, through Biokosmes in Italy, continued to perform well with an 11% increase in revenues over 2018, delivering more volume through our facility and utilising the significant operational leverage that we have there.

The Group is well positioned to capitalise on the growing self-care market, which is being driven by an expanding ageing population, with people living longer and having to take greater responsibility for their own health.

Growth strategy

Our growth strategy is centred on increasing revenues, which then accelerate profitability through operational leverage. We grow revenues through:

- Existing customers growing revenues in their markets
- Increasing the geographic penetration of our products through existing or new partners
- Product innovation and development available to all markets
- Acquisition of product assets that we can then expand geographically and transfer to our manufacturing facility

Operating review

Acquisition of PharmaSource BV

In line with our stated strategy of acquisitive growth alongside organic growth, on 19 December 2019 we exchanged contracts to acquire the entire issued share capital of PharmaSource BV, a privately held consumer self-care products company based in The Netherlands, subject to completion of certain critical actions. The acquisition was completed on 24 January 2020 and will be immediately earnings enhancing. This innovative, fast growing and profitable business is selling some proven medical devices in the areas of fungal nail infections, wart removal, oral and women's health. The products are sold direct through retail and grocery chains in The Netherlands, and also through some key international distributors in Europe.

PharmaSource BV delivered revenues of €2.6 million in the year ended 31 December 2019, and profit before tax of €0.9 million. These results are not included in Venture Life Group's results in the year ended 31 December 2019. The consideration for the acquisition was a total of €6.5 million, although €1.3 million of this is deferred, related to the confirmation of the 2019 results and a small product approval.

The acquisition brings many benefits and opportunities for the Group:

- A new range of products with limited current international exposure that we can partner
- Direct access to the retail channels in The Netherlands, that we can look to exploit further with existing Venture Life products
- New international partners that we can now consider for some of the Venture Life products
- Utilising our operational leverage and facilities to create profit and cost synergies going forward.

The integration is progressing well and we plan to maintain and build on the operations in The Netherlands as we grow the business there. We have already achieved our first new partner agreement for products from PharmaSource BV, with Lloyds Pharmacy in the UK agreeing to take the wart pen for distribution throughout their UK pharmacy outlets, having already launched Venture Life's Myco Clear nail fungal brush product in 2019.

Venture Life Brands

UltraDEX

Revenues remained steady at £3.2 million (2018: £3.2 million) across all markets. Sales in the UK and Ireland, where we sell direct into retail remained flat at £2.6 million (2018: £2.6 million) – a solid performance given the UK mouthwash market declined at rate of 5% in 2019.

Despite a decline in the mouthwash market, we have secured new distribution points with ASDA and Well Pharmacy for UltraDEX. Now available in key UK pharmacies and grocery retailers including Boots, Superdrug, Lloyds Pharmacies, Tesco, ASDA and Sainsbury's, amongst others, we have increased UltraDEX's UK points of distribution significantly since the acquisition in 2016 by 34%. Our marketing in 2020 will continue to focus increasingly on digital and social media aspects, following the effective "Smellephant" campaign in 2019.

Internationally, the brand is partnered in 17 countries, with revenues outside of the UK and Ireland of £0.6 million (2018: £0.6 million). Revenues were flat in 2019, as 2018 included some first orders for partners, which included both initial stocking and anticipated sell through. However, good progress has been made post period end and we expect 2020 to deliver exceptional growth internationally compared to 2019.

Dentyl

We received a first full year of revenues from Dentyl in 2019 (mouthwash and fresh breath beads), having acquired the brand in August 2018. Revenues in 2019 for the brand were £2.2 million (2018 for 5 months: £1.6 million). This first full year was mixed, with a consolidation of the UK business, which contained a number of legacy delists and one-offs that had been initiated before we acquired the brand, and issues with sales to our Chinese partner due to quality issues on externally manufactured products. However, these one-off delists have now run their course, and the order book for China in 2020 is growing significantly.

In the UK & Ireland, revenues rose 135% to £1.9 million (2018 for 5 months: £0.8 million). Dentyl had been neglected in the hands of the previous owner, and our focus has been on rebuilding trust in the brand through retailer and public engagement, refreshing the brand image and partly bringing manufacturing and development in-house. As a result, we have been able to reverse some of the delistings that occurred in the hands of the previous owners, including BodyCare Plus. Additionally, Superdrug has increased its listings, while Lloyds Pharmacy launched the mouthwash in 2019. We are confident in the growth opportunity for Dentyl and have invested in a number of new product development ideas that will come to market in 2020, both in the UK and internationally. As with UltraDEX, good progress has also been made post period end and we expect 2020 to deliver very good growth internationally compared to 2019.

Chief Executive Officer's Statement
continued

Case study:

Acquisition: PharmaSource BV, Netherlands

In December 2019, Venture Life exchanged contracts to acquire PharmaSource BV, a Netherlands-based development and distribution business. The acquisition completed on 24 January 2020.

PharmaSource BV is an innovative, fast growing, profitable business, which owns a number of Medical Device products in key therapeutic areas, including fungal nail infections, wart removal and women's health.

Strategically, this acquisition enables Venture Life to broaden its product range and extend global reach by providing additional retailers and distributors to its existing network, as well as benefit from the operational leverage Venture Life brings with its manufacturing facility.

These products are distributed both through retail pharmacies in The Netherlands and through key international distribution partners outside of The Netherlands, including the UK, Germany, the Nordics, Belgium and France.

"The acquisition of PharmaSource BV gives us our first mainland European footprint directly into the retailer market. We see this as another excellent add-on to our existing business that we can further grow and develop within our existing structure."

Revenues 2019

€2.6m

New products acquired

10

Venture Life Brands (continued)

Dentyl (continued)

As reported previously, internationally, the brand did not meet our expectations in 2019, with revenues of £0.3 million (2018 for 5 months: £0.8 million), and these 2019 sales were predominantly of the Dentyl fresh breath beads. In 2018, our Chinese partner for this brand launched the mouthwash in China and achieved good early success. However, as previously mentioned, quality problems at the external contract manufacturer caused our partner to halt sales and marketing in January 2019 until the issues were resolved. Transfer of production in-house to our Italian facility and changes to the packaging solved the issues by mid 2019, but the break in sales and marketing activities affected sell through of the product in China.

However, it is pleasing to report that since our partner restarted the sales and marketing activities in late 2019, sales have escalated rapidly and at the time of writing, we received orders totalling over €7.0 million from this partner for delivery in 2020, for Dentyl mouthwash, Dentyl Fresh Breath Beads and other products. Of this, more than €2.0 million is expected to be delivered in H1 2020. This partner also expects to launch the newly developed Dentyl toothpaste range in 2020 as well as the two new limited editions mouthwash that will launch mid 2020. As a result, whilst 2019 was a disappointing year for the Dentyl brand in China, our partner is now making excellent progress and we expect to see considerable growth in 2020 and beyond. This partner has also reported that sell out in China has not been noticeably affected by the recent coronavirus issue, as sales are purely online.

Additionally, we have continued to partner Dentyl in new geographies, such as France, and we will continue to see further developments in 2020.

Lubatti

This skincare product range is only partnered in China, with a different partner from that which sells Dentyl and sales during 2019 amounted to £0.1 million. Prior to 2019, sales of Lubatti to this partner totalled £2.3 million over five years. The retail markets are changing rapidly in China and online sales are growing at a faster rate than expected. Our partner has over 2,000 high street stores focused on skincare, but in the past three years it reported that its footfall through these stores fell by 60%. Our partner has consequently decided to halt any further high street store expansion, instead investing in online sales. This change in strategy midway through 2019 has meant the Lubatti brand will now be sold exclusively online and orders resumed in late 2019. Our partner remains committed to the brand and to this new strategy, and we expect revenues to increase throughout 2020. At the date of writing, our partner for Lubatti in China reported that 90% of their stores across mainland China had reopened with sales gradually returning to normal levels.

Procto-Eze

This brand is gaining more prominence within our portfolio, with revenues increasing by 8% to £0.5 million in 2019. The range includes three SKUs and has gained traction with partners in nine countries, including two further long-term partner agreements that were signed post year-end in Poland and Portugal.

Other brands

Revenues from the rest of the branded portfolio were £0.7 million (2018: £0.2 million) including NeuroAge, Myco Clear and Vonalei. We continue to identify new partners for these smaller brands and signed four new long-term partner deals on these brands in 2019.

Customer Brands

Customer Brand revenues grew 11% in the year to £13.5 million (2018: £12.2 million), with growth from both existing and new customers. The new Medical Device Regulations (MDR) that will be instated in May 2021 (originally May 2020 but recently delayed by one year due to Covid-19) have driven significant development activities in the business, including investing in the conversion of the existing products from the existing Medical Device Directive (MDD). The more stringent regulations required investment to improve the technical file for many of our own and our customers' products, which will in turn lead to ongoing future revenues for the Group arising from these products. As the new MDR regulations come into force, this will improve the attractiveness and value of these enhanced products, with less technical products from competitors failing the tests of rigour.

Investments and R&D

We continue to invest in the plant in Italy, in order to improve efficiency. In 2019, this included investment in upgraded filling capability for UltraDEX and Dentyl and increased secondary packaging areas. We have also invested in the new EDI batch labelling system, which will become mandatory from 2023 and we are seeing new customers attracted due to this capability.

New product development is a key contributor to growing revenues, and at the facility in Italy we have continued the development of new products apace in 2019. As well as developing new products for sale under customers' own brands, we developed new products for our own brands, including three new flavours of the Dentyl toothpaste to be sold alongside the mouthwash range, and some limited editions of the Dentyl mouthwash, which will launch in mid-2020.

We have also now fully validated the manufacture of the Dentyl mouthwash product in our facility and have already started to deliver the product from there to international markets.

Summary & outlook

We are delighted to have delivered organic growth in revenues and profits in 2019, despite experiencing a number of challenges during the year. The Group continues to exploit and further invest in its operational leverage, which we expect to bring increased efficiency and profitability in the future.

The main challenge experienced during the period was the performance of our two Chinese partners and it is pleasing to report that this has been overcome. Already this year, we have received orders from our key Chinese Dentyl partner of over €7 million for delivery in 2020, (of which more than €2 million is due for delivery in the first half), which is well ahead of what we had budgeted. These orders from China are contributing to a very strong current order book overall for the business, and at the time of writing the order book value stands at more than 2.5 times the value at the same time last year, even excluding the order book at PharmaSource BV.

We are seeing growth from many of our partners, and there is no doubt that the new MDR will benefit the Group in the long-term, delivering significant and sustainable long-term revenues. The addition of the earnings enhancing PharmaSource BV business will deliver additional revenue, profit and cash flow to the Group, and provide significant opportunities for operational leverage in 2020 and beyond.

We continue to seek out and evaluate small bolt-on acquisitions, to utilise the surplus cash and debt facilities available to us, to further enhance Group profitability.

The Covid-19 virus has had and is having a dramatic effect on the world at this time. Our development and production facility, Biokosmes, is based in Bosisio Parini in the north of Lombardy and our people and our business became subject to the severe lockdown regulations imposed by the Italian Government to cope with impact of the virus. Similar restrictions are now in place in the UK and The Netherlands. However, as a Group we have implemented a number of precautions to meet the requirements of local Governments in relation to the Covid-19 restrictions and regard the business to be as prepared as it could be, and we are considered an essential supplier by the Italian Government. The precautions we have put in place have been to protect our employees first, and then our business, our customers, our suppliers and all of our stakeholders.

Chief Executive Officer's Statement
continued

Case study:

UltraDEX: #youneverknow Marketing Campaign

With the 2019 #youneverknow campaign, the UltraDEX marketing team wanted to bring the topic of bad breath to the forefront of public discussion.

Playing on the notion of bad breath being the "elephant in the room", a "Smellephant" caricature was developed and used to promote their outdoor campaign called "Catch the Smellephant" tour. Over ten days, the tour visited ten high footfall locations in central London.

Brand ambassadors handed out 90,000 UltraDEX mouthwash samples, 25,000 promotional postcards and discount vouchers. Within the first 2 weeks, there was a 538% increase in social media traffic and the campaign was Finalist in the FMC Dental Industry Awards 2019.

This continued dynamic marketing strategy illustrates Venture Life's ability to reinvigorate acquired brands such as UltraDEX.

Samples distributed

90,000

Increase in social media traffic

538%

At our Italian facility we have also initiated the manufacture of hand sanitising gel. This has been to satisfy commercial demand from retailers, and also we have supplied product on a compassionate basis at no cost to hospitals and pharmacies in the north Lombardy area to support the fight against Covid-19.

As a result of the dedication and commitment of all our employees, in all locations of the Group, we have been able to continue to operate our business. More specifically in Italy, our development and manufacturing facility remains open and operational, and processing the significant order book that we have on hand, and shipping to our customers. We cannot predict how this issue will continue to manifest itself in the coming weeks and months, but we have undertaken extensive financial stress tests on our business, which confirm that we are in a strong and robust position to deal with the current and anticipated disruption due to the Covid-19 crisis. At this time our magnificent team in all our locations has risen to the challenge of making sure we continue to deliver to our customers around the world as we always have.

I would like to thank our employees for their hard work and commitment to our business, and our shareholders, for their continued support for the business in these challenging market conditions. Having already completed our first quarter, and having implemented specific procedures for our business to operate in this difficult Covid-19 environment, the Board is confident that the business is well positioned to continue to operate in these challenging current conditions and emerge with a stronger business on the other side.

Jerry Randall
Chief Executive Officer
8 April 2020

Our Awards

Our team is committed to and motivated by the success of the company

Our team is committed to and motivated by the success of the company. Since Venture Life was founded in 2010, we are extremely proud to have received several awards, recognising both our fast and dynamic growth, and strong leadership.

In June 2019, we were named one of the London Stock Exchange "1000 Companies to Inspire Britain" for the fourth consecutive year. This is a well-regarded award that recognises businesses across the UK that outperform their peers. In 2019, there were 5.9 million SMEs in the UK.

Our UltraDEX brand was a finalist for three awards in the annual FMC Dental Industry Awards 2019. The nominated categories included Marketing Campaign of the Year, Advertisement of the Year and Product Launch of the Year. UltraDEX won the award for Best Advertisement of the Year. This success illustrates the Company's ability to revitalise the marketing strategy of an acquired brand.

Principal Risks and Uncertainties

Creating quality outcomes by managing risk

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 2016, 2017, 2018 and 2019 was 54%, 56%, 50% and 40% respectively as we diversify our customer base through growth. 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 medical devices, functional cosmetics and food supplements that, in certain regions including Europe, require pre-market notification but not pre-market authorisation or approval by the relevant authorities. Certain changes in Medical Device Regulations (MDR) are taking effect in 2021.

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 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, flooding or Brexit related issues. 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, The Netherlands 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 mainland Europe 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 73% 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 27% 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.
Covid-19 ↗	As at 8 April 2020 the Group's business units in the UK, The Netherlands and Italy are operational. The Group's Italian manufacturing facility is considered an essential business. Shipments of finished goods to customers are continuing as are invoicing and cash collection processes. The majority of the Group's customers are large organisations and it is the opinion of the Directors that bad debts will remain a relatively low risk. Accordingly the Directors have evaluated a range of scenarios all representing varying months of closure of the business and associated losses of marginal gross profits and forsee the company has sufficient resources to continue in operational existence for the foreseeable future and to comfortably make scheduled loan repayments as they fall due.

→ No change in risk

↗ Increase in risk

↘ Decrease in risk

Our Section 172(1) Statement

Our key stakeholders

The table below highlights our key stakeholders, and why and how we engage with them.

Who?	Why?	How?
Our key stakeholders	**Their importance to our long-term success**	**The methods we use to engage and understand and their issues**
The Company's key stakeholders include the following parties: • Our many Shareholders • Our dedicated workforce of more than 100 individuals • The sell-side analysts of the market in which we are listed • Our many dedicated Suppliers of raw materials, packaging, other products and services • Our portfolio of Customers across the world • The local communities in territories in which we operate • The environment • The national and international regulators applicable to our products • Our NOMAD, auditors, legal counsel and other professional advisors	Key Stakeholders play a major role in the continuing operation of the business in many forms: **Strategic decision making**, including providing input and advice in relation to prospective activities which can include fundraising, M&A activities, allocation of cash across business segments and other activities. **Operational matters**, aimed at ensuring the business operates with maximum efficiency as well as adopting a pragmatic approach to planning, forecasting and prioritisation. **Compliance**, ensuring the company complies fully with regulatory, legal and other legislative requirements.	Our CEO leads the interactions with shareholders, NOMAD, and other professional advisors, supported by other Executives. Individual executives operate openly with their teams to ensure a united and coordinated effort by the workforce to meet Group objectives. These executives plus their teams of Directors and Managers also interact with the portfolio of Customers and Suppliers to maximise the achievement of company operating performance. Our CFO leads the interactions with sell-side market analysts to ensure forward looking market forecasts are appropriate. The interaction with national and international regulatory bodies is lead from our Head of R&D & Technical in consultation with the executives. All Executives are experienced, qualified individuals and act with skill and integrity. Board Papers are prepared with diligence and are issued several days ahead of each Board meeting to enable attendees to thoroughly pre-read. Training is undertaken as required in specific areas to supplement skills and experience.

Our principal decisions

We describe below how the directors had regard to key stakeholders when making principal decisions during the year.

Principal decisions	Key stakeholders	More information
Principal decisions included:	**The Group's strategic drivers include:**	
a) The decision to terminate on prospective M&A activity following a significant due diligence exercise; b) The decision to focus on increasing revenue through the business from all sources to maximise the operational leverage we have and hence maximise profit and cash flow; c) The decision to progress and ultimately acquire PharmaSource BV (completed 24 January 2020) following a substantial due diligence exercise. In making this decision the directors carefully considered the conflicting interests expressed by some shareholders of the short-term merits of maintaining excess cash in the balance sheet versus the longer-term merits of making the acquisition. d) The decision post year-end to supply hand-gel free of charge to hospitals and pharmacies in the Lombardy area of Italy in response to Covid-19.	a) Revenue growth and b) "Buy & build", in which the Directors are continually exploring business targets that fit against a number of set criteria, and c) "Maximise automation and factory throughput" in order to continuously improve cost-of-goods, and d) "Care for the environment" which includes a range of measures associated with the selection of ethical and safe product ingredients, the efficient consumption of energy and the fair treatment of waste.	The recent acquisition of PharmaSource BV is addressed in the CEO report and also in Note 32 Post Balance Sheet Events. Although this report does not focus on this matter in this year, the cashflow statement highlights a spend of £372k in 2019 on factory automation. Environmental factors are important to the Group and our culture.

Financial Review

The Group reported 2019 revenues of £20.2 million, an increase of 7% over the £18.8 million reported in 2018.

Andrew Waters
Chief Financial Officer

Highlights

- 7% year-on-year revenue increase, mostly organic
- H2 gross margin improved 41.5% from 37.4% in H1, giving overall 39.6% for the year (2018: 38.9%)
- Positive operating cash flow
- Additional €1m debt raised on attractive terms

The Group delivered robust results for the year, once again delivering on its profitability progression driving greater revenues through the infrastructure. All profitability measures (gross profit, EBITDA, operating profit, pre-tax profit and post-tax profit) increased commensurately, as did all measures of operational cash flow.

Statement of Comprehensive Income

The Group reported 2019 revenues of £20.2 million, an increase of 7% over the £18.8 million reported in 2018. The Venture Life Brands business reported relatively flat revenues at £6.7 million (2018: £6.6 million). The Dentyl brand grew by 35% to £2.2 million in 2019 (2018: £1.6 million) primarily reflecting the full year-effect on sales in the UK market, which was significantly offset by reduced international sales to China due to the temporary packaging issue (which has subsequently been resolved). UltraDEX net sales remained broadly flat at £3.2 million in 2019 comprising relatively stable sales of £2.6 million to UK & Ireland retailers and £0.6 million to international partners. Sales of the Lubatti brand to China fell by £0.7 million due to a one-off change in selling strategy by the Chinese partner resulting in a re-balancing of trade inventory levels. Sales of the group's other branded products grew 24%, reflecting a blend of increasing geographic footprint coupled with volume growth.

The Customer Brands business reported revenues (excluding intercompany sales) of £13.5 million, an increase of 11% from 2018. This business is focused on the development and manufacture of products on behalf of third parties to be sold under their brands and the growth is partly attributable to newly launched assets.

The euro fluctuated against the pound in 2019, which resulted in slightly reduced reported revenue and administrative costs (large elements of these are in euros). The overall impact of the changes in foreign currency rates nevertheless had only a marginal effect on the reported operating profit of the Group. The appreciation of sterling at the year-end gave rise to a small gain within finance costs resulting from the revaluation of the Group's euro denominated loans partially offset by a small foreign exchange loss on the Group's euro denominated assets (mostly Italian factory plant & machinery).

The gross margin for 2019 was 39.6% (2018: 38.9%), which resulted from higher revenues and factory throughput, partially offset by slightly higher promotional spending behind the UK brands especially Dentyl.

Administrative costs (pre-exceptional items) at £6.7 million were 9% higher in 2019 than in 2018 (2018: £6.2 million) due in part to some one-off non-recurring operating expenditures pertaining to changes in staff. Exceptional costs of £208,000 (2018: £172,000) related to legal and professional fees incurred in the acquisition of the PharmaSource BV business (announced 19 December 2019 and completed 24 January 2020), as well as speculative due diligence activities conducted earlier in the year.

Operating profit was £1.5 million (2018: £1.2 million) (before exceptional items) with the profit before tax for the Group of £1.4 million (2018: £0.7 million). The Group reported profit after tax of £0.9 million (2018: profit of £0.2 million).

Finance costs were a credit of £0.1 million and reflected both positive net interest (as interest income on sterling deposits exceeded interest payable on euro loans) coupled with foreign exchange gains arising principally upon settlement of euro denominated costs during periods of sterling appreciation.

These translated into basic earnings per share of 1.08 pence (2018: 0.42 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 2.18 pence (2018: adjusted earnings per share 2.06 pence). The number of shares in issue as at 31 December 2019 was unchanged at 83,712,106 (31 December 2018: 83,712,106).

Statement of Financial Position

Intangible assets increased slightly by £0.2 million, comprising further capitalisation of development costs of £0.8 million and continuing investment in patents and trademarks of £0.1 million partially offset by ongoing amortisation. Capitalised development costs are carried in the amount of £1.9 million and reflect the recent peaking in workflow assisting our customers with formulation upgrades and changes to the 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 decreased as the net result of investment of £0.4 million in new equipment in the Customer Brands business was more than offset by ongoing depreciation.

Working capital was well managed during 2019, with the closing balance at 31 December 2019 in line with the prior year and not increasing despite the growth in the business. Specifically, inventories increased in-line with business growth coupled with the proactive policy to increase UK inventories in the run-up to Brexit in order to secure supply across potentially uncertain times. Trade debtors decreased and trade creditors increased reflecting efforts to improve the overall working capital funds deployment.

Cash and debt

Cash and cash equivalents at the year end totalled £10.7 million (2018: £9.6 million). Net cash inflow during 2019 amounted to £1.4 million with the increase in cash balances accounted for as follows:

- Operating cash flow before movements in working capital - inflow of £3.0 million
- Tax paid – outflow of £0.4 million
- Net movement in working capital, including £1.4 million build of UK inventory as part of Brexit preparations – offset by debtor and creditor flux – neutral movement
- Investment in manufacturing facility – outflow of £0.4 million
- Investment in intangible development assets - outflow of £0.8 million
- Repayment of Finance Leases – outflow of £0.6 million
- Drawdown of new €1 million loan – inflow of £0.8 million
- Repayment of existing term loans – outflow of £0.2 million

Net cash, excluding finance lease obligations, increased from £5.8 million as at 31 December 2018 to £6.3 million as at 31 December 2019.

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. During May 2019 the group secured a further €1 million loan from an Italian bank at an attractive interest rate and repayable by 2024. Given the net cash position at the year end, the Group is 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, generate positive operating cashflows and comfortably meet all scheduled loan repayments as they fall due.

The Group has delivered a robust performance in 2019 with strong and growing operating profit, pre-tax profit, post-tax profit and operating cashflow. The start of 2020 has been particularly strong with the sales order book at 9 April 2020 significantly higher than in previous years. As described in the Post Balance Sheet Events note, the Group is managing the impact of Covid-19 on its business and the uncertainty that this might bring. Following analysis and consideration of even an extreme worst-case scenario, the directors believe that the Group has sufficient resources to continue in operational existence for the foreseeable future and to comfortably make scheduled loan repayments as they fall due. The Directors therefore conclude that the Going Concern basis remains the appropriate basis upon which to prepare the Group's financial statements.

Andrew Waters
Chief Financial Officer
8 April 2020

Board of Directors

Leading with an experienced team

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 mouthwash brand.

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

Peter Bream
Non-Executive Director

Peter Bream joined Venture Life in February 2016. 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.

Andrew Waters
Chief Financial Officer

Andrew joined Venture Life as Chief Financial Officer in May 2019. Andrew is a Chartered Accountant having previously worked at PWC and then GlaxoSmithKline plc, where he spent 16 years in various financial and business management positions.

Following this, Andrew co-founded two businesses, Cubase Consulting Ltd and Infirst Healthcare Ltd, which he progressed as Chief Financial Officer through three successful funding rounds, raising in excess of £40 million from private equity.

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.

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 Group 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 and Dr Lynn Drummond.

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

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

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

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

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

The Nomination Committee
The Nomination Committee is chaired by Lynn Drummond, with Carl Dempsey and Peter Bream as the other members of the Committee.

The Committee has responsibility for considering the size, structure and composition of the Board, and the retirement and appointment of Directors, and will make appropriate recommendations to the Board about these matters.

The Nomination Committee is expected to meet at least once a year.

Internal control and risk management
The Board has ultimate responsibility for the systems of risk management and internal control maintained by the Group and for reviewing 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 2020 AGM will be held on 3 June 2020 and a Notice of Annual General Meeting can be found enclosed with this report.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
8 April 2020

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	5/5	2/2	2/2
Gianluca Braguti	5/5	-	-
Andrew Waters[2]	3/5	1/2	1/2
Adrian Crockett[1]	1/5	0/2	0/2
Total meetings held in the year	**5**	**2**	**2**

1 Resigned 29 January 2019.

2 Appointed 1 May 2019.

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

Directors' Report

General matters

The Directors submit their report and the financial statements of Venture Life Group plc for the year ended 31 December 2019. 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 2019 was £1.4 million (2018: £0.7 million). The detailed results for the year and the financial position at 31 December 2019 are shown in the Consolidated Statement of Comprehensive Income on page 40 and the Consolidated Statement of Financial Position on page 41.

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.
- Business outlook.

Going concern

The Group made a profit after tax during the year of £0.9m and generated in excess of £3.0 million in operating cash flow, all arising from transactions of an on-going nature and in the ordinary course of business. The order book at 31 December 2019 remains strong. The Company had net cash of £6.3 million at the year-end excluding finance leases, and £3.7million including finance leases. £5.56 million of this cash was committed at 31 December 2019 as consideration for the acquisition of Pharmasouce BV. The residual net cash after this committed sum was £0.8 million excluding finance leases and £(1.8) million (i.e. a net debt) including finance leases. Business operations are cash generative and significantly exceed investing and financing outflows.

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.

As described in the Post Balance Sheet Events Note 32, the Group is managing the impact of Covid-19 pandemic on its business and the uncertainty that this might bring which has the potential in the worse-case scenario to create a significant shortfall versus the 2020 budgeted trading results and cashflows. The Group manufactures a high proportion of its products in its own facility in Lombardy, Italy which has been an epicentre of this pandemic outbreak. This at face value presents a degree of risk and uncertainty given the lockdown that has been in place across Italy since 9 March 2020. The Directors have therefore considered the precautionary and protective actions that have been taken by the company to protect the health and wellbeing of the staff whilst maintaining business operations.

Specifically in Italy the company has introduced three main activities:

a) Introduction of stringent procedures to protect staff including the provision of masks and handwashes, the physical separation of employees and restrictions to meeting sizes, the control of attendees and visitors to the premises and other measures. The administrative workforce is currently working mostly from home and the on-site production workforce has been reduced somewhat;
b) Procurement of critical raw materials to not only meet customer demand for existing production but to enable additional manufacture of handwashes and anti-microbial products;
c) Strategic prioritisation of customer orders to ensure that the existing inventory of finished goods (and work-in-progress as it becomes completed) is allocated appropriately to those parties based upon need, continuity of supply and other factors in order to ensure the demand is met.

In addition to the above, the Group has manufactured a large quantity of handwash products and distributed these free of charge to local hospitals and pharmacies in Lombardy in order to assist in the national & international effort to combat the pandemic.

As at 8 April 2020 the Italian factory has remained open and producing high volumes of product. Shipments of finished goods to customers is continuing as are invoicing and cash collection processes. The majority of VLG's customers are large organisations and it is the opinion of the Directors that bad debts will remain a relatively low risk.

Accordingly the Directors have evaluated a range of scenarios all depicting varying months of closure of the Italian factory and associated losses of marginal gross profits. The key findings of this evaluation are:

a) Management does not expect the Italian factory to close, but acknowledges that there is a clear risk that it could face the need to close for a period of up to one month. The impact of this one-month closure would be minor in terms of 2020/21 performance and closing cash at 30 June 2021 is forecast to be in excess of £8.0 million. Given the strong inventory that the company holds, there is an expectation that such a short closure would in practice be managed with £nil impact on 2020 and 2021 performance;
b) A scenario with a more extensive closure to the factory of 3 months yields a significantly reduced PBT for 2020 improving in 2021 and a cash balance on 30 June 2021 in excess of £6.0 million;

c) A dramatically more pessimistic scenario with an extensive closure to the factory of 6 months yields a slightly negative PBT for 2020 improving in 2021 and a positive cash balance on 30 June 2021 in excess of £5.0 million. The Directors consider this scenario as extremely unlikely in practice.

All of these above forecasts do not include any expenditure savings that would be introduced in circumstances of prolonged closures. Based upon these financial forecasts, the Directors believe that:

a) The procedures in place in Italy have been effective to date and the company has established a pattern of operating through the lockdown to ensure continuity of business, as well as attainment of local authority acclaim;
b) The business has sufficient balance sheet strength to weather even an unrealistically long stoppage and remain liquid.

Accordingly, after making enquiries the Directors foresee that even in the most extreme scenario of a six month factory closure (which is far beyond any contemplated worse-case scenario), the Company has sufficient resources to continue in operational existence for the foreseeable future and to comfortably make scheduled loan repayments as they fall due.

Accordingly, after making enquiries the Directors foresee that even in the most extreme scenario of a six month factory closure (which is far beyond any contemplated worse-case scenario) the company has sufficient resources to continue in operational existence for the foreseeable future and to comfortably make scheduled loan repayments as they fall due.

The Directors therefore conclude that the Going Concern basis remains the appropriate basis upon which to prepare the Group's financial statements.

New product development

Details of the Group's new product development programmes can be found on page 15. The accounting treatment in respect of costs incurred in carrying out the new product development programmes can be found in Note 3.8 to the financial statements.

Political donations

The Group made no political donations in the year under review (2018: £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
Carl Dempsey	Non-Executive Director
Peter Bream	Non-Executive Director
Adrian Crockett[2]	Chief Financial Officer
Andrew Waters[1]	Chief Financial Officer

1 appointed 1 May 2019.

2 resigned 29 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 32 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:

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.

Andrew Waters is a Director of Cubase Consulting Ltd and ACP1 Ltd.

Peter Bream is a Director of Abramis Limited.

Carl Dempsey is a Director of Big Blue Bear Limited.

Directors' Report
continued

Directors' share interests

The Directors in office at 31 December 2019 and their interests in the shares of the Company were as follows:

Director	Title	**Number of ordinary 0.3p shares held at 31 December 2019**	**% of issued share capital**	Number of ordinary 0.3p shares held at 31 December 2018	% 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)	Chief Commercial Director	**1,665,333**	**2.0%**	1,582,417	4.3%
Andrew Waters	Chief Financial Officer	**-**	**-**	-	-
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 2019, 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 2019 was 33.50 pence. The maximum share price during the period was 52.00 pence and the minimum price was 28.70 pence per share.

Substantial share interests

At 8 April 2020, 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	8,370,717	10.0%
BGF Investment Management Limited	7,880,000	9.4%
Mr Gianluca Braguti and associated holdings[1]	7,085,459	8.5%
Gresham House Asset Management Ltd	6,570,000	7.8%
Ennismore Fund Management Limited	6,250,000	7.5%
River & Mercantile Asset Management LLP	4,409,500	5.3%
Otus Capital Management LP	4,185,274	5.0%
Cavendish Asset Management	4,169,938	4.9%
Quilter Cheviot Ltd	3,803,275	4.5%
Mr Jerry Randall and associated holdings	3,769,729	4.5%
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.

Employees

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

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

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

Environment

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

Principal risks and uncertainties

A summary of the principal risks and uncertainties and financial risk management objectives and policies are set out on pages 18 and 19.

Statement as to disclosure of information to the auditor

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

Auditor

Grant Thornton UK LLP 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.

2020 Annual General Meeting

The 2020 AGM will be held on 3 June 2020 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
8 April 2020

Remuneration Report

Remuneration Committee

As a company listed on the Alternative Investment Market (AIM), the Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"), nor is it required to comply with the principles relating to Directors' remuneration in the UK Corporate Governance Code 2016 (the "Code"). This report has not been audited.

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 of Directors' fees.

Salary

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

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.

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 2018	Options granted during the year	Options lapsed during the year	**Options as at 31 December 2019**	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.

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.

Remuneration Report
continued

Long-Term Incentive Plan (continued)
No awards were made during 2019. A summary of the awards made in previous years that have not yet lapsed are set out below:

Name	Award Three (date of grant: 24 April 2017)	Award Four (date of grant: 23 March 2018)
Jerry Randall	148,151	448,548
Gianluca Braguti	119,119	360,650
Sharon Daly (née Collins)	98,767	299,032
	366,037	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.

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	12 December 2013	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.
Sharon Daly (née Collins)	12 December 2013	
Gianluca Braguti	19 March 2019	
Andrew Waters	1 May 2019	

Executive Directors	Date of contract	Notice period
Lynn Drummond	22 November 2013	Three months
Peter Bream	13 February 2016	Three months
Carl Dempsey	20 September 2018	Three months

Directors' remuneration 2019

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive Directors							
Jerry Randall	270,572	20,000	2,749	293,321	10,000	38,915	342,236
Sharon Daly (née Collins)	176,501	20,000	1,319	197,820	26,475	25,933	250,228
Adrian Crockett[2]	82,817	—	122	82,939	1,812	11,332	96,084
Gianluca Braguti[1]	214,737	20,000	-	234,737	42,947	20,526	298,210
Andrew Waters[3]	96,667	—	980	97,647	14,500	12,546	124,693
Non-Executive Directors	-			-		-	-
Lynn Drummond	55,000	—	—	55,000	—	6,405	61,406
Peter Bream	27,000	—	—	27,000	-	2,542	29,542
Carl Dempsey	27,000	—	—	27,000	—	2,542	29,542
Total	**950,294**	**60,000**	**5,170**	**1,015,464**	**95,735**	**120,742**	**1,231,940**

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 (2018: €250,000 and €10,000 respectively), translated at average exchange rate over the period.

2 Resigned 29 January 2019.

3 Appointed 1 May 2019.

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

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	-	-	27,000	-	1,226	20,576
Peter Bream	27,000	-	-	27,000	-	2,572	29,602
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 were considered to be the key management of the Group.

Remuneration Report
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
8 April 2020

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 and profit or loss of the Group for that period. 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 plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2019, 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. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 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 Accounting 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business model, including effects arising from Brexit and Covid-19, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Overview of our audit approach

- Overall group materiality: £302,000, which represents approximately 1.5% of the group's revenue for the year.
- The key audit matters were identified as revenue recognition, impairment of goodwill and other intangible assets and recoverability of investments and intercompany balances (applicable to the parent company only).
- We performed a full scope audit of the financial statements of Venture Life plc (parent only), Venture Life Limited, PeriProducts Limited, Lubatti Limited and Biokosmes S.r.l. Note; the Biokosmes S.r.l entity was audited by component auditors. We performed analytical procedures on the financial statements of PermaPharm AG.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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
Revenue recognition Net revenues of £20.2m have been recognised in the year ended 31 December 2019, arising substantially from the sale of products. This consists of £21.2m gross sales less £1m of discounts given. There is a risk of fraudulent revenue recognition without entitlement to that revenue under IFRS 15 "Revenue from contracts with customers". We have determined that, due to pressure to perform being heightened towards the end of the year, this risk is more significant in respect of revenue recognised in the last three months of the year. 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: • assessing the group's revenue recognition policy against the financial reporting framework, including IFRS 15, and checking management's assessment of IFRS 15 by comparing to underlying contracts; • we have analysing revenue postings throughout the year using our data interrogation and analysis software to identify transactions lying outside our expectations and then agreed these to supporting documentation (for Venture Life Limited and PeriProducts Limited only); • testing the design effectiveness of relevant key controls on revenues; and • testing the occurrence of revenue by selecting more samples of individual revenue items during the last three months of the year, and around the year-end, and agreed items selected for testing through evidence of delivery and payment for proof of performance obligations being met. We also investigated a sample of the largest credit notes raised post year end to determine whether revenue transactions in the year were subsequently cancelled. 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 observation** Based on the results of our audit testing, we did not identify any materially incorrect revenue recognition from revenue recognised on the last three months of the year.

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

Key Audit Matters – Group	How the matter was addressed in the audit – Group
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 impairment of goodwill and other 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: • challenging management's assessment of impairment indicators relating to intangible assets with definite lives; • assessing the reasonableness of the assumptions used by management in identifying the CGUs; • obtaining management's assessment of intangible assets impairment and recalculating the arithmetical accuracy of those calculations; • testing the assumptions utilised in the impairment models used by management, including growth rates, discount rates, the forecast period and terminal values and corroborating to supporting market data; • comparing current market capitalisation to carrying value of net assets and management's 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 • assessing management's analysis of the risks and short term implications of Covid-19, together with mitigation actions that management would take. • corroborating the detailed disclosures in the financial statements for consistency with the results of management's impairment review and with the requirements of IAS 36. 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** • Based upon the results of our audit testing, we found that the assumptions used by management in arriving at the value in use of goodwill and other intangible assets were balanced. • We agreed with management's assessment that there are no indicators of impairment on other intangible assets with definite lives. • We found no mathematical errors in the impairment calculations prepared by management. • Our sensitivity analysis indicated that management's impairment assessment was not highly sensitive to reasonably possible changes in assumptions.

Key Audit Matters – Parent company	How the matter was addressed in the audit – Parent company
Recoverability of investments and intercompany balances Investments and intercompany balances at the year-end stand at £19.1m and £8.2m, respectively. The directors make an annual assessment to determine whether there are indicators that these balances are impaired. Where indicators of impairment are identified, 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: • challenging management's assessment of impairment indicators relating to investments and intercompany balances; • obtaining management's assessment, recalculating the arithmetical accuracy of those calculations and testing the assumptions utilised, including growth rates, discount rates and terminal values by corroborating to supporting 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** • Based upon the results of our audit testing, we found that the assumptions used by management in arriving at the recoverable amounts were balanced. • We found no mathematical errors in the calculations. • Our sensitivity analysis indicated that management's impairment assessment was not highly sensitive to reasonably possible changes in assumptions.

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	£302,000, which is approximately 1.5% of the group's net revenue for the year. This benchmark is considered the most appropriate because it is a prominent key performance indicator for the management looking to grow organically and through acquisition. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2018 (£250,000) due to an increase in the revenue generated. The benchmark of 1.5% of revenue is consistent with the benchmark used for the year ended 31 December 2018.	£128,000, which is approximately 1.5% of the parent company's total assets at year end capped at the amount determined as component materiality for the group materiality calculation. This benchmark is considered the most appropriate because the parent company is a holding company with significant asset balances within it. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 (£235,000) due to the way component materiality was allocated'.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality, being £226,500. This is unchanged from the prior year performance materiality threshold.	75% of financial statement materiality, being £96,000. This is unchanged from the prior year performance materiality threshold.
Specific materiality	We determined a lower level of specific materiality for Directors' remuneration and related party transactions.	We determined a lower level of specific materiality for Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£15,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,400 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

An overview of the scope of our audit
Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluating the group's internal control environment and documenting controls relevant to the audit.
- determining the scope of the group audit based on the relative contribution of revenue of each component to the group. We performed a full scope audit of the financial statements of Venture Life plc (parent only), Venture Life Limited, PeriProducts Limited, Lubatti Limited and Biokosmes S.r.l. Note; the Biokosmes S.r.l entity was audited by component auditors, which reported to us as the Group auditors,. We performed analytical procedures on the financial statements of PermaPharm AG.
- 100% of the consolidated group's and parent company's revenue and 100% of the consolidated group's total assets were included in the scope of our full scope and specified audit procedures based on the above strategy.
- rchecking the group consolidation, to confirm the accuracy of management's computations and to demonstrate the group financial information was consistent with the financial information per the audited financial statements of the significant components.

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 of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion, based on the work undertaken in the course of the audit:

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

Matter 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 statement of directors' responsibilities set out on page 28, 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.

Mark Bishop FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
8 April 2020

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019
Company number 05651130

	Notes	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Revenue	5	**20,206**	18,770
Cost of sales		**(12,203)**	(11,482)
Gross profit		**8,003**	7,288
Administrative expenses			
Operating expenses		**(6,101)**	(5,534)
Amortisation of intangible assets	14	**(579)**	(625)
Total administrative expenses		**(6,680)**	(6,159)
Other income		**163**	94
Operating profit before exceptional items		**1,486**	1,223
Exceptional costs	6	**(208)**	(172)
Operating profit	7	**1,278**	1,051
Finance income		**152**	-
Finance costs		**(68)**	(341)
Profit before tax		**1,362**	710
Tax	10	**(458)**	(474)
Profit for the year		**904**	236
Foreign exchange gain / (loss) on translation of subsidiaries		**(300)**	18
Total comprehensive profit for the year attributable to equity holders of the parent		**604**	254

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

		Year ended 31 December 2019	Year ended 31 December 2018
Profit per share			
Basic profit per share (pence)	12	**1.08**	0.42
Diluted profit per share (pence)	12	**1.01**	0.38
Adjusted profit per share (pence)	12	**2.18**	2.06
Adjusted diluted profit per share (pence)	12	**2.04**	1.83

Consolidated Statement of Financial Position

at 31 December 2019

Company number 05651130

	Notes	At 31 December 2019 £'000	At 31 December 2018 £'000
Assets			
Non-current assets			
Intangible assets	14	**20,722**	20,542
Property, plant and equipment	15	**4,152**	4,591
		24,874	25,133
Current assets			
Inventories	16	**5,082**	3,869
Trade and other receivables	17	**6,363**	7,020
Cash and cash equivalents	18	**10,710**	9,623
		22,155	20,512
Total assets		**47,029**	45,645
Equity and liabilities			
Capital and reserves			
Share capital	19	**251**	251
Share premium account	19	**30,824**	30,824
Merger reserve	20	**7,656**	7,656
Convertible bond reserve	21	**-**	-
Foreign currency translation reserve	23	**(47)**	252
Share-based payments reserve	24	**624**	609
Retained earnings	25	**(6,492)**	(7,512)
Total equity attributable to equity holders of the parent		**32,816**	32,080
Liabilities			
Current liabilities			
Trade and other payables	26	**5,491**	4,868
Taxation		**218**	-
Interest-bearing borrowings	27	**2,434**	1,911
Convertible bond	21	**-**	-
Vendor loan notes	22	**-**	-
		8,143	6,779
Non-current liabilities			
Interest-bearing borrowings	27	**4,591**	5,157
Convertible bond	21	**-**	-
Vendor loan notes	22	**-**	-
Statutory employment provision	28	**1,058**	1,062
Deferred tax liability	11	**421**	567
		6,071	6,786
Total liabilities		**14,213**	13,565
Total equity and liabilities		**47,029**	45,645

The financial statements on pages 44 to 92 were approved and authorised for issue by the Board on 8 April 2020 and signed on its behalf by:

Jerry Randall
Director
8 April 2020

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

	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 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	-	-	-	-	-	-	236	236
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)	(15)
Transactions with shareholders	140	17,535	-	(109)	-	112	-	17,678
Balance at 1 January 2019	251	30,824	7,656	-	252	609	(7,512)	32,080
Profit for the year	-	-	-	-	-	-	904	904
Foreign exchange on translation	-	-	-	-	(300)	-	-	(300)
Total comprehensive income	-	-	-	-	(300)	-	904	604
Share options charge	-	-	-	-	-	131	-	131
Share options charge recycling per IFRS2	-	-	-	-	-	(115)	115	-
Dividends	-	-	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	-	16	115	131
Balance at 31 December 2019	**251**	**30,824**	**7,656**	**-**	**(47)**	**624**	**(6,492)**	**32,816**

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.

As at 31st December 2019 the parent entity has lacked distributable reserves and is accordingly not in a position to declare any dividend.

During the year the second tranche of the management long-term incentive matured but failed to meet its vesting conditions. The accumulated provision within the Share Based Payments reserve of £115,000 was discharged and recycled into retained earnings in accordance with IFRS2.

Consolidated Statement of Cash Flows
for the year ended 31 December 2019

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Cash flow from operating activities		
Profit before tax	**1,362**	710
Finance (income)/expense	**(84)**	341
Operating profit	**1,278**	1,051
Adjustments for:		
– Depreciation of property, plant and equipment	**786**	756
– Amortisation of intangible assets	**579**	625
– Finance cost	**32**	(276)
– Disposal of non current assets	**147**	148
– Share-based payment expense	**131**	112
Operating cash flow before movements in working capital	**2,953**	2,452
Tax paid	**(412)**	(565)
Increase in inventories	**(1,373)**	(259)
Increase in trade and other receivables	**(235)**	(1,868)
Increase in trade and other payables	**1,507**	478
Net cash generated from operating activities	**2,441**	238
Cash flow from investing activities:		
Acquisition of Dentyl business	**-**	(4,200)
Purchases of property, plant and equipment	**(388)**	(271)
Expenditure in respect of intangible assets	**(757)**	(744)
Net cash used in investing activities	**(1,145)**	(5,215)
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	**696**	200
Leasing obligation repayments (previously in administration costs)	**(585)**	(528)
Dividends paid	**-**	(14)
Net cash from financing activities	**111**	13,233
Net increase in cash and cash equivalents	**1,406**	8,256
Net foreign exchange difference	**(319)**	6
Cash and cash equivalents at beginning of period	**9,623**	1,361
Cash and cash equivalents at end of period	**10,710**	9,623

Notes to the Consolidated Statements
for the year ended 31 December 2019

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 Venture House, 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. These five subsidiaries and the Company are together referred to as "the Group".

2. Basis of preparation
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.

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
As described in the Post Balance Sheet Events Note 32, the company is managing the impact of Covid-19 pandemic on its business and the uncertainty that this might bring which has the potential in the worse-case scenario to create a significant shortfall versus the 2020 budgeted trading results and cashflows. The company manufactures a high proportion of its products in its own facility in Lombardy, Italy which has been an epicentre of this pandemic outbreak. This at face value presents a degree of risk and uncertainty given the lockdown that has been in place across Italy since 9 March 2020. The directors have therefore considered the precautionary and protective actions that have been taken by the company to protect the health and wellbeing of the staff whilst maintaining business operations.

Specifically in Italy the company has introduced three main activities:

a) Introduction of stringent procedures to protect staff including the provision of masks and handwashes, the physical separation of employees and restrictions to meeting sizes, the control of attendees and visitors to the premises and other measures. The administrative workforce is currently working mostly from home and the on-site production workforce has been reduced somewhat;
b) Procurement of critical raw materials to not only meet customer demand for existing production but to enable additional manufacture of handwashes and anti-microbial products;
c) Strategic prioritisation of customer orders to ensure that the existing inventory of finished goods (and work-in-progress as it becomes completed) is allocated appropriately to those parties based upon need, continuity of supply and other factors in order to ensure the demand is met.

In addition to the above, the Group has manufactured a large quantity of handwash products and distributed these free of charge to local hospitals and pharmacies in Lombardy in order to assist in the national and international effort to combat the pandemic.

As at 8 April 2020 the Italian factory has remained open and is producing high volumes of product. Shipments of finished goods to customers are continuing as are invoicing and cash collection processes. The majority of VLG's customers are large organisations and it is the opinion of the Directors that bad debts will remain a relatively low risk.

Accordingly the Directors have evaluated a range of scenarios all depicting varying months of closure of the Italian factory and associated losses of marginal gross profits. The key findings of this evaluation are:

a) Management does not expect the Italian factory to close, but acknowledges that there is a clear risk that it could face the need to close for a period of up to one month. The impact of this one-month closure would be minor in terms of 2020/21 performance and closing cash at 30 June 2021 is forecast to be in excess of £8.0 million. Given the strong inventory that the company holds, there is an expectation that such a short closure would in practice be managed with £nil impact on 2020 and 2021 performance;
b) A scenario with a more extensive closure to the factory of 3 months yields a significantly reduced PBT for 2020 improving in 2021 and a positive cash balance on 30 June 2021 in excess of £6.0 million; and
c) A dramatically more pessimistic scenario with an extensive closure to the factory of 6 months yields a slightly negative PBT for 2020 improving into 2021 and a positive cash balance on 30 June 2021 in excess of £5.0 million. The Directors consider this scenario as extremely unlikely in practice.

All of these above forecasts do not include any expenditure savings that would be introduced in circumstances of prolonged closures.

Based upon these financial forecasts, the Directors believe that:

a) The procedures in place in Italy have been effective to date and the company has established a pattern of operating through the lockdown to ensure continuity of business, as well as attainment of local authority acclaim; and
b) The business has sufficient balance sheet strength to weather even an unrealistically long stoppage and remain liquid.

Accordingly, after making enquiries the Directors foresee that even in the most extreme scenario of a six month factory closure (which is far beyond any contemplated worse-case scenario) the Group has sufficient resources to continue in operational existence for the foreseeable future and to comfortably make scheduled loan repayments as they fall due.

The Directors therefore conclude that the Going Concern basis remains the appropriate basis upon which to prepare the Group's financial statements.

3.2 Basis of consolidation

The Group financial statements consolidate those of the parent Company and its subsidiaries as of 31 December 2019. 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.

Notes to the Consolidated Statements
for the year ended 31 December 2019

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 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 2019**	Year ended 31 December 2018
Average exchange rate for the period	**1.140**	1.129
Exchange rate at the period end	**1.171**	1.121

3.5 Revenue recognition
Revenue of the Group arises mainly from the sale of goods in both the Venture Life Brands and Customer Brands 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 standalone 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.

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

Notes to the Consolidated Statements
for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)
3.9 Licences and trademarks intangible assets
Patents, trademarks and licences are measured at purchase cost less accumulated amortisation and provision for impairment. Amortisation is provided on a straight-line basis over the estimated useful lives of the assets ranging from 5-10 years.

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

3.10. Acquired intangible assets
The 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; and
- 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.

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

3.12 Impairment of tangible and intangible assets

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

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

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

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

3.13 Inventories

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

3.14 Financial instruments

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

Financial assets

a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in profit or loss based upon an expected credit loss model.. 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 financial assets at amortised cost'.

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 "financial assets at amortised cost".

Notes to the Consolidated Statements
for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)
3.14 Financial instruments (continued)
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 a lease liability computed as the present value of future lease obligations. The assets are written down on a straight-line basis over the term of the lease contract and the sum is charged as depreciation in the Consolidated Statement of Comprehensive Income together with a finance charge. The lease payments in the period are charged against the lease liability. Further details are given in Note 29.

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

a) Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

3.17 Employee benefits

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

3.18 Pension contributions

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

3.19 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
for the year ended 31 December 2019

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 2018 and 2019, no impairment charge was recognised as a result of these reviews of patents and trademarks. In the years ending 31 December 2018 and 2019, charges of £148,000 and £147,000 were recognised in respect of impaired capitalised development costs.

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 years ended 31 December 2018 and 31 December 2019.

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.

Notes to the Consolidated Statements
for the year ended 31 December 2019

4. Accounting developments

a) New standards, amendments and interpretations issued and adopted

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 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.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 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:

	Venture Life Brands £'000	Customer Brands £'000	Consolidated Group £'000
Year ended 31 December 2019			
Revenue			
Sale of goods	**6,699**	**15,087**	**21,787**
Sale of services	**-**	**420**	**420**
Intercompany sales elimination	**-**	**(2,001)**	**(2,001)**
Total external revenue	**6,699**	**13,507**	**20,206**
Results			
Operating profit before exceptional items and excluding central administrative costs	**626**	**2,827**	**3,453**
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

All revenue of the Group is recognised at point in time in accordance with IFRS 15.

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Operating profit before exceptional items and excluding central administrative costs	**3,453**	2,737
Exceptional items	**(208)**	(172)
Central administrative costs	**(1,967)**	(1,514)
Finance income / (costs)	**84**	(341)
Profit before tax	**1,362**	710

One customer generated revenue of £4,083,000 which accounted for 10% or more of total revenue (2018: one customer generated revenue of £4,170,000 which accounted for 10% or more of total revenue).

Notes to the Consolidated Statements
for the year ended 31 December 2019

5. Segmental information (continued)
5.2 Segmental assets and liabilities

	At 31 December 2019 £'000	At 31 December 2018 £'000
Assets		
Venture Life Brands	**8,776**	8,284
Customer Brands	**16,657**	14,078
Group consolidated assets	**21,596**	23,283
Consolidated total assets	**47,029**	45,645
Liabilities		
Venture Life Brands	**4,148**	2,249
Customer Brands	**9,741**	10,953
Group consolidated liabilities	**324**	363
Consolidated total liabilities	**14,213**	13,565

5.3 Other segmental information

	Depreciation and amortisation £'000	Addition to non-current assets £'000
Year ended 31 December 2019		
Venture Life Brands	**153**	64
Customer Brands	**1,076**	1,003
Central administration	**136**	-
	1,365	1,067
Year ended 31 December 2018		
Venture Life Brands	163	4,379
Customer Brands	916	1,015
Central administration	301	-
	1,380	5,394

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Revenue		
UK	**7,615**	7,667
Italy	**6,279**	4,270
Switzerland	**2,987**	3,388
Rest of Europe	**2,238**	1,421
Rest of the World	**1,087**	2,015
Total revenue	**20,206**	18,770

6. Exceptional items

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Costs incurred in due diligence pertaining to aborted acquisitions	**96**	-
Costs incurred in the acquisition of the PharmaSource BV business (completed 24 January 2020)	**112**	-
Costs incurred in the acquisition of the Dentyl brand	**-**	172
Total exceptional items	**208**	172

During the period the Group incurred legal and professional fees in relation to prospective acquisitions including the PharmaSource BV acquisition which was completed shortly after the year-end.

7. Operating profit

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Depreciation of property, plant and equipment included in operating expenses	**786**	756
Amortisation of intangible assets included in administrative expenses	**579**	625
Research and development costs included in operating expenses	**194**	237
Share-based payments charge	**131**	112
Staff costs excluding share-based payment charge (Note 8)	**4,995**	4,667
Auditor's remuneration:		
- Fees for the audit of the Company's annual accounts	**55**	28
- Fees payable to the Company's auditor and its associated for other services:	**10**	37
- Audit of the accounts of the Company's subsidiaries	**20**	-
- Tax compliance services	**-**	4
- Audit related fee	**-**	8

Notes to the Consolidated Statements
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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 2019 Number	Year ended 31 December 2018 Number
Product development and manufacturing	**68**	72
Sales and marketing	**11**	13
Directors	**7**	7
Administration	**15**	14
Total	**101**	106

Their aggregate remuneration comprises:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Wages and salaries	**3,784**	3,572
Social security costs	**806**	745
Pension costs	**295**	334
Other benefits	**110**	16
Equity settled share-based payments	**131**	112
Total	**5,126**	4,779

The equity-settled share-based payments charge for the year of £131,000 included £94,000 in respect of the Directors of the Group (2018: £112,000). 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 £415,000 (2018: £334,000). At year end an amount of £nil (2018: £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 2019 £'000	Year ended 31 December 2018 £'000
Current tax:		
Current tax on profits for the year	**627**	531
Adjustments in respect of earlier years	**(30)**	-
Total current tax expense	**597**	531
Deferred tax:		
Origination and reversal of temporary differences	**(139)**	(57)
Total deferred tax expense	**(139)**	(57)
Total income tax expense	**458**	474

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 2019 £'000	Year ended 31 December 2018 £'000
Profit before tax	**1,362**	710
Profit before taxation multiplied by the local tax rate of 19% (2018: 19%)	**259**	135
Expenses not deductible for tax purposes	**74**	70
Change in recognised deferred tax liability	**(139)**	(57)
Change in unrecognised deferred tax asset	**100**	257
Higher rate on foreign taxes	**165**	69
Income tax charge	**458**	474

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 (enacted on 6 September 2016). In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Whilst the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects have been included in these financial statements. The overall effect of the change has been to increase the tax expense for the period by £34,000 and to increase the deferred tax liability by £34,000.

As at the reporting date, the Group has unused tax losses of £10,259,000 (2018: £9,257,000) 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% (2018: 22%).

Notes to the Consolidated Statements
for the year ended 31 December 2019

11. Deferred tax
Deferred taxes arising from temporary differences are summarised as follows:

Deferred tax liabilities/(assets)	At 1 January 2019 £'000	Recognised in profit and loss £'000	Arising upon acquisitions in the year £'000	Movements attributed to foreign exchange £'000	**At 31 December 2019 £'000**
Purchased goodwill	65	-	-	(9)	**56**
Other intangibles	(579)	106	-	-	**(473)**
Inventories	(59)	8	-	10	**(41)**
Trade and other receivables	6	25	-	6	**37**
Deferred tax liability	(567)	139	-	7	**(421)**

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 2019 Number	Year ended 31 December 2018 Number
For basic EPS calculation	**83,712,106**	55,715,531
For diluted EPS calculation	**89,254,313**	62,497,480

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

	£'000	£'000
For basic and diluted EPS calculation	**904**	236
Add back: Amortisation	**579**	625
Add back: Exceptional costs	**208**	172
Add back: Share based Payments	**131**	115
For adjusted EPS calculation[1]	**1,822**	1,148

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

The resulting EPS measures are:

	Pence	Pence
Basic EPS calculation	**1.08**	0.42
Diluted EPS calculation	**1.01**	0.38
Adjusted EPS calculation[1]	**2.18**	2.06
Adjusted diluted EPS calculation	**2.04**	1.83

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

13. Dividends
Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Final dividend	**-**	14

The parent entity does not have distributable reserves and accordingly the Directors are not in a position to recommend the payment of a dividend in 2019 (2018: £nil 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 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 1 January 2019	2,712	1,089	996	16,233	2,819	23,849
Additions	872	-	106	-	-	978
Disposals	(147)	-		-	-	(147)
Foreign exchange	(71)	-	-	-	-	(71)
At 31 December 2019	**3,366**	**1,089**	**1,102**	**16,233**	**2,819**	**24,609**
Amortisation:						
At 1 January 2018	908	-	503	-	1,279	2,690
Charge for the year	319	-	162	-	144	625
Foreign exchange	(4)	-	(3)	-	-	(7)
At 1 January 2019	1,223	-	662	-	1,423	3,307
Charge for the year	246	-	177	-	155	579
Disposals	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-
At 31 December 2019	**1,469**	**-**	**839**	**-**	**1,578**	**3,887**
Carrying amount:						
At 31 December 2018	1,489	1,089	334	16,233	1,396	20,542
At 31 December 2019	**1,897**	**1,089**	**263**	**16,233**	**1,241**	**20,722**

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.

Other intangible assets currently comprise customer relationships and product formulations acquired through the acquisition of Biokosmes Srl. 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 as well as associated assets with finite 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.

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14. Intangible assets (continued)
The key assumptions used in relation to the Biokosmes (Customer Brands CGU) and Periproducts (part of the Venture Life Brands CGU) impairment review are as follows:

- The estimates of profit after tax for the three years to 31 December 2022 are based on management forecasts of the Biokosmes and Periproducts businesses, with subsequent years growth forecasted at 5% and 0-2% respectively. Management consider 5% and 0-2% conservative growth rates for the businesses, but reflective of the operating sectors of the businesses. During 2019, Biokosmes net sales growth was in excess of 10% due to broad organic growth and Periproduct's main asset (UltraDEX) net sales declined by 1% due to short term pricing presures in the UK oral care market.
- 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 12.4%. This rate is relatively high and is derived from CAPM theory based upon a relatively high equity risk premium applied to a low-geared Company. These assumptions generate a significant headroom over the assets of the business held at the balance sheet date. This impairment assessment excluded the impact of Covid-19 on the performance of Biokosmes. In circumstances of Covid-19 resulting in a short-term closure of Biokosmes' Italian factory for a period of several months there would be a commensurate reduction in sales and profits by Biokosmes in the 2020 financial year. As remarked in Note 32, Post Balance Sheet Events the Group has the cash resources to bridge across an extended period of factory closure. It is the opinion of the Directors that even in an extreme scenario of six months of closure there might be a loss of £8 - £10 million in net sales revenue and £3 - £4 million in profits in 2020 which would eliminate 15-20% of the headroom in this impairment assessment.
- The Group has applied a discount rate to the future cash flows of Periproducts for ten years, using a pre-tax average cost-of-capital of 12.4% and excluding any terminal value. These assumptions generate a significant headroom over the assets of the business held at the balance sheet date.
- These above impairment assessments of Biokosmes SRL and Periproducts Ltd have included assessment of all elements of intangible value regardless of whether their economic lives are finite or indefinite, and include Customer Relationships, acquired formulations and Goodwill.

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.

14a. Business combinations
On 19 December 2019 the Company announced it had signed a share purchase agreement to acquire 100% of the share capital of PharmaSource BV, a private group of companies based in the Netherlands engaged in the marketing and selling of anti-fungal products to customers within Europe. This transaction was ultimately completed on 24 January 2020 and is addressed in section 32: **Post Balance Sheet Events**. As the acquisition occurred after 31 December 2019 then these Financial Statements including all Consolidated Statements and Notes exclude the financial position and results of PharmaSource BV.

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 2018	2,060	86	4,141	6,287
Additions	260	11	-	271
Disposals	(18)	-	(15)	(33)
Foreign exchange movements	15	-	-	15
At 1 January 2019	2,317	97	4,126	6,540
Additions	388	-	137	525
Disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
At 31 December 2019	**2,705**	**97**	**4,263**	**7,065**
Depreciation:				
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 1 January 2019	866	89	994	1,949
Charge for the year	230	2	554	786
Disposals	-	-	-	-
Foreign exchange movements	78	-	100	178
At 31 December 2019	**1,174**	**91**	**1,648**	**2,913**
Carrying amount:				
At 31 December 2018	1,451	8	3,132	4,591
At 31 December 2019	**1,531**	**6**	**2,615**	**4,152**

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.

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16. Inventories

	At 31 December 2019 £'000	At 31 December 2018 £'000
Raw materials	3,490	2,499
Finished goods	1,592	1,370
Total	**5,082**	3,869

An amount of £7,550,000 (2018: £7,068,000) was recognised in respect of expenditure on inventory in the Statement of Comprehensive Income.

17. Trade and other receivables

	At 31 December 2019 £'000	At 31 December 2018 £'000
Trade receivables	5,985	6,412
Prepayments and accrued income	100	152
Other receivables	278	456
Total	**6,363**	7,020

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 2019 £'000	At 31 December 2018 £'000
31 to 60 days past due	183	92
60 to 90 days past due	26	4
90 to 120 days past due	155	-
>120 days past due	119	142
Overdue trade receivables gross	**483**	238
Provision for overdue receivables	(36)	(20)
Trade receivables – net	**447**	218

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 £36,000 for overdue receivables has been made and is included in the carrying value of trade and other receivables (2018: £20,000). 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 £75,000 has been made (2018: £61,000). 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). The Directors further considered the carrying value of trade and other receivables in the light of the Covid-19 situation. Settlements since 31 December 2019 have been robust with the majority of this balance having now been settled and the remaining sum giving no cause for concern.

18. Cash and cash equivalents

	At 31 December 2019 £'000	At 31 December 2018 £'000
Available Cash and cash equivalents	**5,159**	9,623
Cash allocated for acquisition of PharmaSource BV post year-end	**5,551**	-
Cash and cash equivalents	**10,710**	9,623

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).

At 31 December 2019 the sum of £5.6 million of the Group's cash was allocated for purposes of the acquisition of PharmaSource BV in 2020. This sum is unrestricted and has been technically identified as an amount to fund the forthcoming acquisition.

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 2019	**83,712,106**	**251,136**	**30,824**	**7,656**
At 31 December 2018	83,712,106	251,136	30,824	7,656

The Company did not issue any new shares during the year (46,875,000 new shares issued during 2018).

The Group operates a Long-Term Incentive Plan. Up to the balance sheet date, there have been four awards under this plan, in which Executive Directors and senior management of the Group participate. During 2019, two of the awards matured but failed to meet vesting conditions. Further details are included in the Directors' Remuneration Report set out on pages 32 and 36.

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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 (2018: £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% 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.

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

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

24.1 Share options

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

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

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

The IFRS 2 share option charge for the year was £131,000 (2018: £112,000) and is included in administrative expenditure in the Statement of Comprehensive Income.

The IFRS2 share option provision recycling for the year was £115,000 (2018: £nil) and pertained to LTIP incentives which had failed to meet the vesting conditions.

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

	2019 Number	**2019 WAEP (p)**	2018 Number	2018 WAEP (p)
Total outstanding at beginning of the year	**4,108,940**	**46**	3,845,670	50
Granted during the year	**-**	**-**	613,600	45
Exercised	**-**	**-**	-	-
Forfeited	**(41,000)**	**47.5**	(350,330)	72
Total outstanding at 31 December	**4,067,940**	**46**	4,108,940	46
Exercisable at 31 December	**3,157,440**	**45**	3,157,440	45

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

	2019 Number	2018 Number
Range of exercise prices 0p–49p	**3,310,040**	3,351,040
50p–99p	**757,900**	757,900
100p–149p	**-**	-
Total	**4,067,940**	4,108,940

At 31 December 2019, the weighted average remaining contractual life of options exercisable is 3.22 years (2018: 4.22 years). No options were granted in the year. The weighted average exercise price of options granted in the prior year was 45 pence.

The non-market performance conditions for all share options outstanding at 31 December 2019 and which are exercisable at 31 December 2019 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.

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24. Share-based payments and share-based payments reserve (continued)
24.1 Share options (continued)
The inputs into the Black-Scholes model for issuance of stock options were as follows for 2018. No issuances were made in 2019:

	2019	2018
Weighted average share price (p)	**n/a**	44.0
Weighted average exercise price (p)	**n/a**	46.5
Weighted average expected volatility (%)	**n/a**	30.7
Weighted average expected life (years)	**n/a**	4
Weighted average risk free rate (%)	**n/a**	0.88
Expected dividends (%)	**n/a**	0.089

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 four 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 of the awards made in previous years that have not yet lapsed are set out below:

	Award Three	Award Four
Grant date of awards	24 April 2017	23 March 2018
Grant date fair value of award (pence per award)	64.5	46.5
Vesting date of awards	24 April 2020	23 March 2021
Maximum number of awards	897,598	1,358,806
Vesting conditions based on	TSR	EPS and TSR
Relevant date for determination of vesting conditions	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 awards one and two, the vesting conditions were not met and the awards were forfeited. Awards three and four 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 prior 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 as 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:

	2019 Number	2018 Number
At 1 January	**2,672,009**	2,221,761
Granted	**-**	1,358,806
Failed to meet vesting conditions	**(781,642)**	-
Forfeited	**(416,101)**	(908,558)
At 31 December	**1,474,267**	2,672,009

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. Where vesting conditions are not met, the associated element of share-based payment reserve is released and recycled into retained earnings in accordance with IFRS2.

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 2019 £'000	At 31 December 2018 £'000
Trade payables	**4,027**	3,591
Accruals and deferred income	**727**	868
Social security and other taxes	**600**	125
Other payables	**137**	284
Total	**5,491**	4,868

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).

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27. Interest-bearing borrowings

	At 31 December 2019 £'000	At 31 December 2018 £'000
Current		
Invoice financing	**1,184**	1,240
Leasing obligations	**512**	485
Unsecured bank loans due within one year	**738**	186
Total	**2,434**	1,911
Non-current		
Leasing obligations	**2,139**	2,741
Unsecured bank loans due after one year	**2,452**	2,416
Total	**4,591**	5,157

All bank loans are held by the Group's Italian wholly owned subsidiary, Biokosmes. During 2019 a new bank loan in the amount of €1.0 million was secured from BPM SPA with expiry date of June 2024. Invoice financing includes the Italian RiBa (or "Ricevuta Bancaria") facility which is a short-term facility. The balance shown above of £1,184,000 (2018: £1,240,000) reflects the amount that had been settled in Biokosmes' account under RiBa and drawn against invoices in the UK as at the reporting date.

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

	At 31 December 2019			At 31 December 2018		
	Leasing obligations £'000	Other £'000	2019 £'000	Leasing obligations £'000	Other £'000	2018 £'000
Amounts and timing of non-current debt repayable						
Between 1 January 2020 and 31 December 2020	**-**	**-**	**-**	491	577	1,068
Between 1 January 2021 and 31 December 2021	**469**	**696**	**1,165**	489	533	1,022
Between 1 January 2022 and 31 December 2022	**429**	**695**	**1,124**	449	533	982
Between 1 January 2023 and 31 December 2023	**412**	**654**	**1,066**	412	485	897
Between 1 January 2024 and 31 December 2028	**829**	**408**	**1,237**	900	288	1,188
Total	**2,139**	**2,453**	**4,592**	2,741	2,416	5,157

	Liabilities from Financing activities			Other assets	
	Borrowings	Leases	Sub-Total	Cash	Net Cash / (Net Debt)
Net cash at 01 January 2018	7,680	3,698	11,378	1,361	(10,017)
Net cashflow	-	-	-	8,256	8,256
Finance lease repayments	-	(574)	(574)	-	574
Drawdown/(repayments)	(3,900)	-	(3,900)	-	3,900
Foreign exchange differences	62	102	164	6	(158)
Net cash at 31 December 2018	**3,842**	**3,226**	**7,068**	**9,623**	**2,555**
Net cashflow	-	-	-	1,406	1,406
Finance lease repayments	-	(585)	(585)	-	585
Drawdown/(repayments)	696	-	696	-	(696)
Foreign exchange differences	(164)	10	(154)	(319)	(165)
Net cash at 31 December 2019	**4,374**	**2,651**	**7,025**	**10,710**	**3,685**

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 2019 of £2,651,000 (2018: £3,226,000) are offsetting right-of-use assets of £2,615,000 (2018: £3,132,000), giving a net liability position of £36,000 (2018: £94,000).

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.

Right-of-use assets

	Office equipment £'000	Motor vehicles £'000	Property £'000	Total £'000
Carrying value 1 January 2018	48	5	3,623	3,676
Additions	-	-	-	-
Depreciation charge in the year	(15)	(5)	(524)	(544)
Foreign exchange	-	-	-	-
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
Carrying value 1 January 2019	33	-	3,099	3,132
Additions	-	-	137	137
Depreciation charge in the year	(15)	-	(539)	(554)
Foreign exchange	-	-	(100)	(100)
Carrying value 31 December 2019	**18**	**-**	**2,597**	**2,615**
Interest charge in the year	-	-	38	38
Cash outflow for leases in the year	15	-	570	585

Lease liabilities were calculated as the present value of the future lease obligations of the Group amounting to £2.65 million (31 December 2018: £3.23 million). The future leasing obligations were discounted using the relevant Italian and UK local borrowing rates of 1% and 5% respectively.

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29. Leases (continued)
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 which was renewed in November 2019 for a period of six years. Rental obligations on the storage location continue until September 2020. This location has 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 this extension 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 £31,000 (2018: £30,000) and profit before tax would be increased by £7,000 (2018: £14,000).

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 2019		31 December 2018	
	Financial assets at amortised cost £'000	**Total financial assets £'000**	Financial assets at amortised cost £'000	Total financial assets £'000
Financial assets:				
Trade and other receivables[1]	**6,263**	**6,263**	6,868	6,868
Cash and cash equivalents	**10,710**	**10,710**	9,623	9,623
Total	**16,973**	**16,973**	16,491	16,491

	31 December 2019		31 December 2018	
	Liabilities (amortised cost) £'000	**Total financial liabilities £'000**	Liabilities (amortised cost) £'000	Total financial liabilities £'000
Financial liabilities:				
Trade and other payables[2]	**4,164**	**4,164**	5,107	5,107
Leasing obligations	**2,651**	**2,651**	3,226	3,226
Convertible bond	**-**	**-**	-	-
Vendor loan note	**-**	**-**	-	-
Interest-bearing debt	**4,374**	**4,374**	3,842	3,842
Total	**11,189**	**11,189**	12,175	12,175

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.

b) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk of foreign exchange fluctuations, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's policies for financial risk management are outlined in the section on Principal Risks and Uncertainties in the Strategic Report on pages 18 and 19.

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30. Financial instruments (continued)
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 2019					
Assets					
Trade and other receivables	-	-	-	**5,444**	**5,444**
Cash and cash equivalents	-	-	-	**6,028**	**6,028**
	-	-	-	**11,472**	**11,472**
Liabilities					
Trade and other payables	-	-	-	**4,210**	**4,210**
Vendor loan notes, convertible bond and interest-bearing debt	-	-	-	**4,374**	**4,374**
	-	-	-	**8,584**	**8,584**

	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

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 2019		
Assets	**1,275**	**(1,043)**
Liabilities	**(954)**	**780**
At 31 December 2018		
Assets	525	(525)
Liabilities	(561)	561

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 2019, the Group was also owed £1,045,000 (2018: £1,427,000) from one (2018: 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.

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	
	2019	2018	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Sterling	**-**	-	**4,682**	8,499	**4,682**	8,499
Euro	**-**	-	**6,028**	1,099	**6,028**	1,099
RMB	**-**	-	**-**	-	**-**	-
USD	**-**	-	**-**	25	**-**	25
Swiss franc	**-**	-	**-**	-	**-**	-
Total	**-**	-	**10,710**	9,623	**10,710**	9,623

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

Notes to the Consolidated Statements
for the year ended 31 December 2019

30. Financial instruments (continued)

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 2019 £'000	At 31 December 2018 £'000
Total equity	**32,816**	32,080
Cash and cash equivalents	**(10,710)**	(9,623)
Capital	**22,106**	22,457
Total equity	**32,816**	32,080
Borrowings	**4,374**	3,842
Leasing obligations	**2,651**	3,226
Overall financing	**39,841**	39,148
Capital to overall financing ratio	**0.56**	0.57

31. Related party transactions

The following transactions were carried out with related parties:

a) Transactions with Directors

Total dividends paid to Directors in the year ending 31 December 2019 were £nil (2018: £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 £4,389 (2018: £3,754). At 31 December 2019, Gianluca Braguti owed the Group £5,213 (2018: £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 €nil (2018: €54,575) 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 31 December 2018 the amount due to the Company under the indemnity totalled €250,935 of which Gianluca Braguti's liability was €248,426. During 2019 the final matter was resolved in favour of the company in an amount slightly exceeding €250,935 which has accordingly extinguished this indemnified liability. The small net positive surplus has been de-recognised in the statement of financial position at 31 December 2019 and will be paid out to the vendors during early 2020.

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 £403,508 in the year to 31 December 2019 (2018: £407,368). At 31 December 2019, the Group owed Braguti's real estate Srl £94,757 (£243,030 at 31 December 2018).

Services purchased from Biogenico Srl, a company 47% owned by Gianluca Braguti, a Director and shareholder of the Group, totalled £2,157 (2018: £651). At 31 December 2019, the Group owed Biogenico Srl £2,100 (2018: £nil). Services provided to Biogenico Srl totalled £32,935 (2018: £60,670). At 31 December 2019, Biogenico Srl owed the Group £24,295 (2018: £nil).

Services purchased from A. Erre, a company 10% owned by Gianluca Braguti, a Director and shareholder of the Group, totalled £74,032 (2018: £60,960) and services provided totalled £1,970 (2018: £nil). At 31 December 2019, the Group owed A. Erre £11,169 (2018: £11,333).

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 £1,863 (2018: £791 provided to Farmacia San Francesco). At 31 December 2019, Farmacia San Francesco owed the Group £270 (2018: £nil).

During 2019 Andrew Waters provided professional services to the Company in the period January 2019 to April 2019 to the value of £30,400 prior to his appointment as Chief Financial Officer on 1 May 2019.

Notes to the Consolidated Statements
for the year ended 31 December 2019

32. Post balance sheet events
a) Business combination
On 24th January 2020 the Company completed the acquisition of 100% of the share capital of PharmaSource BV, a Netherlands based healthcare products company engaged in the supply of antifungal and related products to European customers. The Company had previously announced the signing of the share purchase agreement on 19 December 2019 subject to the completion of certain critical actions which were completed on 18 January 2020. The acquisition consideration was €6.5 million to include €0.25 million net working capital. The Company is still evaluating the acquired business and allocating this purchase price to the components of tangible and intangible value as per IFRS3.

The acquisition consideration of €6.5 million is entirely payable in cash of which €5.0 million was paid at completion, €1.0m will be paid on or around 30 April 2020 and the balance of €0.5 million will be paid within 270 days of completion subject to fulfillment of certain remaining non-critical actions. The acquisition was funded through the Company's own resources. The Company incurred acquisition-related costs in the amount of £219,000 which have been recognised as £112,000 expense during 2019 and £107,000 during 2020 within exceptional costs.

PharmaSource BV products are anti-fungal in nature and feature a unique trademark protected delivery system in the form of a pen. The Group acquired the business to expand its portfolio into anti-fungal products and to broaden its customer base, especially across Europe and China. The Group expects that the inclusion of this additional business into its portfolio will increase the leverage of its trading infrastructure and generate improved profitability. The acquisition will be accounted for under IFRS 3 as a business combination in the Consolidated Financial Statements in 2020. The Consolidated Financial Statements to 2019 exclude any results of the PharmaSource BV business.

Revenue and profit impact of the acquisition
PharmaSource BV was not acquired until after 31 December 2019. It generated net revenues of €2.6million and operating profit before exceptional items and management charges of €0.9 million in 2019.

b) Covid-19
The Group is managing the impact of Covid-19 pandemic on its business and the uncertainty that this might bring which has the potential in the worse-case scenario to create a significant shortfall versus the 2020 budgeted trading results and cashflows. The company manufactures a high proportion of its products in its own facility in Lombardy, Italy which has been an epicentre of this pandemic outbreak. This at face value presents a degree of risk and uncertainty given the lockdown that has been in place across Italy since 8 March 2020. The Directors have therefore considered the precautionary and protective actions that have been taken by the company to protect the health and wellbeing of the staff whilst maintaining business operations.

Specifically in Italy the company has introduced three main activities:

a) Introduction of stringent procedures to protect staff including the provision of masks and handwashes, the physical separation of employees and restrictions to meeting sizes, the control of attendees and visitors to the premises and other measures. The administrative workforce is currently working mostly from home and the on-site production workforce has been reduced somewhat;
b) Procurement of critical raw materials to not only meet customer demand for existing production but to enable additional manufacture of handwashes and anti-microbial products; and
c) Strategic prioritisation of customer orders to ensure that the existing inventory of finished goods (and work-in-progress as it becomes completed) is allocated appropriately to those parties based upon need, continuity of supply and other factors in order to ensure the demand is met.

In addition to the above, the company has manufactured a large quantity of handwash products and distributed these free of charge to local hospitals and pharmacies in Lombardy in order to assist in the national and international efforts to combat the pandemic.

As at 8 April 2020 the Italian factory has remained open and producing high volumes of product. Shipments of finished goods to customers is continuing as are invoicing and cash collection processes. The majority of VLG's customers are large organisations and it is the opinion of the Directors that bad debts will remain a relatively low risk.

Accordingly the Directors have evaluated a range of scenarios all depicting varying months of closure of the Italian factory and associated losses of marginal gross profits. The key findings of this evaluation are:

a) Management does not expect the Italian factory to close, but acknowledges that there is a clear risk that it could face the need to close for a period of up to one month. The impact of this one-month closure would be minor in terms of 2020/21 performance and closing cash at 30 June 2021 is forecast to be in excess of £8.0 million. Given the strong inventory that the company holds, there is an expectation that such a short closure would in practice be managed with £nil impact on 2020 and 2021 performance;
b) A scenario with a more extensive closure to the factory of 3 months yields a significantly reduced PBT for 2020 improving in 2021 and a cash balance on 30 June 2021 in excess of £6.0 million;
c) A dramatically more pessimistic scenario with an extensive closure to the factory of 6 months yields a slightly negative PBT for 2020 improving in 2021 and a positive cash balance on 30 June 2021 in excess of £5.0 million. The Directors consider this scenario as extremely unlikely in practice.

All of these above forecasts do not include any expenditure savings that would be introduced in circumstances of prolonged closures.

Based upon these financial forecasts, the Directors believe that:

a) the procedures in place in Italy have been effective to date and the company has established a pattern of operating through the lockdown to ensure continuity of business, as well as attainment of local authority acclaim; and
b) the business has sufficient balance sheet strength to weather even an unrealistically long stoppage and remain liquid;

Whilst the above scenarios provide guidance to possible outcomes, the precise effect of Covid-19 cannot be estimated.

Accordingly, after making enquiries the Directors foresee that even in the most extreme scenario of a six month factory closure (which is far beyond any contemplated worse-case scenario) the company has sufficient resources to continue in operational existence for the foreseeable future and to comfortably make scheduled loan repayments as they fall due.

The Directors are continuing to monitor the situation carefully. Based upon the steps taken to date including the building of inventory and certain changes to staff procedures, the Directors are of the opinion that the Company is well placed to continue to manufacture and supply products to customers through these uncertain times with minimal disruption.

Parent Company Balance Sheet
for the year ended 31 December 2019
Company number 05651130

	Note	At 31 December 2019 £'000	(As restated) At 31 December 2018 £'000
Fixed assets			
Investments	5	**19,053**	19,053
Intangible assets	6, 7	**4,219**	4,451
		23,272	23,504
Current assets			
Debtors	8	**9,853**	5,266
Cash at bank		**4,293**	7,331
		14,146	12,597
Creditors			
Amounts falling due within one year	9	**(2,175)**	(1,015)
Net current assets		**11,971**	11,582
Total assets less current liabilities		**35,243**	35,086
Creditors			
Amounts falling due after one year	10	**(728)**	(484)
Net assets		**34,515**	34,602
Capital and reserves			
Called up share capital	11	**251**	251
Share premium account		**30,824**	30,824
Merger reserve		**7,656**	7,656
Share-based payments reserve		**624**	609
Profit and loss account brought forward		**(4,623)**	561
Profit and loss account for the year		**(217)**	(5,299)
Shareholders' funds		**34,515**	34,602

The financial statements on pages 76 to 84 were approved and authorised for issue by the Board on 8 April 2020 and signed on its behalf by:

The Balance Sheet and accompanying Notes 8, 9 and 10 have been restated to include a prior year borrowing from a group company in the amount of €1,200,000 which had been netted out of debtors and creditors.

Jerry Randall
Director
8 April 2020

Parent Company Statement of Changes in Equity
for the year ended 31 December 2019

	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 2018	111	13,289	7,656	109	497	576	22,238
Loss for the year	-	-	-	-	-	(5,299)	(5,299)
Total comprehensive income	-		-	-	-	(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	-	17,675
Balance at 31 December 2018	251	30,824	7,656	-	609	(4,738)	34,602
Loss for the year	-	-	-	-	-	(217)	(217)
Total comprehensive expenses	-	-	-	-	-	(217)	(217)
Share-based payments charge	-	-	-	-	130	-	130
Share based payments charge Recycling per IFRS2	-	-	-	-	(115)	115	-
Dividends	-	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	15	115	130
Balance at 31 December 2019	**251**	**30,824**	**7,656**	**-**	**624**	**(4,840)**	**34,515**

During the year the second tranche of the management long-term incentive matured but failed to meet its vesting conditions. The accumulated provision within the Share Based Payments reserve of £115k was discharged and recycled into reserves in accordance with IFRS2.

Notes to the Parent Company Balance Sheet
for the year ended 31 December 2019

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.

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
for the year ended 31 December 2019

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 £209,000 (2018: loss £5,299,000).

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 2019	18,756	297	31	19,084
Additions	-	-	-	-
Revaluation adjustment	-	-	-	-
At 31 December 2019	**18,756**	**297**	**31**	**19,084**
Accumulated impairment				
At 1 January 2019	-	-	(31)	(31)
Charge for the year	-	-	-	-
At 31 December 2019	**-**	**-**	**(31)**	**(31)**
Net book value				
At 31 December 2018	18,756	297	-	19,053
At 31 December 2019	**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. Intangible assets

	Brands £'000	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost or valuation:				
At 1 January 2019	1,089	3,272	189	4,550
Additions	-	-	-	-
At 31 December 2019	**1,089**	**3,272**	**189**	**4,550**
Amortisation:				
At 1 January 2019	23	68	8	99
Charge for the year	54	164	19	237
At 31 December 2019	**77**	**232**	**27**	**336**
Carrying amount:				
At 31 December 2019	**1,012**	**3,040**	**162**	**4,214**

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.

Please refer to the impairment review within Note 14 of the Group Financial Statements for more information.

7. Business combinations

On 19 December 2019 the company announced it had signed a share purchase agreement to acquire 100% of the share capital of PharmaSource BV, a private group of companies based in the Netherlands engaged in the marketing and selling of anti-fungal products to customers within Europe. This transaction was ultimately completed on 24 January 2020 and is addressed in the Group Financial Statements in Note **32: Post Balance Sheet Events**.

8. Debtors

	2019 £'000	(As restated) 2018 £'000
Amounts falling due within one year:		
Other debtors	**4**	3
Other taxation	**16**	13
Prepayments and accrued income	**45**	20
Amounts owed by Group undertakings	**-**	-
	65	36
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	**9,788**	5,230
Aggregate amounts	**9,853**	5,266

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 £12.0 million was re-assessed at 31 December 2019 and its impairment was unchanged at £5.5 million resulting in an impairment charge of £nil (2018: £5.5 million) recognised in the Income Statement in respect of this.

Notes to the Parent Company Balance Sheet
for the year ended 31 December 2019

9. Creditors: amounts falling due within one year

	2019 £'000	(As restated) 2018 £'000
Trade creditors	**162**	25
Other taxation and social security costs	**-**	33
Accruals and deferred income	**288**	149
Vendor loan notes	**-**	-
Convertible bond	**-**	-
Amounts owed to Group undertakings	**1,716**	803
Other payables	**4**	4
Total	**2,175**	1,015

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

	2019 £'000	(As restated) 2018 £'000
Amounts owed to Group undertakings	**511**	267
Vendor loan notes	**-**	-
Convertible bond	**-**	-
Deferred consideration	**-**	-
Deferred tax	**217**	217
Total	**728**	484

Included in Amounts owed to Group undertakings are two loans from Biokosmes srl in the amounts of €0.9 million and €1.0 million (31 December 2018: One loan totaling €1.2 million). These loans carry interest at 3% and 1.5% respectively and are repayable in installments to 2021 and 2022. In the 2018 Annual Report the €1.2 million loan had been netted off against Amounts owed by Group undertakings. These prior year debtor and creditor balances have been correctly restated here.

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.

	2019 £'000	2018 £'000
Amortised cost valuation of vendor loan notes at 1 January	**-**	1,822
Repaid during the year	**-**	(1,790)
Foreign exchange movements and changes in fair value of vendor loan notes	**-**	(32)
Accrued interest not paid	**-**	-
Amortised cost valuation of vendor loan notes at 31 December	**-**	-
Current element of vendor loan notes liability	**-**	-
Non-current element of vendor loan notes liability	**-**	-
Total	**-**	-

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.

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.

	2019 **£'000**	2018 £'000
Amortised cost valuation of convertible bond at 1 January	-	1,802
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	-	-
Change in fair value of convertible bonds	-	-
Amortised cost valuation of convertible bonds at 31 December	-	-
Current element of convertible bonds liability	-	-
Non-current element of convertible bonds liability	-	-
Total	-	-

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 (2018: £nil).

Notes to the Parent Company Balance Sheet
for the year ended 31 December 2019

11. Share capital

	2019 £'000	2018 £'000
Allotted, issued and fully paid:		
There were no movements in the number of shares during 2019. At the balance sheet date there were 83,712,106 (2018: 83,712,106) ordinary shares of 0.3 pence each	**251**	251

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

a) Business combination

Please refer to the Group Financial Statements Note 32 Post Balance Sheet Events.

b) Covid-19

Please refer to the Group Financial Statements Note 32 Post Balance Sheet Events.

Shareholder Information

Company contact details and registered office
Venture House, 2 Arlington Square, Devonshire Way,
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 info@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, 2 Arlington Square, Devonshire Way, Bracknell, Berkshire RG12 1WA.

Venture Life Group plc

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