Venture Life Group
Annual Report & Accounts 2020

Delivering consumer self-care globally

Venture Life

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.

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

Our Mission

We are committed to providing innovative and efficacious products for the global 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.

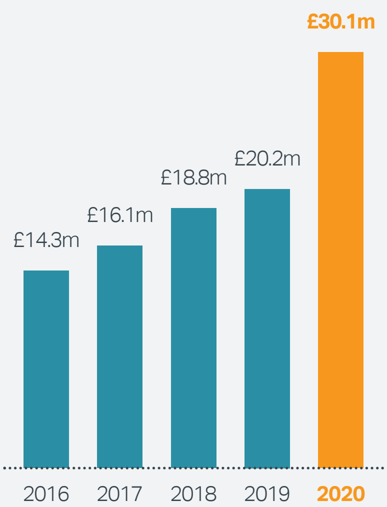
Our Highlights

A year of strong progress

Revenue (£m)

£30.1m

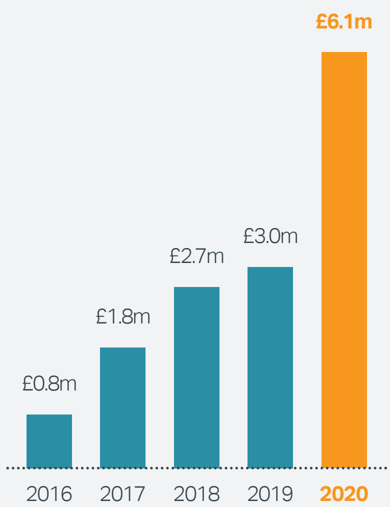
(2019: £20.2m) +49%



EBITDA* (£m)

£6.1m

(2019: £3.0m) +105%

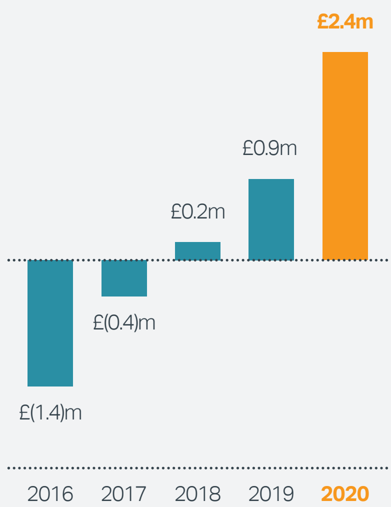


* Before exceptional items & share based payments

Profit after tax (£m)

£2.4m

(2019: £0.9m) +162%



Financial

- Revenue increased **49%** to £30.1 million (2019: £20.2 million)
- Gross profit increased **61%** to £12.8 million (2019: £8.0 million)
- Adjusted EBITDA* increased **105%** to £6.1 million (2019: £3.0 million)
- Profit before tax increased **141%** to £3.3m (2019: £1.3 million)
- Earnings per share increased **154%** to 2.74 pence (2019: 1.08 pence)
- Operating cash flow (before working capital) up **127%** to £6.7 million (2019: £3.0 million)
- Gross margin percentage increase to **42.7%** (2019: 39.6%)
- Successful Placing & Open Offer raised £34.1million net of expenses

* Before exceptional items and share based payments

Commercial

- 17 new distribution agreements signed on key brands, including four new markets for the Dentyl brand
- 12 new in-market product launches
- New Dentyl launches in Boots, Superdrug and Savers
- UltraDEX now market leader within UK Halitosis mouthwash market, overtaking its nearest rival - CB12*
- Five-year agreement with UK partner for Fungal Nail Brush & Verruca Pen, worth €2.3m over the five-year term
- Appointment as second manufacturer of Alliance Pharmaceuticals Kelo-Cote products

* Source: Neilsen, Retail Value Sales, 52 w/e November 2020

2020: A Pivotal Year

Against a challenging backdrop 2020 was a pivotal year for Venture Life

Our response to COVID-19

Amidst the unprecedented global impact caused by the pandemic, Venture Life demonstrated strong leadership, resilience, tenacity and a robust business model. The safety of its employees was at the forefront, as well as continuing a first-class customer service and delivering outstanding growth.

This is a remarkable achievement and a testament to the huge efforts of each employee, demonstrating our ability to quickly adapt to new working environments.

- The Company fully implemented COVID-19 safe Health & Safety procedures across the Development & Manufacturing Facility, the UK Head Office and the office in The Netherlands
- The Development and Manufacturing facility located in North Lombardy, Italy stayed operational throughout 2020 and continues to do so in 2021
- A new brand DISINPLUS™ was created in March 2020, in response to the demand for sanitising hand-gels that arose due to the pandemic. It was initially supplied free of charge to local hospitals in the North Lombardy region and then as a new revenue stream

Investment in Development and Manufacturing Facility

With the strong sales growth that came through in 2020, Venture Life invested significant capital during the year to materially increase the manufacturing capacity at Biokosmes, our Development and Manufacturing facility.

Investment totalled £1.2 million during the year, and has increased approximate capacity for production from 33 million to 55 million units per annum by the end of 2020.

The utilisation in 2020 still left over 40% of this capacity available, allowing for incoming opportunities and organic growth to be manufactured in-house.

- This investment included filling machinery as well as associated infrastructure
- Filling lines increased from 10 in 2019 to 13 in 2020
- Approximate daily production capacity has risen from 130,000 to 250,000 units per day

Acquisition and integration of PharmaSource BV

The acquisition of PharmaSource BV, a Netherlands-based development and distribution business, completed on 24 January 2020. This innovative and profitable business sells proven medical devices in the areas of fungal nail infections, wart removal, oral care and women's health. The products are sold direct through retail and grocery chains in The Netherlands, the UK and also through some key European distributors.

Strategically, this acquisition enables Venture Life to broaden its product range and extend global distribution, as well as benefit from the operational leverage Venture Life brings with its manufacturing facility. Already, the synergies arising from the acquisition have resulted in increased revenues and we plan for the operations to remain in The Netherlands as we grow the business there.

- Revenue for the full year 2020 was €3.2m (£2.80m) representing a growth of 20% over the previous year before the business was acquired. The acquisition of PharmaSource BV completed on 24 January 2020, therefore just over 11 months of trading is consolidated into the Group results for 2020
- A five-year distribution agreement was signed with a new partner in the UK for Fungal Nail Brush and Wart & Verruca Pen – deal worth €2.3m over the term
- PharmaSource BV Gel launched in the Dutch retail chain, DA, which operates approximately 200 outlets in The Netherlands

Equity raised for future acquisitions

In December, the Group undertook an institutional placing and open offer that raised proceeds of £36 million (£34.1 million after expenses), at a price of 90 pence per share. Participants in the placing included both existing and new institutional shareholders.

Since Venture Life was founded in 2010, the company has made four successful acquisitions – the Italian development and manufacturing business in 2014, the acquisition of Periproducts Ltd, including the UltaDEX brand in 2016, the Dentyl brand in 2018 and PharmaSource BV in 2020.

The money raised in the placing will be used to make selective earnings enhancing acquisitions that:

- Are in the consumer healthcare space
- Leverage the Group's now enhanced operating capacity
- Broaden the Group's portfolio of brands and products
- Complement the Group's proven ability and success in acquiring and integrating businesses into the Group and reinvigorating brands

At a Glance

Significant growth potential in the self-care market

What we do

Venture Life develops, manufactures and distributes regulated products for the consumer 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.

Based on a vertically integrated approach, we either acquire self-care brands and products, or develop (in-house) self-care brands and products. We manufacture our own brands and customer brands in our factory; we then distribute these products to retail pharmacies and grocery multiples, either directly in the UK, The Netherlands and Italy, or through distribution partners elsewhere.

Venture Life brands

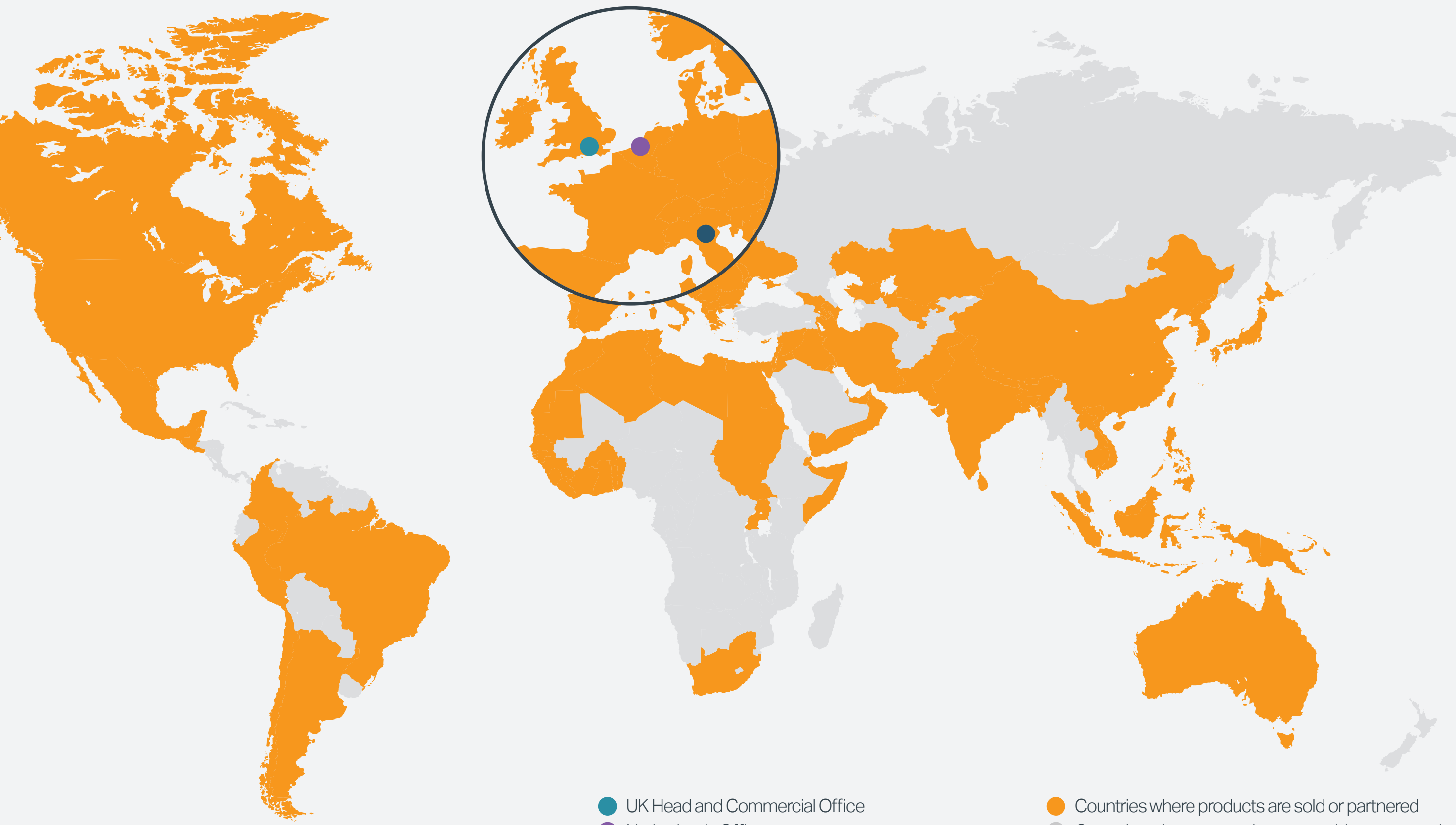
Venture Life has its own portfolio of self-care brands, which are sold without prescription through pharmacies and other retailers in the UK and internationally. They address a wide range of healthcare issues, including oral care, women's intimate health, onychomycosis and dermatology.

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.

Where we operate

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 in international markets.

UK, Italy & The Netherlands
Within the UK and The Netherlands (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.



Operational locations

3

Number of people in Group

119

Partners worldwide

113

New international agreements

17

Key brands

7

Markets worldwide

44+

Chair's Statement

2020 has been an exceptional year for the Venture Life Group, achieving record revenues and profit, amidst unprecedented global circumstances

Dr Lynn Drummond Non-Executive Chair

Highlights

- Record revenues of £30.1 million, +49%
- Record adjusted EBITDA* £6.1 million, +105%
- Gross cash £42.1 million at 31 December 2020

* Before exceptional items and share based payments

2020 has been an exceptional year for the Venture Life Group, achieving 49% growth in revenues and 105% growth on adjusted EBITDA, amidst unprecedented global circumstances. It became a year that tested businesses and people.

The Group began 2020 with good momentum from 2019, a strong order book and demand across its business. As the COVID-19 virus spread to Europe, it put substantial strain on each of the operations of our business, as lockdowns began and governments started closing down sectors of their economies.

Biokosmes S.r.l, our development and manufacturing facility, is based in Northern Lombardy and bore the initial impact from the virus as it reached Europe, in the first quarter. However, our fantastic team in Italy quickly adapted to the situation, immediately instigating COVID-safe working procedures to protect employees and the business. At the request of the local government in Northern Lombardy, we very quickly began manufacturing hand sanitising gel for the local hospitals and pharmacies that were unable to source it due to the significant increase in demand for this type of product. Initially this was provided by us free of charge to the health authorities but latterly is now a new revenue stream that contributed to revenues in 2020.

The rapid COVID-19 precautions taken by the team in Italy, along with the production of the hand sanitising gel meant that when Italy reached its most stringent lockdown in the first half of 2020, with the vast majority of businesses being forced to close, our facility in Northern Lombardy was classified as an essential business and therefore remained open. This has also been the case in the second half of 2020, and remains the case today. As a result, we continued to supply our customers through this difficult time. Our offices in the UK and The Netherlands also had to move to COVID-safe working and continued to be fully operational through all of 2020.

On behalf of the whole Board, I extend our gratitude to all of our employees for the tremendous effort they made in 2020, keeping our business fully open, our people safe and our customers supplied. It was an incredible achievement.

For a fifth consecutive year, we were included as one of the companies listed in the London Stock Exchange's publication 1000 Companies to Inspire Britain – a publication that recognises businesses across the UK that outperform their peers. This is strong testament to the dynamic team we have at Venture Life.

The pandemic brought many challenges alongside that of remaining operational, such as supply chains becoming stretched as cash dried up. There is no doubt that having a strong balance sheet helped us to overcome this. Many suppliers were restricting the supply of raw materials to those customers who could pay up front, and our strong cash position enabled us to ensure the continued sourcing of raw materials to meet customer orders. This has resulted in an increased inventory position for us during the year and at the year-end, but this inventory readily converts into revenues and subsequently cash as we manufacture the finished goods. This increased inventory allows us to ensure customer supply continues uninterrupted.

As we previously did twice in 2019, we built UK inventory levels at the back end of 2020 to ensure that we covered the risk of border disruption through the Brexit process at the end of 2020. As it has transpired, a Brexit deal was achieved and congestion at the UK border has been limited, and increases in border administration being comfortably managed by our team, so in 2021, we will be able to return our UK stock levels to normal. In 2020, UK revenues only represented 16% of our overall Group revenues, and so for the rest of our business, Brexit has not caused any issues with our products being delivered to customers around the globe from Italy.

The PharmaSource BV business we acquired in January 2020 has been well integrated into the Group, and we expect to begin manufacturing the products at Biokosmes during the first half of 2021. This will mark the complete integration of PharmaSource into the Group. This business performed very well in 2020 and we have started to achieve synergies in line with our expectations.

During 2020, we increased our investment in our manufacturing capability to ensure we keep a deep bow-wave of capacity ahead of the business as revenues continue to grow. With the exceptional growth seen at the start of the year, and mindful of our ambition to continue to acquire interesting products, we invested £1.2 million (2019: £0.4 million), significantly increasing our production capacity. This included investment directly in filling machinery as well as the associated infrastructure.

Acquisitions will continue to feature in the growth of the Group and at the end of 2020 we achieved a significant step towards our future growth by raising £34.1 million (net of expenses) to acquire further products for the Group. This significant placing and open offer meant we finished the year with £42.1 million of gross cash in the balance sheet, £35.5 million net cash excluding Finance Leases. This cash, in conjunction with additional modest debt facilities, gives us significant strength to continue to acquire interesting assets that we can leverage through our operating capabilities. We are continually reviewing opportunities in the market place and we expect to complete on some of these during 2021. The deployment of this cash in profitable product assets is expected to significantly increase the profitability of the Group in the future.

The placing in December 2020 was supported by our existing institutional shareholders, but also saw a number of notable new institutional shareholders, and on behalf of the Board, I thank both new and existing shareholders for their support in this capital raise. Also, I would like to thank our fantastic employees across the Group for their incredible hard work, commitment and tenacity this year, dealing with incredibly difficult circumstances. I am sure we have an exciting year ahead.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
24 March 2021

Our Business Model and Strategy

We have multiple revenue growth opportunities, both organically and through our acquisition strategy

Our key activities

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

Our company

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

- Experienced management team
- Committed and dynamic team of 119 people
- Vertically integrated business model
- Head office in the UK
- Commercial operations in the UK, Italy and The Netherlands
- 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
- Fostering and nurturing partnerships – strong relationships with 113 partners

Our resources

Our people
Our dedicated and talented team have a "can-do" attitude, combined with the ability to adapt to fast-changing environments. They work with a strong collaborative spirit as demonstrated in the COVID-19 pandemic.

Knowledge & expertise
Combined with an experienced management team, our R&D team has been developing healthcare products for over 35 years, registered as Medical Devices and Cosmetics.

Our brands
We have a concise range of self-care brands in areas including oral health, women's intimate health and dermatology. Many of these brands have intellectual property and clinical supporting efficacy.

R&D and manufacturing
Our 5,500m² manufacturing facility differentiates us from our peers. With a strong technical team in place with regulatory experience, we are agile in responding to market demand.

Acquisition success
We have a proven track record of quickly and effectively integrating acquired products and/or companies, by utilising our manufacturing resources and invigorating acquired brands through dynamic marketing and selling strategies.

Partnerships
Key to our growth is our continued drive to be the "partner of choice" for self-care products by fostering and nurturing strong partnerships all over the world.

Fully integrated for growth

2020 has seen our strategy deliver another year of both organic growth and growth from acquisition, with the Group increasing both revenues and profit.

Investments

We invested significant capital in 2020 to materially increase the manufacturing capacity of our Development and Manufacturing facility and have increased operational leverage to exploit revenue growth.

- Investment totalled £1.2m during the year
- Approximate capacity for production increased from 33 million to 55 million units per annum by the end of 2020
- Filling lines increased from 10 in 2019 to 13 in 2020
- Daily production capacity increased from 130,000 to 250,000 units per day

Acquisition

Our acquisitions illustrate how we can use our manufacturing capabilities to manufacture in-house to improve service, working capital and margins, develop new line-extensions, increase local distribution, improve marketing and internationalise the brand in a short space of time.

- M&A transactions have built up a portfolio of leading brands and products, including UltraDEX in 2016, Dentyl in 2018 and PharmaSource BV in 2020
- The recent equity raise will help support the company's ambitious growth plans in 2021 and beyond
- Proven track record in acquiring and integrating businesses and reinvigorating brands

Sustainably profitable

Since entering the public market in 2014, the Group has achieved compound annual revenue growth of 27% (up to and including 2020), which comes from a combination of organic and acquired growth. We continue to be sustainably profitable through:

- Investment in the manufacturing facility to support the Group's overall revenue growth and increase manufacturing capabilities
- Focusing on our own brands, which provide opportunity for margin expansion and shareholder return
- Growing in-market revenues through existing and new partners

Key achievements

With growth through our organic and acquisitive strategy, Venture Life Brands now represent 50% of the Group's revenues (2019: 33%). The synergies from the PharmaSource BV acquisition are coming to fruition, and the equity raise of £34.1 million (after expenses) will facilitate further selective earnings enhancing acquisitions.

- 17 new distribution agreements signed, including four new markets for Dentyl Brand
- Boots launched Dentyl in 800 stores, including flagship stores and Boots.com
- UltraDEX is now market leader within the UK Halitosis mouthwash market, overtaking its nearest rival - CB12*
- Units produced at our factory in 2020 were up 8% over 2019

* Source: Neilsen, Retail Value Sales, 52 w/e November 2020

Our Investment Case

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

Recognised expertise

- Experienced leadership team
- Expertise in product development, manufacturing and distribution
- Over 35 years in developing and manufacturing healthcare products
- Strong in-house technical team with regulatory expertise
- Experienced commercial team in home and international markets

Read more on pages 8 and 9

Clear strategy and proven business model

- Strategy of building a strong portfolio of market-leading brands through market penetration and international expansion
- Establishing itself as a key partner in the development and manufacturing of consumer self-care products
- Supported by a vertically integrated model – Venture Life innovates, develops, manufactures, and markets self-care products globally

Read more on pages 8 and 9

Geared for growth

- Organic growth from existing and new distribution partners globally
- Growth from developing innovative products and line extensions
- Additional growth from further acquisitions
- Revenue and profit growth through increased manufacturing throughput

Read more on pages 8 and 9

Profitable and cash generative

- Record adjusted EBITDA* of £6.1 million, +105% over 2019
- Operating cash generative
- Gross cash £42.1 million at 31 December 2020

* Before exceptional items and share based payments

Read more on pages 24 and 25

Operational leverage

- £1.2 million invested in the Development & Manufacturing facility in 2020
- Increased capacity from 33 million units to 55 units per annum, an increase of 67%
- Significant capacity for growth and the ability to accommodate both organic and acquired growth
- Gross margin improvement with growing revenues

Read more on pages 12 and 13

Proven track record in successful acquisitions

- M&A transactions to build a portfolio of leading brands/products, including UltraDEX in 2016, Dentyl in 2018 and PharmaSource BV in 2020
- Experience in reinvigorating acquired brands and turning them to growth
- Experience in internationalising brands to help drive growth

Read more on page 15

Key Performance Indicators

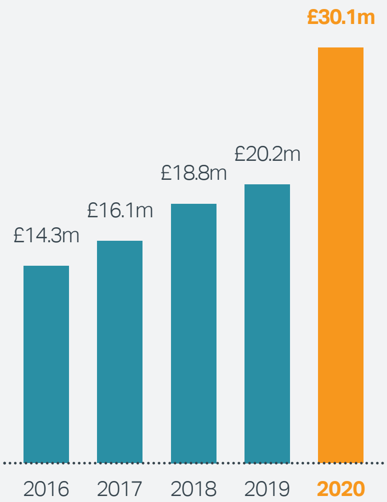
How we measure our progress

Our KPIs align with our strategic framework and our road map for developing our business in the coming years

Revenue (£m)

£30.1m

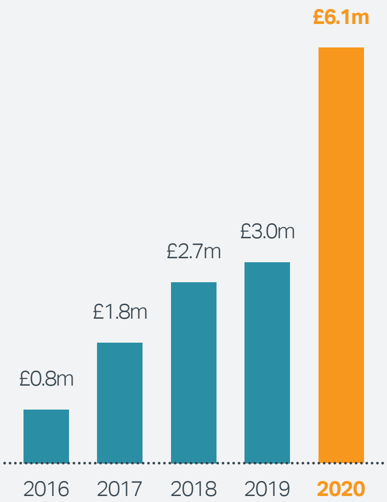
(2019: £20.2m) +49%



EBITDA* (£m)

£6.1m

(2019: £3.0m) +105%

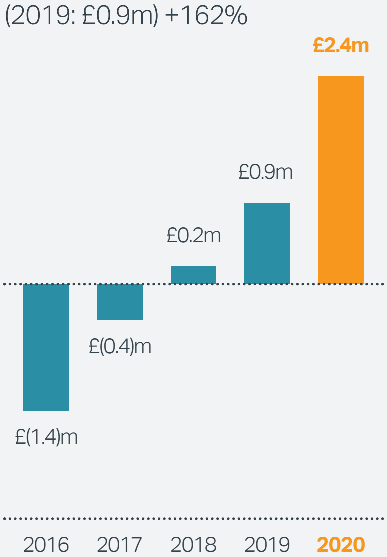


* Before exceptional items & share based payments

Profit after tax (£m)

£2.4m

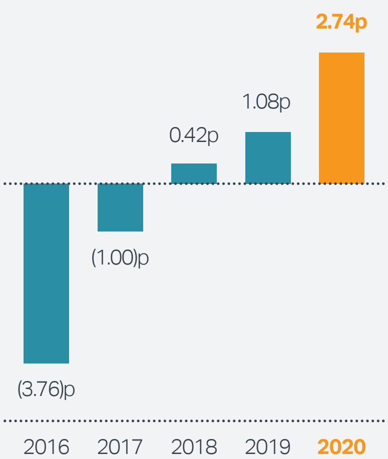
(2019: £0.9m) +162%



EPS (p)

2.74p

(2019: 1.08p) +154%



Strategic Report

Corporate Governance

Financial Statements

Development and Manufacturing

Our 5,500m^2 manufacturing facility is a key differentiating factor from our peers

Investment for growth

Our 5,500m^2 facility is located in northern Italy, near Milan. This facility manufactures both our wholly owned Venture Life Brands and Customer Brands, which are sold under the customers' brand names.

We have over 35 years of experience in developing consumer healthcare products (registered as Medical Devices or Cosmetics), and a strong technical team in place with regulatory expertise. This in-house ability to develop and manufacture allows us to be agile in responding to market demand.

Our development and manufacturing capability is a key revenue driver for the Group. With our strong growth to date and strategic ambition, we invested significantly in 2020 to increase the manufacturing capacity.

- Investment totalled £1.2 million during the year
- Filling lines increased from 10 in 2019 to 13 in 2020
- Units produced per day increased from 130,000 to 250,000 per day

Increased factory space to increase production

With the installation of three new filling lines, we made infrastructure improvements within our manufacturing facility. This included the reorganisation of the warehousing and storage facilities to allow more space for the new filling lines.

We relocated office space and externalised packaging storage to increase the production area, as well as invest in additional fire safety protection for the facility.

The Group now has significant capacity for growth, which will accommodate both organic and acquired growth. There is also the opportunity to expand the current factory footprint still further, in addition to being able to lease nearby buildings to continue current expansion should it be required.

Investment

£1.2m

Development and Manufacturing Facility

Filling lines increased to

13

(2019: 10 filling lines)

Production capacity increased

+67%

55 million units in 2020
(2019: 33 million units)

Daily unit capacity increased

+92%

from 130,000 to 250,000 units per day

Operational leverage

The manufacturing and development facility has plenty of scope for additional revenue generation with an estimated spare capacity of 49% at the end of 2020.

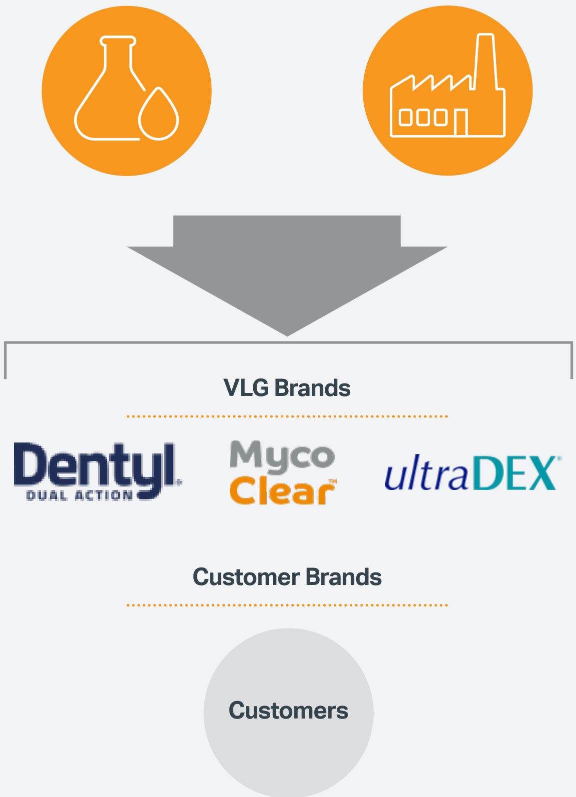
Our development and manufacturing facility services both VLG and Customer Brands.

Biokosmes, Italy

Estimated spare capacity at the end of 2020 is 49%

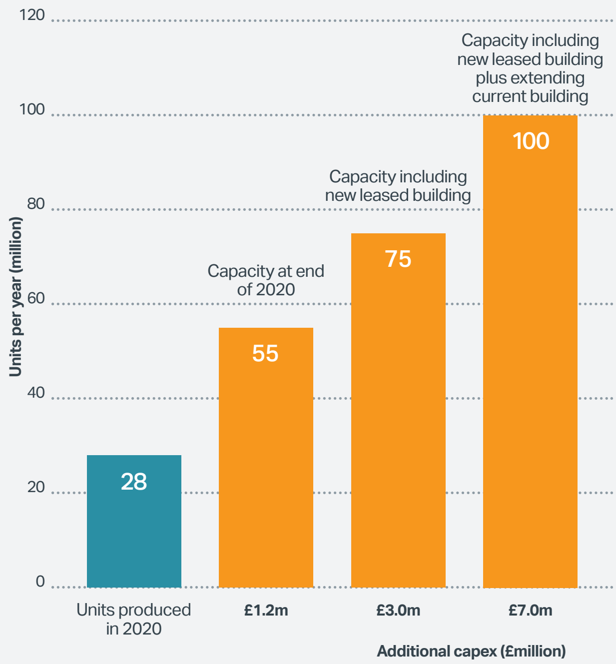
Primary production facility for all Group revenues*

* Excludes NeuroAge and Dentyl Fresh Breath Beads



Our manufacturing scalability

The Group has significant capacity for growth, which will accommodate both organic and acquired growth. There is also the opportunity to expand the current factory footprint further, in addition to being able to lease nearby buildings to continue current expansion should it be required.



Chief Executive Officer's Statement

Continuing to deliver exceptional results in a challenging environment, with growth through our organic and acquisitive strategy

Highlights

- Business remained fully operational as a Going Concern despite the COVID-19 context
- 49% year-on-year revenue increase, mostly organic
- Integration of the PharmaSource BV business, acquired on 24th January 2020
- Improved gross margin of 42.7% (2019: 39.6%)
- Positive operating cash flow
- Placing and Open offer raised £34.1 million net of expenses during Q4 2020
- Additional €3.5m debt raised on attractive terms

Operating review

The Group delivered exceptional results for 2020 with all measures of financial performance significantly ahead of 2019 and ahead of expectations at the start of 2020.

These excellent results were achieved against the backdrop of the COVID-19 pandemic and the limitations and restrictions that it brought with it. The Group has spent recent years building a vertically integrated operating base that is highly leverageable, upon which it is capable of significantly increasing revenues and profitability in the future. Since entering the public markets in 2014, the Group has achieved a compound annual revenue growth rate of 27% (up to and including 2020), which has come from a combination of organic and acquired growth. In 2016, 2018 and 2020, the Group acquired interesting assets that it could leverage with its operational base, and each of these assets has shown meaningful growth in revenues and profitability since acquisition. This strategy will continue to form the basis of future growth, making selective earnings enhancing acquisitions to utilise capacity and improve margins, alongside organic growth from our consolidated business. The funds raised in December 2020, complemented by a sensible amount of debt, will be deployed to acquire carefully selected earnings enhancing product assets which we expect will allow the Group to significantly increase its revenues and profitability in future years, as it becomes a recognised player in the consumer healthcare space.

The results for this year would have been noteworthy in any event, but given they have been delivered during the COVID-19 pandemic of 2020, they are even more remarkable. The team across the whole business has been outstanding in their response and perseverance through these incredibly difficult times, particularly in Biokosmes where the plant was kept fully operational at all times, even at the height of the severest lockdown measures in early March. I must give my heartfelt thanks and appreciation to every single member of our dedicated, knowledgeable and hard-working team, who kept our business operating through this storm, and continues to do so.

It is in times like these that the robustness of a business is tested, to see if it can cope with and react to adverse changes in its operating environment, and the Group demonstrated this in abundance during 2020. The simple requirement to do our day-to-day job became difficult in an environment where our priority is to keep employees safe and protect them from the virus. We came into 2020 with significant new business that had been put in place in the previous year, and this was already driving activity in Q1 2020 before the pandemic struck. New initiatives in the UK with our key brands, Dentyl and UltraDEX, were beginning, as well as orders from our Chinese oral care partner, as they saw strong interest and sell out in our oral care product Dentyl before the pandemic hit. The addition of PharmaSource brought exciting new products and customers, along with a strongly performing Dutch business. The Customer Brands business based out of Biokosmes in Italy also had a record order book coming into the year and has generated good new business for 2020 from new and existing customers.

This activity was then supplemented even further by the launch of the new DISINPLUS™ brand in March 2020, a newly developed hand sanitising gel, launched in response to COVID-19. The team at Biokosmes was able to react incredibly quickly and within 11 days from the request for help from the local government in Italy, was producing the hand gel to supply local hospitals and pharmacies, to enable them to continue to treat COVID-19 patients. This speed and flexibility is a fundamental quality of both our team and our business.

Revenues for the year of £30.1 million were split 50% for the Venture Life Brands (2019:33%) and 50% for Customer Brands (2019: 67%), although both parts of the business grew during the year. The Venture Life Brands generated revenues of £14.9 million (2019: £6.7 million), and were driven by growth, both in UK and China, of our Dentyl and UltraDEX brands, up 33% to £7.3 million combined (2019: £5.5 million); the addition of the DISINPLUS range of £3.6 million (2019: £nil), and finally the addition of PharmaSource BV acquired in January 2020, which brought revenues of £2.8 million (2019: £nil). The Customer Brands business also grew well, delivering revenues of £15.2 million (2019: £13.5 million), driven by new business from some key existing customers as well as from new customers.

Despite this overall growth in revenues and profitability, the Group was impacted negatively by COVID-19 in terms of:

- Delays in orders and launches of products by international partners;
- Impact on UK retail sell-out due to the High Street being impacted during lockdown;
- Additional costs incurred operating in a COVID-safe way.

Whilst there was a significant switch during the lockdown periods from customers buying in store to online, this did not mitigate the lower shop footfall. Despite this, our Dentyl brand in the UK delivered strong growth, where as UltraDEX suffered more from the slowdown seen in Boots, as it is weighted heavily with this retailer.

The operational leverage that we have built is evident in the results, with the material growth in gross margin, adjusted EBITDA (before exceptional items and share based payments) and earnings. By the end of the year we had invested significantly in the plant and generated significant free capacity, estimated at 49% in unit terms, for future growth to be

Case study:

Success in acquisitions

M&A is one of the key drivers for the growth of the business. The acquisition of of the UltraDEX brand in 2016, followed by Dentyl in 2018, illustrates how we can use our manufacturing capabilities to manufacture in-house, develop new products for the brands, improve margins, increase distribution, and improve marketing through our commercial team and internationalise the brand within a short space of time.

PharmaSource BV, acquired in January 2020, became the latest company to join the portfolio. The team of six, based in The Netherlands, has integrated well and we expect to begin manufacturing PharmaSource BV product at our manufacturing and development facility during the first half of 2021.

PharmaSource BV revenue

£2.8m

New distribution agreements

7

signed since acquisition

2020 saw a number of early synergies from the acquisition come to fruition, with highlights including:

- Revenue for the full year 2020 was €3.2m (£2.80m) representing a growth of 20% over the previous year before the business was acquired. The acquisition of PharmaSource BV completed on 24 January 2020, therefore just over 11 months of trading is consolidated into the Group results for 2020
- A five-year distribution agreement was signed in the UK for Fungal Nail Brush and Wart & Verruca Pen – a deal worth €2.3m over the term
- PharmaSource BV Gel launched in the Dutch retail chain, DA, which operates approximately 200 outlets in The Netherlands
- Six further international agreements completed on PharmaSource BV products
- Successful completion of technical audits for the nail fungal pen, wart pen, wart plasters and BV gel

Chief Executive Officer's Statement
continued

Case study:
A spotlight on the Dentyl Brand

Acquired in 2018, the brand performed exceptionally well in 2020 with revenues increasing 80% to £4.3 million (2019: £2.4 million). There were several contributing factors resulting in this substantial growth.

2020 brand highlights include:

- Boots launched Dentyl into 800 of its largest stores and on Boots.com in Q4 2020
- Launch of the new Dentyl Unicorn and Mermaid Editions, developed in-house in our development and manufacturing facility
- Dentyl Unicorn Edition launched in all UK Superdrug stores and Dentyl Mermaid launched in all Savers stores, with Amazon and Ocado launching both Unicorn and Mermaid Editions in Q1 2021
- Developed, tested and launched in Sainbury's a new Dentyl sub-brand – Dentyl Fresh Protect
- Achieved rapid online growth, with sales of Dentyl on Amazon increasing by 648% compared to 2019
- Internationally, revenues increased 308% to £1.6 million (2019: £0.4 milion)

We announced the inclusion of Dentyl mouthwash in Cardiff University's independent in-vitro study that was published independently in November 2020. Results showed that CPC technology (Dentyl's key ingredient) inactivated SARS-CoV-2 completely within a 30 second exposure in a lab setting.

Further to this, the multi-centre in-vivo clinical study being conducted by Cardiff University involving both Dentyl and a newly developed UltraDEX CPC-MAX mouthwash is now nearing completion of patient recruitment. The data is being analysed and will be submitted for publication and independently peer-reviewed. We will update the market with the findings in due course, once the study has been published.

Boots launches Dentyl

800

stores and online

2020 Dentyl revenue increased

+80%

Operating review continued

accommodated, plus options for further expansion. Increasing revenues through the plant brings gross margin enhancement as fixed costs are spread over more production, meaning we expect a long-term improvement in gross and net margin as we grow revenues.

Despite the significant growth in revenues, we continue to keep tight control of costs, and aside from the one off costs associated with COVID-19 and with the PharmaSource acquisition as well as the additional PharmaSource cost base, our overheads only increased £0.4 million in the year compared to 2019. This has resulted in earnings per share of 2.74p, a significant increase of 154% over 2019.

Venture Life Brands

UltraDEX

Revenues for UltraDEX fell 4% to £3.0 million (2019: £3.2 million) throughout 2020. A fall in the UK revenues £0.4 million to £2.2 million was offset by a rise of £0.2 million in the rest of the world. UK sales were adversely affected as COVID-19 impacted the High Street in particular (Health and Beauty Channel - Boots and Superdrug) – this impact was especially felt in H1 during the first lockdown, as UK sales fell by 20% in H1 2020 compared to H1 2019. However, sales in the UK have recovered somewhat in the second half and whilst they are not yet back to the levels pre-COVID, the decline eased to 6% in H2, hence a decline across the full year of 14%.

We did however see rapid growth through the Online Channel, which was to be expected: sales of UltraDEX on Amazon increased by +98% year-on-year.

Despite the impact of COVID-19 in the UK, UltraDEX overtook CB12 (Mylan brand) to become the UK's biggest mouthwash brand for Halitosis based on Value Share for the first time in 8 years (source: Nielsen, Retail Value Sales, 52 w/e Nov-20). Furthermore, UltraDEX successfully retained all of its distribution throughout 2020 despite the challenges it faced, and this is important as we move into 2021.

In the UK, social media following increased on both Facebook and Instagram by c. 273% and our media campaign impressions increased by 114% throughout 2020.

Internationally, UltraDEX is now partnered in 15 markets.

Dentyl

Revenues for Dentyl rose 80% to £4.3 million (2019: £2.4 million). In the UK, Dentyl performed exceptionally well through the pandemic with revenues up 33% to £2.6 million (2019: £2.0 million) – the brand saw modest growth in H1 2020 of +10% compared to the same period the prior year, but that growth significantly increased to +60% in H2 2020 compared the same period the prior year, due to a number of reasons.

Throughout 2020, Dentyl over indexed in supermarkets, meaning a greater percentage of Dentyl was sold in supermarkets compared to the Health and Beauty Channel on the UK High Street, and thus fared much better throughout the pandemic, as supermarkets were less affected versus the UK High Street. At the same time, a number of new initiatives also came to fruition, helping to fuel growth.

In H2 2020, Boots launched Dentyl into 800 of its largest stores and on Boots.com; although this distribution represents approximately a third of their stores, the weighted distribution is 78%. Alliance Healthcare (the wholesale arm of Boots UK) also launched Dentyl, which will ensure greater access to independent pharmacies across the UK moving forward (approximately 35% of pharmacies order exclusively through Alliance Healthcare).

Dentyl expanded its UK distribution by launching in some key Value Retailers – B&M stores (one of the fastest growing retailers in the UK) and Bodycare.

We also saw new products developed in-house at our manufacturing facility come to market. In October, we launched the new Dentyl Editions (namely, Dentyl Unicorn and Dentyl Mermaid) into AS Watsons stores. During Q4, Dentyl Unicorn launched in all Superdrug stores (c.800 stores) and quickly became the bestselling Dentyl variant. In Savers, Dentyl Mermaid launched with full distribution (c. 500 stores). In November, we developed, tested and launched a new Dentyl sub-brand called Dentyl Fresh Protect in Sainsbury's; priced competitively, our intention is to target and attract consumers to the brand from the lower end, private label segment of the market.

Throughout 2020, we saw rapid growth through the Online Channel. Sales of Dentyl on Amazon increased by 648% year-on-year and Amazon has also confirmed the launch of the new Dentyl Editions in Q1 2021.

Finally, we announced the inclusion of Dentyl mouthwash in Cardiff University's independent in-vitro study that was published independently in November 2020. Results showed that CPC technology (Dentyl's key ingredient) inactivated SARS-CoV-2 completely within a 30 second exposure in a lab setting.

Further to this, the multi-centre in-vivo clinical study being conducted by Cardiff University involving both Dentyl and a newly developed UltraDEX CPC-MAX mouthwash is now nearing completion of patient recruitment. The data is being analysed and will be submitted for publication and independently peer-reviewed. We will update the market with the findings in due course, once the study has been published.

Internationally, we also saw the brand perform well, with revenues increasing 308% to £1.6 million (2019: £0.4 million) primarily down to sales to our Chinese partner. Our partner in China suffered like so many businesses having to shut down during the pandemic, then restart its business in the autumn after the lockdown ended. The stock we shipped to them towards the end of the first half of the year only arrived in China in late September, again due to COVID related delays in shipping, and so that stock started to sell in Q4 only. We did not ship any product to China in H2, but we have begun shipping product to China in Q1 2021.

We saw 4 new launches for Dentyl internationally, including Portugal, UAE, Singapore and Dentyl Fresh Breath Beads in Jordan.

Other Brands

Excluding UltraDEX and Dentyl, the other Venture Life Brands within the international division grew by +11%, due to continued steady growth on Procto-eze and Myco Clear in particular. Overall, we saw 17 long-term distribution agreements completed throughout 2020, as interest remains high on both the Venture Life Brands and the newly acquired PharmaSource products. Agreements were reached on Myco Clear (nail fungus), Procto-eze (Haemorrhoids), DISINPLUS (hand sanitising gel) and also wart products. We continue to identify key target companies for all our products, including these smaller brands throughout 2021.

DISINPLUS™

This brand was newly created in 2020 in response to the demand for hand sanitising gel that arose due to the pandemic. Sales for the whole year were £3.6 million, of which £1.5 million was in the UK. There were no sales of this product in 2019.

The product itself was originally made by Biokosmes in 2004 at the time of the SARS Bird Flu outbreak. In the spring of 2020 when the virus gripped Northern Lombardy, the local government approached Biokosmes to ask if they could make such a hand gel – local hospitals could not find any supplies and without it they could not admit any more patients, similarly for local pharmacies. Within 11 days of this request being received, Biokosmes was making its first batch – initially this was supplied free of charge, and subsequently this supply continues and is paid for by the Italian Government. Biokosmes was highlighted and praised throughout the Italian media and this generated a significant level of enquiries for the hand gel from commercial sources (for example, grocery chains, pharmacies and distributors to retail). As a result, the brand name DISINPLUS was created and a suite of 8 products were developed and are now marketed. Sales in the first half were very significant, at £3.2 million, as there was significant demand due to hand gel shortages. This included £1.5 million of sales to ASDA in the UK. In the second half of the year, the significant stocking into the channel in many countries caused a hiatus in sales of the gel for the Group, but later in H2 they returned, albeit, at much lower levels.

Chief Executive Officer's Statement
continued

Other Brands continued

PharmaSource
Revenue for the full year 2020 was €3.2m (£2.80m) representing a growth of 20% over the previous year before the business was acquired (unaudited revenues for the 12 months to 31 December 2019 were €2.6m (£2.3m at an exchange rate of €1.124/£1.0). The acquisition of PharmaSource BV completed on 24 January 2020, therefore just over 11 months of trading is consolidated into the Group results for 2020 in the amount of €3.1m (£2.76m).

The integration process of both commercial and finance operations has been completed smoothly and good commercial progress has been made since acquisition. We saw good sales growth in both the UK and The Netherlands in 2020 - two new products were launched with our Dutch partner Perrigo, we launched a woman's intimate product with a Dutch retail chain called "DA", which operates 200 stores in The Netherlands, we partnered with Lloyds Pharmacy in the UK with the Wart and Verruca pen and we signed a five-year agreement with a new partner in the UK. Furthermore, we completed 6 new agreements with partners outside of these core markets, which confirms there is significant interest in these newly acquired products from PharmaSource.

Finally, 2020 saw the successful completion of technical audits carried out by the relevant notified bodies on the nail fungal pen, wart pen, wart plasters and BV gel. The next regulatory audits will be May 2022.

Customer Brands
Revenues from Customer Brands rose by 12% to £15.2 million (2019: £13.5 million). This was driven by a combination of new business from both new customers and existing customers. Notably in the period, we began as a second manufacturer for the Kelocote brand for Alliance Pharma, one of our key customers. Production of this only began in Q4 of 2020 and will continue in 2021. The growth in revenue was attenuated by some customers who were adversely affected by COVID-19, delaying launches or orders, and this was also witnessed with some international customers of the Venture Life Brands. As we emerge from the pandemic in 2021, we would hope to see these customers return to the previous expected level of sales.

Operating Leverage and Capacity
A key part of revenues delivered by the Group is from the development and manufacturing capability that we have at Biokosmes. This facility manufactures the vast majority of the products that the Group sells, exceptions being NeuroAge, Dentyl Fresh Breath Beads and currently the products from PharmaSource, although we expect PharmaSource products will come into the factory in 2021. With the strong growth experienced and our further ambition, we invested significantly during 2020 to materially increase the manufacturing capacity at Biokosmes. This investment totalled £1.2 million during the year, and has increased our approximate capacity for production from 33 million units per annum to 55 million units per annum by the end of 2020. The investment went towards three new filling lines, infrastructure modifications and fire safety protection for increased throughput. This also included a reorganisation of the warehousing facilities and the storage of packaging materials.

The Group now has significant capacity for growth, which will accommodate both organic and acquired growth. Beyond this, the Group has the opportunity to expand production further through increasing the footprint of the current factory and leasing further nearby buildings to continue capacity expansion if required, beyond the current 55 million pieces.

Capital Raise
In December, the Group undertook an institutional placing and open offer, raising gross proceeds of £36.0 million (£34.1 million after expenses), at a price of 90 pence per share. This money will be supplemented by sensible levels of debt and will be used to make selective earnings enhancing acquisitions that meet the Group's strict criteria, in order to grow the revenues and the profitability of the group. Participants in the placing included both existing and new institutional shareholders. Of the total gross proceeds, £34.0 million was raised via the placing and £2.0 million via an open offer to existing shareholders.

Summary & Outlook
In this quite extraordinary year where the whole world has been affected by the COVID-19 virus, the Group has demonstrated its resilience and its robust business model to deliver outstanding growth, at a time when many businesses have seen a substantial contraction or even a halt to their operations, and this was despite experiencing delays from a number of our UK and international customers due to COVID-19.

During this difficult year, we were also able to acquire and successfully integrate the PharmaSource business into the Group and deliver continued growth from that business throughout 2020.

The team within Venture Life has shown it can adapt and prosper in a changing and challenging environment, and continue to provide the service and products to its customers around the world. I would like to thank the entire team, and in particular the team at Biokosmes, for their hard work and perseverance during the year, dealing with the significant challenges thrown up by COVID-19 and ensuring that our business continued uninterrupted. I would like to welcome the PharmaSource team into the Venture Life family and look forward to more success in 2021. I would also like to thank our customers and suppliers for their continued support and work with us during this difficult time. Finally, thank you to our shareholders, existing and new, for their on-going support of both our team and our vision.

The end of 2020 and the start of 2021 saw another extended period of lockdown across the markets in which we operate, similar to that seen in the first half of 2020, and in 2021 the Group will seek to consolidate the growth seen in 2020. Then through the application of its free cash to selected earnings enhancing acquisitions the Group expects to continue to deliver acquisitive growth, and as markets begin to ease out of lock down, also deliver organic growth. I expect growth in revenues to deliver growth in earnings and I look forward to updating shareholders during what is sure to be an exciting 2021 for Venture Life.

Jerry Randall
Chief Executive Officer
24 March 2021

A Responsible Business

To be a trusted global leader in the self-care market, we must ensure that we behave in a socially and environmentally responsible manner

Our People

Our employees are key to our success and we value each and every person who works for us. We currently employ 119 employees and are committed to investing in and supporting their careers.

The UK, Italy and The Netherlands offices work very closely together and as a company, and we look to nurture new talent by supporting people at the early stages of their careers. We then promote and transfer people into new roles within the Company.

Individual high performances are recognised and we nurture personal development and continuous improvement, rewarding and recognising the contribution of our people.

Diversity

We are committed to providing equal opportunities in employment. All job applicants and employees receive equal treatment regardless of sex, race, colour, age, nationality or ethnic origin. We employ 8% more women than men.

Health & Safety

We recognise the necessity of safeguarding the health and safety of our own employees whilst at work. We operate to provide a safe and comfortable working environment for employees and visitors. Our policy is to manage our activities to avoid causing any unnecessary or unacceptable risks to health and safety.

We have a rigorous COVID-19 safety policy in place to protect our employees in all three offices, and our manufacturing facility has strict procedures in place that include:

- Temperature sensors for external visitors and internal staff
- Deep-clean after every manufacturing shift
- Strict social distancing measures
- Full PPE for factory employees

Environment & Sustainability

Venture Life has developed specific environmental actions, in particular with regard to energy and water management. Our manufacturing facility has a photovoltaic, solar-powered electric generating system, which covers about 60% of the manufacturing facility's need. In regards to water resources, our osmotic plant is closed-cycle, which results in significant water savings.

Biokosmes has won a tender funded by the SMART project. The project offers training, analysis and assessment of the company's sustainability status and identifies potential actions to increase aspects of the Group's Corporate Social Responsibility.

Charitable Support

During the peak of the virus in the North Lombardy area of Italy in 2020, we supported local hospitals and pharmacies by donating free supplies of sanitiser gel produced at our manufacturing facility, to support the fight against the virus.

We also support the Alzheimer's Society charity on an annual basis.

Awards

Our people are committed to and motivated by the success of the Company. For a **fifth consecutive year**, we were once again included as one of the companies listed in the London Stock Exchange's publication 1000 Companies to Inspire Britain – a publication that recognises businesses across the UK that outperform their peers. This is a strong testament to the dynamic team we have at Venture Life.

Principal Risks and Uncertainties

Creating quality outcomes by managing risk

Non-financial risks

Risk	Description
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 2017, 2018, 2019 and 2020 was 56%, 50%, 40% and 64% 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 and ensuring a plentiful stock position in the UK through Brexit.
Adverse foreign exchange movements affecting profitability ↗	The Group's revenues are denominated in euros 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 78% 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.

→ No change in risk

↗ Increase in risk

↘ Decrease in risk

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. At the moment there is limited clarity on the exact impact on UK-based businesses that trade internationally. The significant proportion of the Group's 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 78% 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 22% currently represents the sales of UltraDEX, Dentyl and DISINPLUS™ which are 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 24 March 2021 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.

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 119 • 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 brokers, 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 brokers, 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 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 build balance sheet strength by means of an equity raise during the fourth quarter of 2020 in order to provide more funds for the Group's "Buy & Build" programme; 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 made during the year 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 acquisition of PharmaSource BV is addressed in the CEO report and also in Note 14 Business Combinations. Environmental factors are important to the Group and our culture.

Financial Review

The Group delivered a very positive set of results for the year as the execution of the Buy and Build strategy continued

Andrew Waters Chief Financial Officer

Highlights

- Business remained fully operational as a Going Concern despite the COVID-19 context
- 49% year-on-year revenue increase, mostly organic
- Integration of the PharmaSource BV business, acquired on 24 January 2020
- Improved gross margin of 42.7% (2019: 39.6%)
- Positive operating cash flow
- Placing and Open offer raised £34.1 million net of expenses during Q4 2020
- Additional €3.5m debt raised on attractive terms

The Group delivered a very positive set of results for the year as the execution of the Buy and Build strategy continued, leading to the progression of greater revenues through the infrastructure. Gross Profit increased both commensurately with sales growth plus a noteworthy margin improvement and, through the impact of leverage against a relatively fixed operating cost base, led to all other profitability measures (adjusted-EBITDA, operating profit, pre-tax profit and post-tax profit) increasing substantially as did all measures of operational cash flow.

Statement of Comprehensive Income

The Group reported 2020 revenues of £30.1 million, an increase of 49% over the £20.2 million reported in 2019. The Group comprises of two segments: Venture Life Brands and Customer Brands. The Venture Life Brands business reported strong growth of 123% to £14.9 million (2019: £6.7 million). The Dentyl brand grew by 80% to £4.3 million in 2020 (2019: £2.4 million) reflecting a strong UK performance where the brand benefitted from new listings and a positive response to some independently published in-vitro data by Cardiff University, as well as the onset of higher sales to China per the new agreement entered into with the distribution partner in April 2020. UltraDEX net sales declined 4% to £3.0 million in 2020 (2019: £3.2 million) as declines in the UK arising from periods of lockdown outweighed some significant improvement in sales to some international partners. As a consequence of the COVID-19 setting, the Group developed a range of hand sanitiser gels (HSGs) and established a new business unit which delivered £3.6m in net sales and accounted for 18% of the total Group sales growth. The PharmaSource business, acquired on 24th January 2020, delivered ahead of our expectations in the amount of £2.8m net sales and accounted for 14% of the total Group sales growth. Sales of the Group's other branded products grew 11% reflecting a blend of increasing geographic footprint coupled with volume growth and some distributor churn.

The Customer Brands business reported revenues (excluding intercompany sales) of £15.2 million, an increase of 12% from 2019. As well as developing and manufacturing the majority of the Venture Life brands, this part of the business is also 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. As a result of the timings of both the hand sanitiser gel business and the sales to China, the revenue in 2020 was phased 56% in the first half of 2020 and 44% in the second half in contrast to prior years, which had typically experienced higher revenues in the second half.

Results for the year

	2020 £000s	2019 £000s	Change %
Revenue	**30,076**	20,206	49%
Gross profit	**12,847**	8,003	61%
Gross profit margin	**42.7%**	39.6%	
Amortisation	**(909)**	(579)	
Other income	**169**	163	
Exceptional items	**(167)**	(208)	
Operating profit	**3,555**	1,278	178%
Operating profit margin	**11.8%**	6.3%	
Net Finance expense	**(279)**	84	
Profit before tax	**3,276**	1,362	141%
Tax	**(908)**	(458)	
Profit after tax	**2,368**	904	162%
Earnings per share			
Basic / pence	**2.74**	1.08	154%
Diluted / pence	**2.53**	1.01	150%
Annual dividend per share / pence	**-**	-	
Net cash at end of period / £000s	**35,479**	6,336	
Return on capital employed	**5.8%**	3.2%	

The Group generated gross profit of £12.8 million representing a gross margin of 42.7%, which compared favourably to a gross margin of 39.6% for 2019. This notable improvement due to several factors including:

a) favourable mix variances arising from inclusion of PharmaSource products at higher average margin;
b) favourable mix variances arising from the higher portion of revenues arising from Venture Life Brands, and;
c) factory volume/efficiency variances, this being a clear demonstration of one of the strategies of the group to increase factory throughput and deliver leverage against those factory cost components that are relatively more fixed.

The Euro fluctuated against Sterling a little during 2020 with a net strengthening in the region of 5% which had an overall small positive impact on the reported operating profit of the Group as most of the Group's gross margins were euro denominated.

Administrative expenses increased in the period to £9.3 million from £6.7 million in 2019, an increase of £2.6 million. Of this increase, £0.5 million related to the inclusion of PharmaSource operations, £0.9m comprised higher non-cash costs of amortisation, depreciation & share-based payments arising from the PharmaSource acquisition, higher factory capital investment for growth and new stock option issuances in January 2020, and the remaining increase of £1.2 million included additional COVID-19 costs of £0.5 million and an increase in debtor provision of £0.4 million to yield a balance of £0.3 million reflecting inflationary increases on base expenditures. Exceptional costs of £167,000 (2019: £208,000) related to legal and professional fees incurred in the completion of the acquisition of the PharmaSource BV business (acquired on 24 January 2020), as well as due diligence activities conducted in the year on prospective acquisition targets.

Operating profit was £3.6 million (2019: £1.3 million) with the profit before tax for the Group of £3.3 million (2019: £1.4 million). The Group reported profit after tax of £2.4 million (2019: profit of £0.9 million).

Finance costs were £0.3 million (2019: credit of £0.1 million) and comprised interest payable on an expanded portfolio of euro loans coupled with foreign exchange losses arising principally upon settlement of the deferred euro-denominated consideration payments for the acquired PharmaSource business during a year of sterling depreciation.

These translated into basic earnings per share of 2.74 pence (2019: 1.08 pence), with the improvement in business performance generating enhanced shareholder value. The number of shares in issue as at 31 December 2020 was 125,831,530. (31 December 2019: 83,712,106) and the weighted average number during 2020 was 86,402,007 (2019: 83,712,106).

The pace of growth of business across the year, coupled with stock building for Brexit and COVID-19 restrictions, inevitably resulted in a significant flux of funds into working capital in the amount of £3.1 million (2019: £(0.1) million) and as a result of this the net cash from operating activities was £2.7 million in 2020 (2019: £2.4 million). Cash used in investing activities amounted to £7.5 million (2019 £1.1 million) and comprised the purchase consideration for the acquisition of PharmaSource BV of £5.5 million, £1.2 million of capital investment into the Italian factory and £0.8 million of capitalised development. Net cash from financing activities was £36.3 million (2019 £0.1 million) and comprised the 2020 4th quarter placement and open offer proceeds of £34.1 million (comprising £36.0 million of gross proceeds less £1.9 million of transaction expenses), £0.9 million from the successful exercise of staff stock options and the inclusion of three new Euro loans in the amount of €3.5 million less scheduled Euro loan repayments of €0.9 million together with revolving invoice financing drawdowns and repayments of £2.3 million and £2.6 million respectively. Overall cash and cash equivalents increased during the year by £31.4million (2019 an increase of £1.4 million). Cash and cash equivalents less interest bearing borrowings increased during the year from £3.7 million at the start of the year to £30.9 million at the end of the year.

Financial Review
continued

Gross margin

42.7%

(2019: 39.6%)

Placing and Offer raised

£34.1m

net of expenses during Q4 2020

Statement of Financial Position

Intangible non-current assets increased by £6.3 million in the year and comprised the acquisition of the PharmaSource intangible assets in January 2020 (£5.5 million), capitalised development costs of £0.7 million and continuing investment in patents and trademarks of £0.1 million, partially offset by ongoing amortisation and including a substantial fx gain on euro denominated assets arising as a result of retranslating the goodwill and other intangible assets of the foreign operations at the closing spot rate, as discussed in notes 32 Prior period adjustment and 3.4 Foreign currencies, affecting the goodwill and fair value of other intangible assets acquired in 2014 as part of the acquisition of Biokosmes S.r.l. Capitalised development costs are carried in the amount of £2.0 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 increased by £2.9 million reflecting significant net additions in factory equipment of £1.2 million as part of the expansion programme plus a technical IFRS16 net addition of £2.5 million recognising the extension of the factory lease through to 2031 offset by ongoing depreciation and including a small fx gain on euro denominated assets.

Inventory increased by 75% versus 2019. This was intentional in order to build stocks of finished goods as part of the Group's BREXIT contingency plans to ensure strong levels of inventory in UK warehouse facilities ahead of the BREXIT date of 31st December 2020 coupled with an increase in raw materials inventories to ensure uninterrupted ongoing production during the pandemic.
Trade receivables and trade payables grew at rates of approximately 20% and 30% respectively, which remained broadly commensurate with the rate of sales growth when reflecting the phasing of the sales in 2020 compared with 2019.

Cash and debt

Cash and cash equivalents at the year-end totalled £42.1 million (2019: £10.7 million) having been boosted during the fourth quarter by the successful Placing and Open offer which netted £34.1 million. Net cash inflow during 2020 amounted to £31.4 million with the increase in cash balances accounted for as follows:

- Operating cash flow before tax payments and movements in working capital - inflow of £6.7 million
- Changes in working capital comprising inventory build, debtor build less creditor build – outflow of £3.1 million;
- Tax payments and Finance costs – outflow of £0.9 million
- Acquisition of PharmaSource BV – outflow of £5.5 million
- Investment in manufacturing facility equipment (£1.2 million) and intangible development assets (£0.8 million) – outflow of £2.0 million
- Raising of Equity – inflow of £35.0 million (including £34.1 million via Placing and Open Offer and £0.9 million through stock option exercises)
- Drawdown of Financing (£5.4 million) less repayments and Finance lease repayments (£4.2 million) – inflow of £1.2 million

Cash flow and net cash

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Operating cashflow before movements in working capital	**6,705**	2,951
Change in working capital	**(3,053)**	(131)
Cash generated from operations	**3,652**	2,820
Finance costs	**(50)**	32
Income taxes paid	**(896)**	(412)
Net cash inflow from operating activities	**2,706**	2,440
Cash outflow from investing activities – acquisitions	**(5,465)**	(0)
Cash outflow from investing activities – additions	**(2,069)**	(1,145)
Cash inflow from financing activities – equity raise	**35,040**	(0)
Cash inflow from financing activities – other financing	**1,231**	112
Increase in cash and cash equivalents	**31,443**	1,406
Cash and cash equivalents beginning of year	**10,710**	9,623
Effect of foreign exchange rates	**(58)**	(319)
Cash and cash equivalents at end of year	**42,095**	10,710

Net cash, excluding finance lease obligations, increased from £6.3 million as at 31 December 2019 to £35.5 million as at 31 December 2020.

The Group is financed by a range of largely Euro denominated interest-bearing loans of varying maturities, comprising of invoice financing and unsecured bank loans. Total debt increased from £7.0 million to £11.2 million and reflects the inclusion of additional €3.5 million of Italian euro denominated loans from Banco Popolare Milano S.r.l and Banco Unicredito S.r.l less on-going repayments of €0.9 million, a small net repayment of our invoice financing facility and the technical IFRS16 inclusion of a £2.5 million debt component of the Italian factory finance lease extension.

Given the net cash position at the year end, the Group is extremely 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.

Taking everything into account this has been a strong year for the business, which has experienced very strong organic growth, as well as completed the acquisition of PharmaSource BV, its latest addition. The Group has delivered a robust performance in 2020 with strong and growing operating profit, pre-tax profit, post-tax profit and operating cashflow. The start of 2021 has been positive with continuing momentum to the sales and a solid order book. The Group continues to manage the impact of COVID-19 on the 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
24 March 2021

Board of Directors

Leading with an experienced team

Dr Lynn Drummond
Non-Executive Chair

Appointed
November 2013

Background
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

Appointed
March 2010

Background
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

Appointed
March 2010

Background
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

Appointed
March 2014

Background
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.

Andrew Waters
Chief Financial Officer

Appointed
May 2019

Background
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

Appointed
January 2019

Background
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.

Carl Dempsey
Non-Executive Director

Appointed
September 2018

Background
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

Appointed
February 2016

Background
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.

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.

During 2020 the Audit and Risk Committee reviewed the outcome of the 2019 external audit and the outcome of the 2020 half-year review. The committee was satisfied with the objectivity and performance and elected to reappoint the current auditors for the full year 2020 audit. The committee considered the control environment in the light of the on-going COVID-19 situation which included assessing the extent to which the existing internal controls would continue to operate with multiple staff now working from a home setting. The Committee also developed guidance to the level of trade debtor exposure that would be permissible in this environment, including guidance on the principles to consider when determining the maximum exposure to China.

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 2021 AGM will be held on 20 May 2021 and a Notice of Annual General Meeting can be found enclosed with this report.

Attendance at Board meetings and Committees

The Directors attended the following Board meetings and Committee meetings during the year. Due to the COVID-19 the majority of these meetings were held remotely:

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	5/5	2/2	2/2
Total meetings held in the year	**5**	**2**	**2**

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.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
24 March 2021

Directors' Report

General matters
The Directors submit their report and the financial statements of Venture Life Group plc for the year ended 31 December 2020. Venture Life Group plc is a public limited company quoted on AIM, incorporated and domiciled in the United Kingdom with registered office at Venture House, 2 Arlington Square, Bracknell, Berkshire. RG12 1WA.

It has subsidiary companies in the United Kingdom, Italy, The Netherlands and Switzerland and a branch located in Italy.

Results
The profit before tax for the year ended 31 December 2020 was £3.3 million (2019: £1.4 million). The detailed results for the year and the financial position at 31 December 2020 are shown in the Consolidated Statement of Comprehensive Income on page 48 and the Consolidated Statement of Financial Position on page 49. The Directors do not recommend the payment of a dividend.

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 £2.4 million and generated in excess of £2.0 million in operating cash flow, all arising from transactions of an ongoing nature and in the ordinary course of business. The order book at 31 December 2020 remains strong. The Company had net cash of £35.5 million at the year-end excluding finance leases, and £30.9 million 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 Note 3, the company has been managing the impact of the COVID-19 pandemic on its business for much of 2020 and on a continuing basis into 2021. The uncertainty that this might bring has the potential in the worse-case scenario to create a significant shortfall versus the 2021 budgeted trading results and cashflows. The company manufactures a high proportion of its products in its own facility in Lombardy, Italy which had been an epicentre of this pandemic outbreak during 2020. In spite of this risk, the company executed a number of precautionary and protective actions to protect the health and wellbeing of the staff whilst maintaining business operations.

Specifically in Italy, the company 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, including regular staff testing and extensive deep cleaning of the facilities. The administrative workforce continues to work partly from home and partly onsite, subject to social distancing, and the on-site production workforce has been broken into smaller operating teams;
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.

Specifically in the UK and The Netherlands the administrative workforce continues to work partly from home and partly onsite, subject to social distancing and regular cleaning and sanitising activities.

As a direct result of these measures, at 24 March 2021 the Italian factory has remained open throughout the pandemic 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 Venture Life Group's customers are large organisations and it is the opinion of the Directors that bad debts will remain a relatively low risk. The UK and Netherlands functions have remained fully functional from a new operating norm, comprising a blend of office attendance and remote working.

In spite of the very positive situation of maintaining all business functions throughout 2020 and into 2021, the Directors have as a prudent exercise 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 2021/2022 performance and closing cash at 30 June 2022 is forecast to be in excess of £20.0 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 2021 and 2022 performance;
b) A scenario with a more extensive closure to the factory of 3 months yields a significantly reduced PBT for 2021 improving in 2022 and a positive cash balance on 30 June 2022 in excess of £20.0 million; and
c) A dramatically more pessimistic scenario with an extensive closure to the factory of 6 months yields a significantly reduced PBT for 2021 improving into 2022 and a positive cash balance on 30 June 2022 in excess of £20.0 million. The Directors consider this scenario as extremely unlikely in practice.

All of these above scenarios are assisted from the outset by the Group's strong £35.5 million net cash position at 31 December 2020 which in itself gives a strong level of assurance of the ability of the Group to remain as a Going Concern.

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 periods of lockdown to ensure continuity of business, as well as attainment of local authority acclaim; and
b) The procedures in place in the UK and Netherlands have been effective to date and the company has established a pattern of operating through periods of lockdown to ensure continuity of business, and
c) 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.

New product development

Details of the Group's new product development programmes can be found on page 17. The accounting treatment in respect of costs incurred in carrying out the new product development programmes can be found in Note 3.8 to the financial statements and the costs of new product development that have been expensed in the year are shown in Note 7 under the caption "research and development costs included in operating expenses".

Political donations

The Group made no political donations in the year under review (2019: £nil).

Directors

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

Name	Title
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
Andrew Waters	Chief Financial Officer

Information on Directors' remuneration, share options, long-term executive plans, pension contributions and benefits is set out in the Remuneration Report on pages 36 to 40.

Qualifying third-party indemnity provision is in place for the benefit of each of the 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 S.r.l, Biokosmes Immobiliare S.r.l, and Grafco2 S.r.l.

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 2020 and their interests in the shares of the Company were as follows:

Director	Title	**Number of ordinary 0.3p shares held at 31 December 2020**	**% of issued share capital**	Number of ordinary 0.3p shares held at 31 December 2019	% of issued share capital
Jerry Randall[1]	Chief Executive Officer	**1,884,865**	**1.5%**	3,931,129	4.7%
Gianluca Braguti[1]	Chief Manufacturing Director	**3,542,730**	**2.8%**	7,085,459	8.1%
Sharon Daly (née Collins)	Chief Commercial Director	**1,009,977**	**0.8%**	1,665,333	2.0%
Andrew Waters	Chief Financial Officer	**-**	**-**	-	-
Lynn Drummond	Non-Executive Chair	**18,365**	**0.01%**	18,365	0.02%
Carl Dempsey	Non-Executive Director	**20,000**	**0.01%**	20,000	0.02%
Peter Bream	Non-Executive Director	**25,000**	**0.02%**	25,000	0.03%

1 Includes indirect holdings.

Share capital

As at 31 December 2020, the authorised and issued share capital of the Company was:

	Number of ordinary 0.3p shares	**Amount £**
Issued and fully paid up	125,831,530	377,495

The average market price of the Company's ordinary shares at close of business on 31 December 2020 was 93.00 pence. The maximum share price during the period was 115.00 pence and the minimum price was 22.50 pence per share.

Substantial share interests

At 24 March 2021, 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**
Slater Investments	19,121,431	15.20%
Blackrock	10,287,191	8.18%
BGF Investment Management Limited	9,581,824	7.61%
Hargreaves Lansdown	7,470,972	5.94%
River & Mercantile Asset Management LLP	6,437,200	5.12%
J O Hambro Capital Management Limited	5,555,000	4.41%
Close Brothers Asset Management	5,538,410	4.40%
Stonehage Fleming	5,093,438	4.05%
Chelverton Asset Management	3,778,000	3.00%

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, physical disability or ethnic origin. The Board is extremely mindful of, and regularly discusses, human rights and reviews the potential issues which may arise from time to time to ensure that appropriate investments or changes in operating practices are made to address these impacts. The Group has an anti-bribery and anti-corruption framework in place to not tolerate any form of bribery or inducements for any purpose nor the acceptance or giving of gifts or hospitality from or to any other party that has, could have or might be perceived to have a business relationship or potential business relationship with the Group unless the value of the gift or hospitality is clearly insignificant.

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.

Relationships with suppliers, customers and others

The Board recognises that the growth in performance of the Group is dependent not only on the recruitment, development and motivation of its employees but also upon strong and congruent relationships with its customers, suppliers and other stakeholders. These relationships are fostered through the discipline of maintaining regular communication across a variety of media and by creating an internal employee culture of rapid and professional responsiveness and flexibility to the needs and enquiries presented to the Group by these parties. The effects of this during 2020 have been a significant factor in keeping the Group's business operations fully functional during some months of high uncertainty arising during periods of national lockdown. The strengths of the Group's supplier relationships have enabled raw materials supply to be maintained in full despite many challenges across the industrial supply chain.

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 20 and 21.

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.

2021 Annual General Meeting

The 2021 AGM will be held on 20 May 2021 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
24 March 2021

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 2019	Options granted during the year	Options exercised during the year	**Options as at 31 December 2020**	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
Jerry Randall	Unapproved	-	1,000,000	-	**1,000,000**	31 Mar 2022	31 Mar 2029	33.7p	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
Sharon Daly (nee Collins)	Unapproved	-	1,000,000	-	**1,000,000**	31 Mar 2022	31 Mar 2029	33.7p	Non-market
Gianluca Braguti	Unapproved	-	1,000,000	-	**1,000,000**	31 Mar 2022	31 Mar 2029	33.7p	Non-market
Andrew Waters	Unapproved	-	1,000,000	-	**1,000,000**	31 Mar 2022	31 Mar 2029	33.7p	Non-market

Two of the Directors exercised a total of 1,735,774 options in total 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 2020. A summary of the awards made in previous years that have not yet lapsed are set out below:

Name	Award Four (date of grant: 23 March 2018)
Jerry Randall	224,274
Gianluca Braguti	180,325
Sharon Daly (née Collins)	149,516
	554,115

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 2020

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive Directors							
Jerry Randall	278,903	100,000	3,406	382,309	7,000	51,081	440,390
Sharon Daly	191,096	100,000	2,268	293,364	15,737	38,964	348,065
Andrew Waters	147,755	50,000	2,267	200,022	22,163	26,052	248,237
Gianluca Braguti	222,420	100,000	-	322,420	44,484	46,042	412,946
Non-Executive Directors							
Lynn Drummond	55,000	-	-	55,000	-	6,383	61,383
Peter Bream	27,000	-	-	27,000	-	2,519	29,519
Carl Dempsey	27,000	-	-	27,000	-	2,519	29,519
Total	**949,174**	**350,000**	**7,941**	**1,307,115**	**89,385**	**173,559**	**1,570,059**

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 (2019: €250,000 and €10,000 respectively), translated at average exchange rate over the period.

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

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.

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
24 March 2021

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 on a going concern basis under the historical cost convention and in accordance with International Accounting Standards ("IASs") in conformity with the requirements of the Companies Act 2006, 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. 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 Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

Conclusions relating to going concern
We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and our results arising with respect to that evaluation is included in the key audit matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach
Overall materiality:
- Group: £400,000, which represents approximately 1.3% of the Group's revenue for the year.
- Parent company: £60,000, which was determined based on benchmarks including revenue and total assets, and is approximately 0.1% of the parent company's total assets at the year end.

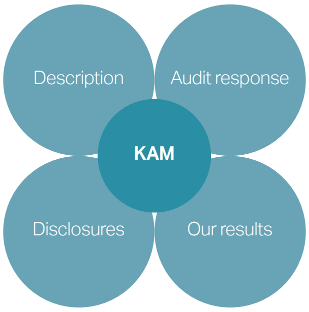
Key audit matters were identified as:
- Revenue recognition (consistent with the previous year)
- Going concern assumption (new)
- Valuation of goodwill and other indefinite-lived intangible assets (consistent with the previous year)
- Recoverability of investments (consistent with the previous year, parent company only)

Our auditor's report for the year ended 31 December 2019 included one key audit matter for the Group and one key audit matter for the parent company that have not been reported as key audit matters in our current year's report.

For the Group, this relates to 'impairment of goodwill and other intangible assets' where this now only relates to goodwill and other indefinite life intangible assets due to no impairment indicators being identified over definite life intangible assets.

For the parent company, this relates to 'recoverability of investments and intercompany balances' where the recoverability of intercompany balances is no longer included within the recoverability of investments key audit matter due to the increase in profitability and performance of those entities.

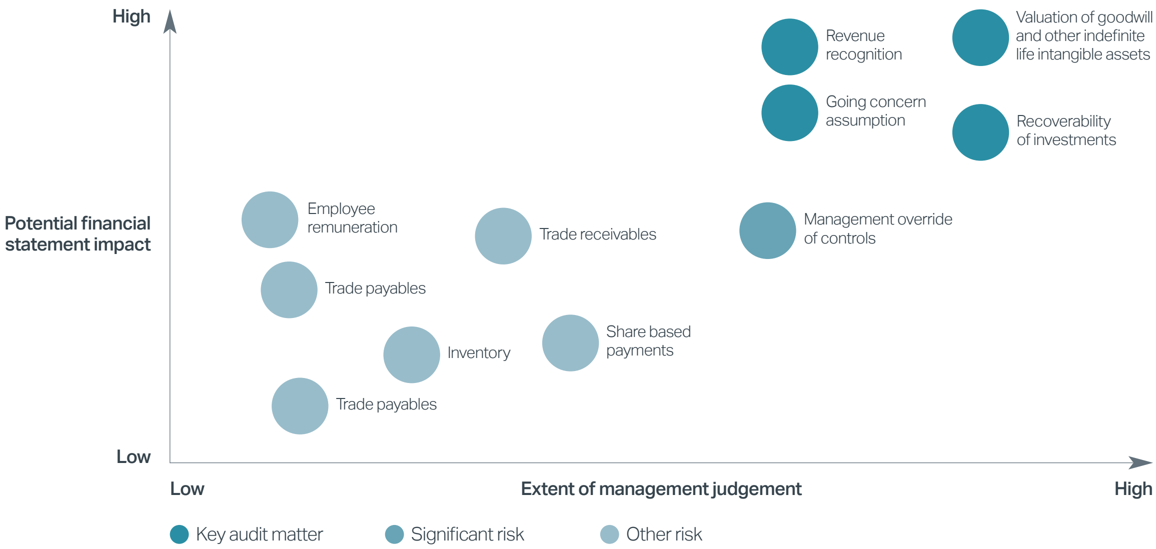
We performed a full scope audit of the financial statements of the parent company, Venture Life Group plc and of the financial information of Venture Life Limited, Periproducts Limited, Lubatti Limited and Biokosmes S.r.l. The Biokosmes S.r.l entity was audited by component auditors. We performed specified audit procedures on Nelie BV and PharmaSource BV, and performed analytical procedures on the financial statements of PermaPharm AG and MD Manufacturing BV. The components of Nelie BV, PharmaSource BV and MD Manufacturing BV were newly acquired during the year.



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.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
Revenue recognition We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk that there are risks of fraud in recognition of revenue. Revenue of £30.1m has been recognised in the year arising substantially from the sale of products. There is a risk of fraudulent revenue recognition without entitlement to that revenue under International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers'. We have determined that, due to pressure to meet market expectations being heightened towards the end of the year, this risk is therefore significant in respect of revenue recognised in the last three months of the year.	In responding to the key audit matter, we performed the following audit procedures: • 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; • analysing revenue postings throughout the year using our data interrogation and analysis software to identify transactions lying outside our expectations and then agreed these outliers to supporting documentation; • evaluating the design and implementation of relevant key controls over revenue; and • testing the occurrence of revenue by selecting samples of individual revenue items during the year, with a higher proportion of samples during the last three months of the year, and agreeing items selected for testing through evidence of delivery and payment for proof of performance obligations being met.
Relevant disclosures in the Annual Report and Accounts 2020 • Financial statements: Note 5, Segmental information	**Our results** Based on the results of our audit testing, we did not identify any materially incorrect revenue recognition from revenue recognised in the last three months of the year.

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

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern assumption We identified the going concern assumption as one of the most significant assessed risks of material misstatement due to error. Due to the ongoing COVID-19 pandemic, the Group may not be able to continue as a going concern. The existence of the pandemic creates significant estimation uncertainty when forecasting and therefore errors may occur. The directors have concluded, based on the various scenarios developed and the sufficient cash resources held at the Statement of Financial Position date, that the Group has sufficient resources available to meet its liabilities as they fall due and have concluded that there are no material uncertainties around the going concern assumptions.	In responding to the key audit matter, we performed the following audit procedures: • considering the inherent risks associated with the Group's business model including effects arising from macro-economic uncertainties such as Brexit and COVID-19; • 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; • challenging management's assumptions and estimates made in preparing models, including considering expected net cash balances in numerous models; • considering management's proposed mitigating actions that they could implement should the COVID-19 pandemic recovery not be in line with management's forecasts; • assessing sensitivities applied by management to stress test the Group's position, primarily in relation to the impact of a scenario where the manufacturing facility in Italy closed for a set period of time; and • evaluating the Group's disclosures on going concern for compliance with the requirements of IAS 1 'Presentation of financial statements'.
Relevant disclosures in the Annual Report and Accounts 2020 • Financial statements: Note 3.1, Going concern • Financial statements: Note 3.22(b), Critical accounting judgements and estimates • Directors' report: Going concern	**Our results** We have nothing to report in addition to that stated in the "Conclusions relating to going concern" section of our report.
Valuation of goodwill and other indefinite-lived intangible assets We identified valuation of goodwill and other indefinite life intangible assets as one of the most significant assessed risks of material misstatement due to error. For goodwill and other indefinite life 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 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.	In responding to the key audit matter, we performed the following audit procedures: • 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, terminal values and corroborating to supporting market data and historic trends; • completing sensitivity analysis on the impairment models used by management, focussing on reasonably possible movements in key assumptions, including revenue and discount rates; • comparing current market capitalisation to carrying value of net assets and management's calculated value in use for the Group; and • 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.
Relevant disclosures in the Annual Report and Accounts 2020 • Financial statements: Note 15, Intangible Assets	**Our results** 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 indefinite life intangible assets were balanced. We agreed with management's assessment that there are no indicators of impairment on other intangible assets with definite lives.

Key Audit Matter – Parent company	How our scope addressed the matter– Parent company
Recoverability of investments We identified recoverability of investments as one of the most significant assessed risks of material misstatement due to error. Investment balances at the year-end stand at £25.1m. The directors make an annual assessment to determine whether there are indicators that the balances may be 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.	In responding to the key audit matter, we performed the following audit procedures: • 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, focusing on reasonably possible movements in key assumptions, including future profitability and discount rates.
Relevant disclosures in the Annual Report and Accounts 2020 • Parent Company Financial statements: Note 5, Investments	**Our results** 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 apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

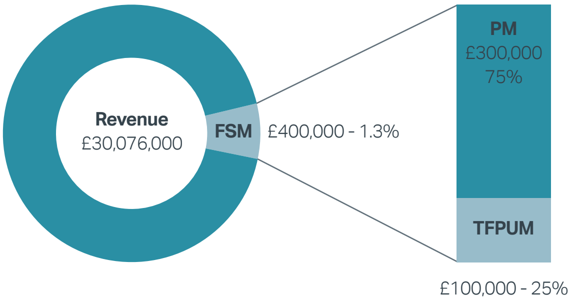
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£400,000, which is approximately 1.3% of the Group's revenue for the year.	£60,000, which was determined based on benchmarks including revenue and total assets, and is approximately 0.1% of the parent company's total assets at the year end.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • Revenue is considered to be the most appropriate benchmark because there is considerable volatility in profit before tax, along with revenue being a key performance metric for the Group. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2019 to reflect the increased revenue generated.	In determining materiality, we made the following significant judgements: • During the financial year a branch of the parent company began trading. This changed the nature of the parent company from a holding company to a trading entity. • Due to this, our materiality benchmark considered both balance sheet benchmarks and profit or loss benchmarks in determining our materiality. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the fact that the parent company now has a trading branch impacting its results.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£300,000, which is 75% of financial statement materiality.	£45,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the following significant judgements: • Our risk assessment – based on the results of our risk assessment procedures, we considered the Group's overall control environment to be effective. • Our experience with auditing the financial statement of the Group in previous years – based on the identification of few misstatements and management's positive attitude to correcting misstatements identified. • The number of components within the Group and the extent of audit procedures planned and performed in respect of these components.	In determining materiality, we made the following significant judgements: • Our risk assessment – based on the results of our risk assessment procedures, we considered the Group's overall control environment to be effective. • Our experience with auditing the financial statement of the parent company in previous years – based on the identification of few misstatements and management's positive attitude to correcting misstatements identified.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality for the following areas: Directors' remuneration and related party transactions.	We determined a lower level of specific materiality for the following areas: Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£20,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£3,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

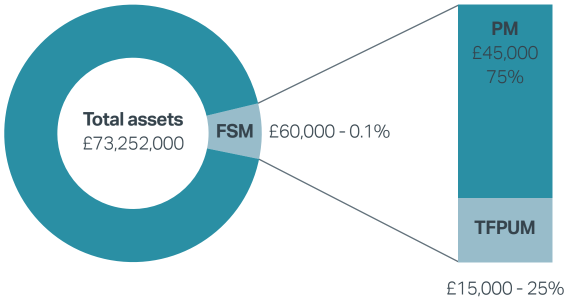
Independent Auditor's Report
to the members of Venture Life Group plc

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

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality
PM: Performance materiality
TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit
We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments
- We obtained an understanding of the Group and its environment. The Group's accounting process is primarily resourced through a central function within the UK, with local finance functions in the Netherlands and Italy. Each local finance function reports into the central Group finance function based at the Group's head office in the UK.

Identifying significant components
- We identified and evaluated the components to assess their significance and to determine the planned audit response based on a measure of materiality. We determined significance as a percentage of the Group's total assets, revenues and profit before taxation.

Type of work to be performed on financial information of parent and other components
- Based on our assessment of the Group as above, we focused our Group audit scope primarily on significant manufacturing plant within Italy and the trading operation within the UK. The components subject to full scope audit procedures were Venture Life Group plc (parent only), Venture Life Limited, Periproducts Limited, Lubatti Limited and Biokosmes S.r.l. Full scope audit procedures covered 90% of the Group's revenue, 76% of profit before tax and 97% of total assets;
- In addition, the financial information of Nelie BV and PharmaSource BV was subject to specific-scope audit procedures on material account balances, where the extent of our testing was based on our assessment of the risks of material misstatement and of the size of the Group's operations at those locations. The two components accounted for 10% of the Group's revenue, 24% of profit before tax and 3% of total assets;
- At the Group level we also tested the consolidation process and carried out analytical procedures on the financial information of PermaPharm AG and MD Manufactuing BV to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of those remaining components;

Performance of our audit
- The Group engagement team was unable to visit any of the locations due to travel restrictions imposed.

Communications with component auditors
- The component, Biokosmes S.r.l. was audited by component auditors;
- We attended key meetings with component management and component auditors;
- Subsequent to the travel restrictions being put in place as a result of the COVID -19 pandemic, we arranged for the component audit files to be reviewed remotely and held regular calls with the local component auditors to discuss the results and resolve any queries.

Changes in approach from previous period
- The entities acquired during the year, Nelie BV, MD Manufacturing BV and PharmaSource BV have been considered in terms of their significance to their Group. Nelie BV and PharmaSource BV have been subject to specific audit procedures, and analytical procedures have been performed on MD Manufacturing BV.

Audit approach	No. of components	Coverage total assets	Coverage revenue	Coverage PBT
Full-scope audit	5	97%	90%	76%
Specified audit procedures	2	3%	10%	24%
Analytical procedures	2	0%	0%	0%

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

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

We have nothing to report in this regard.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the Group and industry in which they operate. We determined that the following laws and regulations were most significant: international accounting standards in conformity with the requirements of the Companies Act 2006, FRS 102, Companies Act 2006 and the relevant tax compliance regulations in the jurisdictions in which the Group operates;
- We obtained an understanding of how the parent company and the Group is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of Board minutes;
- We assessed the susceptibility of the parent company's and the Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team and component auditors included:
  - evaluating the design and implementation of relevant key controls over revenue that management has in place to prevent and detct fraud;
  - challenging assumptions and judgements made by management in its significant accounting estimates; and
  - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the Group operates.
- Team communications in respect of potential non-compliance with laws and regulations and of fraud included the potential for fraud in revenue recognition. This is also reported as a key audit matter in the key audit matters section of our report where the matter is explained in more detail and the specific procedures we performed in response to the key audit matter are described in more detail;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the parent company's and the Group's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
  - the parent company's and the Group's control environment.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the Group financial statements. No such matters were identified by the component auditors.

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

24 March 2021

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

Company number 05651130

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000 Restated*
Revenue	5	**30,076**	20,206
Cost of sales		**(17,229)**	(12,203)
Gross profit		**12,847**	8,003
Administrative expenses			
Operating expenses		**(7,980)**	(6,071)
Impairment losses of financial assets	18	**(405)**	(30)
Amortisation of intangible assets	15	**(909)**	(579)
Total administrative expenses		**(9,294)**	(6,680)
Other income		**169**	163
Operating profit before exceptional items		**3,722**	1,486
Exceptional costs	6	**(167)**	(208)
Operating profit	7	**3,555**	1,278
Finance income		**54**	152
Finance costs		**(333)**	(68)
Profit before tax		**3,276**	1,362
Tax	10	**(908)**	(458)
Profit for the year		**2,368**	904
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Foreign exchange gain / (loss) on translation of subsidiaries (restated*)		**1,284**	(755)
Total comprehensive profit for the year attributable to equity holders of the parent		**3,652**	129

* see notes 3.4 b) and 32 for more information on the prior period adjustment.

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

		Year ended 31 December 2020	Year ended 31 December 2019
Profit per share			
Basic profit per share (pence)	12	**2.74**	1.08
Diluted profit per share (pence)	12	**2.53**	1.01

Consolidated Statement of Financial Position
at 31 December 2020
Company number 05651130

	Notes	At 31 December 2020 £'000	At 31 December 2019 £'000 Restated*	At 1 January 2019 £'000 Restated*
Assets				
Non-current assets				
Intangible assets	14, 15	**27,024**	20,914	21,209
Property, plant and equipment	16	**7,018**	4,152	4,591
		34,042	25,066	25,800
Current assets				
Inventories	17	**8,886**	5,082	3,869
Trade and other receivables	18	**7,653**	6,363	7,020
Cash and cash equivalents	19	**42,095**	10,710	9,623
		58,634	22,155	20,512
Total assets		**92,676**	47,221	46,312
Equity and liabilities				
Capital and reserves				
Share capital	20	**377**	251	251
Share premium account	20	**65,738**	30,824	30,824
Merger reserve	21	**7,656**	7,656	7,656
Foreign currency translation reserve	22	**1,429**	145	919
Share-based payments reserve	23	**660**	624	609
Retained earnings	24	**(3,751)**	(6,492)	(7,512)
Total equity attributable to equity holders of the parent		**72,109**	33,008	32,747
Liabilities				
Current liabilities				
Trade and other payables	25	**7,108**	5,491	4,868
Taxation		**433**	218	-
Interest-bearing borrowings	26	**2,457**	2,434	1,911
		9,998	8,143	6,779
Non-current liabilities				
Interest-bearing borrowings	26	**8,721**	4,591	5,157
Statutory employment provision	27	**1,201**	1,058	1,062
Deferred tax liability	11	**647**	421	567
		10,569	6,070	6,786
Total liabilities		**20,567**	14,213	13,565
Total equity and liabilities		**92,676**	47,221	46,312

* see notes 3.4 b) and 32 for more information on the prior period adjustment.

The financial statements on pages 48 to94 were approved and authorised for issue by the Board on 24 March 2021 and signed on its behalf by:

Jerry Randall
Director
24 March 2021

Strategic Report
Corporate Governance
Financial Statements

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital £'000	Share Premium account £'000	Merger reserve £'000	Currency translation reserve £'000	Foreign Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019, as previously reported	251	30,824	7,656	252	609	(7,512)	32,080
Prior period adjustment*	-	-	-	667	-	-	667
Restated balance at 1 January 2019	251	30,824	7,656	919	609	(7,512)	32,747
Profit for the year	-	-	-	-	-	904	904
Foreign exchange on translation (restated*)	-	-	-	(775)	-	-	(775)
Total comprehensive income (restated*)	-	-	-	(775)	-	904	129
Share-based payments charge	-	-	-	-	131	-	131
Share-based payments charge recycling	-	-	-	-	(115)	115	-
Transactions with shareholders	-	-	-	-	16	115	131
Restated balance at 1 January 2020	251	30,824	7,656	145	624	(6,492)	33,008
Profit for the year	-	-	-	-	-	2,368	2,368
Foreign exchange on translation	-	-	-	1,284	-	-	1,284
Total comprehensive income	**-**	**-**	**-**	**1,284**	**-**	**2,368**	**3,652**
Share-based payments charge	-	-	-	-	409	-	409
Share-based payments charge recycling	-	-	-	-	(373)	373	-
Contributions of equity, net of transaction costs	126	34,914	-	-	-	-	35,040
Transactions with shareholders	126	34,914	-	-	36	373	35,449
Balance at 31 December 2020	**377**	**65,738**	**7,656**	**1,429**	**660**	**(3,751)**	**72,109**

* see notes 3.4 b) and 32 for more information on the prior period adjustment.

As at 31 December 2020 the parent entity has lacked distributable reserves and is accordingly not in a position to declare any dividend.

During the year the third tranche of the management long-term incentive matured but did not meet its vesting conditions. The respective accumulated provision within the Share Based Payments reserve of £129,000 was discharged and recycled into retained earnings. In addition a number of employee stock option contracts were successfully exercised during the year and the respective accumulated provision within the Share Based Payments reserve of £244,000 was similarly discharged and recycled into retained earnings.

Consolidated Statement of Cash Flows
for the year ended 31 December 2020

		Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flow from operating activities			
Profit before tax		**3,276**	1,362
Finance (income)/expense		**279**	(84)
Operating profit		**3,555**	1,278
Adjustments for:			
– Depreciation of property, plant and equipment	16	**1,081**	786
– Impairment losses of financial assets	18	**405**	30
– Amortisation of intangible assets	15	**909**	579
– Loss on disposal of non-current assets	15	**345**	147
– Share-based payment expense		**409**	131
Operating cash flow before movements in working capital		**6,704**	2,951
Increase in inventories		**(3,294)**	(1,373)
Increase in trade and other receivables		**(1,161)**	(265)
Increase in trade and other payables		**1,403**	1,507
Cash generated from operations		**3,652**	2,820
– Finance cost		**(50)**	32
– Tax paid		**(896)**	(412)
Net cash from operating activities		**2,706**	2,440
Cash flow from investing activities:			
Acquisition of subsidiaries, net of cash acquired	14	**(5,465)**	-
Purchases of property, plant and equipment	16	**(1,248)**	(388)
Expenditure in respect of intangible assets	15	**(821)**	(757)
Net cash used in investing activities		**(7,534)**	(1,145)
Cash flow from financing activities:			
Proceeds from issuance of ordinary shares	20	**36,997**	-
Transaction costs incurred from issue of ordinary shares	20	**(1,957)**	-
Drawdown of interest-bearing borrowings	26	**5,428**	3,784
Repayment of interest-bearing borrowings	26	**(3,433)**	(3,088)
Leasing obligation repayments	26	**(764)**	(585)
Net cash from financing activities		**36,271**	111
Net increase in cash and cash equivalents		**31,443**	1,406
Net foreign exchange difference		**(58)**	(319)
Cash and cash equivalents at beginning of period		**10,710**	9,623
Cash and cash equivalents at end of period	19	**42,095**	10,710

Notes to the Consolidated Statements
for the year ended 31 December 2020

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 Irish subsidiary (Venture Life Consumer Healthcare Europe Ltd), one wholly-owned Italian subsidiary, Biokosmes S.r.l, one wholly-owned Netherlands group, Nelie BV (which wholly-owns PharmaSource BV and MD Manufacturing BV) and one wholly-owned Swiss subsidiary, PermaPharm AG. These seven subsidiaries, including the two subsidiaries of Nelie BV and the Company, are together referred to as "the Group". The three Netherlands entities collectively trade under the trading name of "PharmaSource" and are hence referred to hereinafter as the PharmaSource 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 Accounting Standards ("IASs") in conformity with the requirements of the Companies Act 2006, the International Financial Reporting Interpretations Committee ("IFRIC"), interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and adopted as at the time of preparing these financial statements, and in accordance with the provisions of the Companies Act 2006 that are relevant to companies that report under IFRSs.

The preparation of the Group's financial statements requires management to exercise its judgements in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.22.

3. Summary of significant accounting policies
The principal accounting policies adopted are set out below.

3.1 Going concern
The company has been managing the impact of the COVID-19 pandemic on its business for much of 2020 and on a continuing basis into 2021. The uncertainty that this might bring has the potential in the worst-case scenario to create a significant shortfall versus the 2021 budgeted trading results and cashflows. The company manufactures a high proportion of its products in its own facility in Lombardy, Italy which had been an epicentre of this pandemic outbreak during 2020. In spite of this risk, the company executed a number of precautionary and protective actions to protect the health and wellbeing of the staff whilst maintaining business operations.

Specifically in Italy, the company 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 including regular staff testing and extensive deep cleaning of the facilities. The administrative workforce continues to work partly from home and partly on site subject to social distancing, and the on-site production workforce has been broken into smaller operating teams;
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.

Specifically in the UK and Netherlands the administrative workforce continues to work partly from home and partly on site subject to social distancing and regular cleaning and sanitising activities.

As a direct result of these measures, at 23 March 2021 the Italian factory has remained open throughout the pandemic 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 Venture Life Group's customers are large organisations and it is the opinion of the Directors that bad debts will remain a relatively low risk. The UK and Netherlands functions have remained fully functional from a new operating norm, comprising a blend of office attendance and remote working.

In spite of the very positive situation of maintaining all business functions throughout 2020 and into 2021, the Directors have, as a prudent exercise, 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 2021/2022 performance and closing cash at 30 June 2022 is forecast to be far in excess of £20.0 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 2021 and 2022 performance;
b) A scenario with a more extensive closure to the factory of 3 months yields a significantly reduced PBT for 2021, improving in 2022, and a positive cash balance on 30 June 2022 far in excess of £20.0 million; and
c) A dramatically more pessimistic scenario with an extensive closure to the factory of 6 months yields a significantly reduced PBT for 2021, improving into 2022, and a positive cash balance on 30 June 2022 far in excess of £20.0 million. The Directors consider this scenario as extremely unlikely in practice.

All of these above scenarios are assisted from the outset by the Group's strong £35.5 million net cash position at 31 December 2020 which in itself gives a strong level of assurance of the ability of the Group to remain as a Going Concern.

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 periods of lockdown to ensure continuity of business, as well as attainment of local authority acclaim; and
b) The procedures in place in the UK and Netherlands have been effective to date and the company has established a pattern of operating through periods of lockdown to ensure continuity of business, and
c) 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 worst-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 at 31 December 2020. 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 2020

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 treated as assets and liabilities of the foreign entity and translated into GBP at the closing rate. 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 Annual Financial Statements and the prior reporting period are as follows:

Sterling/euro exchange rates	Year ended 31 December 2020	Year ended 31 December 2019
Average exchange rate for the period	**1.124**	1.140
Exchange rate at the period end	**1.113**	1.171

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.

The Group discounts its selling prices from time to time and these discounts are reflected as a reduction in revenue in the month in which the discounts are granted. The Group's terms of trade with certain customers include discounts and allowances that are dependent upon future selling volumes. Estimates of these sums are deducted from revenue upon initial recognition and corrections are made retrospectively based upon the achieved selling volumes. The Group's management reviews the expected level of such discounts at the end of each accounting period to ensure appropriate deductions have been recognised within revenue.

Revenue from the sale of goods is recognised at the point in time when ownership has transferred to the customer. For Venture Life Brands supplied directly to retailers, this moment occurs upon delivery to the retailer's warehouse. For supplies of Venture Life Brands to distribution partners, as well as supplies of Customer Brands to their relevant partners, this takes place at the Group's production facility upon collection by the customer.

Revenue from the performance of development services is recognised over time on a right-to-invoice basis as the Group satisfies performance obligations.

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 no contract assets held by the Group at the balance sheet date.

The majority of the revenue of the Group arises from the sale of goods and is therefore reflected at a point in time.

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

3.7 Property, plant and equipment
Equipment is stated at cost less accumulated depreciation and any provision for impairment.

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

Office equipment over £500	25%-50% per annum, straight-line
Fixtures and fittings over £500	20%-50% per annum, straight-line
Manufacturing plant equipment	4%-50% per annum, straight-line

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

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

3.8 Internally generated development intangible assets
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated development intangible asset arising from the Group's product development is recognised if, and only if, the Group can demonstrate all of the following:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably, the expenditure attributable to the intangible asset during its development.

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

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

Development costs	20% per annum, straight-line

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

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

Notes to the Consolidated Statements
for the year ended 31 December 2020

3. Summary of significant accounting policies continued

3.10. Acquired intangible assets

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

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

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

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

Distribution agreements – expected cash-generating life of the commercial relationship.

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

The following useful economic lives are applied:

Brands: The application of an indefinite life to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brand. Indefinite life brands are tested at least annually for impairment. A review of the useful economic life of brands is performed annually, to ensure that these lives are still appropriate. The carrying value of a Brand that is considered to have a finite life is amortised over that period. In reaching a determination that an asset has an indefinite life in accordance with IAS 38 the Directors consider a number of factors including:

i) length of time the brand has been established in the marketplace;
ii) stability of the industry in which the brand is traded;
iii) potential 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 15 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 29 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 29 as "financial assets at amortised cost".

Financial liabilities and equity
a) Trade and other payables
Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability. Trade and other payables are classified in the financial instruments Note 29 as "liabilities".

b) 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.

c) Invoice financing
The Group utilises an invoice financing with recourse facility whereby the Group continues to recognise the receivables and the amount received under the facility is recorded as a liability. Cash received is classified as a financing cash inflow. When cash is collected from the customer, the liability and the receivables are de-recognised. De-recognition of the liability is presented as a financing cash outflow and the settlement of the receivables as an operating cash inflow. Further details are provided in note 26.

Notes to the Consolidated Statements
for the year ended 31 December 2020

3. Summary of significant accounting policies continued

3.15 Leases

The Group makes the use of leasing arrangements principally for the provision of the main operating location and related facilities, office space, office equipment and motor vehicles. The rental contracts for offices are typically negotiated for terms of between 3 and 6 years and some of these have extension terms. Lease terms for office fixtures and equipment and motor vehicles have lease terms of between 6 months and 3 years without any extension terms. The Group does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because, as the lease contracts are negotiated with third parties, it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arise typically from a change in the lease term. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero, then any excess is recognised in profit or loss.

Payments under leases can also change when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate.

Further details are given in Note 28.

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.

Notes to the Consolidated Statements
for the year ended 31 December 2020

3. Summary of significant accounting policies continued

3.20 Fair value estimation of financial assets and liabilities

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

3.21 Equity, reserves and dividend payments

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

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

Other components of equity include the following reserves:

- merger reserve comprising the non-statutory premium arising on shares issued as consideration for acquisition of subsidiaries where merger relief under Section 612 of the Companies Act 2006 applies less subsequent realised losses relating to those acquisitions;
- share-based 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) Assessing the economic life of intangible assets

The Directors exercise judgement when assessing the economic life of intangible assets. This involves making a judgement of the strength and longevity of the asset and the number of years that it is expected to generate revenues and profits and makes reference to the market position, competitors, availability of marketing promotional resources, experience with other intangible assets 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. Estimation uncertainties relate to assumptions about future operating results and the determination of a suitable discount rate.

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 2019 and 2020, no impairment charge was recognised as a result of these reviews of capitalised development costs, patents and trademarks.

ii) Impairment of other non-financial assets

Estimation uncertainties are discussed in note 15. 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 15 to the financial statements.

The Directors considered that no impairment was necessary in respect of goodwill recognised in the years ended 31 December 2019 and 31 December 2020.

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. Estimation uncertainties relate to assumptions about future operating results and the determination of a suitable discount rate.

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. Estimation uncertainties in these estimates relate to technical advances in the market place and customer demand. See Note 15 for further details.

3.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which it suspends active development of a qualifying asset. Active development periods significantly in excess of a year are considered to be substantial enough for capitalisation to commence. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs. No borrowing costs were capitalised in the year.

4. Accounting developments

a) New standards, amendments and interpretations issued and adopted

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

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 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.

Notes to the Consolidated Statements
for the year ended 31 December 2020

5. Segmental information

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.

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:

- Venture Life Brands, which includes sales of branded healthcare and cosmetics products, where the brand is owned within Venture Life Group, direct to retailers and under distribution agreement. This segment includes the acquisitions of Periproducts Ltd, the Dentyl Brand and the PharmaSource Group.
- Customer Brands, which includes sales of products and services under contract development and manufacturing agreements, where the brand is not owned by the Venture Life Group. This segment includes the acquisition of Biokosmes S.r.l.

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 2020			
Revenue			
Sale of goods	**14,910**	**20,854**	**35,764**
Sale of services	**-**	**672**	**672**
Intercompany sales elimination	**-**	**(6,360)**	**(6,360)**
Total external revenue	**14,910**	**15,166**	**30,076**
Results			
Operating profit before exceptional items and excluding central administrative costs	**4,551**	**3,060**	**7,611**
Year ended 31 December 2019			
Revenue			
Sale of goods	6,699	15,088	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

All revenue of the Group is recognised at point in time with the exception of the supply of services which is recognised over 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 2020 £'000	Year ended 31 December 2019 £'000
Operating profit before exceptional items and excluding central administrative costs	**7,611**	3,453
Exceptional items	**(167)**	(208)
Central administrative costs	**(3,889)**	(1,967)
Finance income / (costs)	**(279)**	84
Profit before tax	**3,276**	1,362

One customer generated revenue of £5,449,000 which accounted for 10% or more of total revenue (2019: one customer generated revenue of £4,083,000 which accounted for 10% or more of total revenue).

5.2 Segmental assets and liabilities

	At 31 December 2020 £'000	At 31 December 2019 £'000
Assets		
Venture Life Brands	**22,695**	16,148
Customer Brands	**31,379**	26,897
Central Group assets	**38,602**	4,176
Consolidated total assets	**92,676**	47,221
Liabilities		
Venture Life Brands	**7,685**	4,035
Customer Brands	**12,176**	9,737
Central Group liabilities	**706**	441
Consolidated total liabilities	**20,567**	14,213

5.3 Other segmental information

	Depreciation and amortisation £'000	Addition to non-current assets £'000
Year ended 31 December 2020		
Venture Life Brands	**129**	5,465
Customer Brands	**1,471**	2,069
Central administration	**390**	-
	1,990	7,534
Year ended 31 December 2019		
Venture Life Brands	**153**	64
Customer Brands	**1,076**	1,003
Central administration	**136**	-
	1,365	1,067

5.4 Geographical information

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue		
UK	**11,135**	7,615
Italy	**9,801**	6,279
Switzerland	**2,638**	2,987
Germany	**1,352**	174
Netherlands	**1,185**	510
Rest of Europe	**1,234**	1,554
China	**2,329**	547
Rest of the World	**402**	540
Total revenue	**30,076**	20,206

The aggregated amount of transaction prices which relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2020 is £233,000 (2019: £6,000). Revenue is expected to be recognised in 2021.

Notes to the Consolidated Statements
for the year ended 31 December 2020

6. Exceptional items

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Costs incurred in due diligence pertaining to prospective acquisitions	77	96
Costs incurred in the acquisition of the PharmaSource BV business (completed 24 January 2020)	90	112
Total exceptional items	**167**	208

During the period the Group incurred legal and professional fees in relation to the acquisition of PharmaSource BV which was completed during the year as well as further works in relation to prospective acquisitions.

7. Operating profit

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Depreciation of property, plant and equipment included in operating expenses	1,081	786
Amortisation of intangible assets included in administrative expenses	909	579
Research and development costs included in operating expenses	548	194
Share-based payments charge	409	131
Staff costs excluding share-based payment charge (Note 8)	6,396	4,995
Auditor's remuneration:		
- Fees for the audit of the Company's annual accounts	88	55
- Audit of the accounts of the Company's subsidiaries	26	20
- Audit related assurance services	9	4
- BREXIT related advice	-	6

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 2020 Number	Year ended 31 December 2019 Number
Product development and manufacturing	82	68
Sales and marketing	11	11
Directors	7	7
Administration	19	15
Total	**119**	101

Their aggregate remuneration comprises:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	4,923	3,784
Social security costs	1,016	806
Pension costs	317	295
Other benefits	140	110
Equity settled share-based payments	409	131
Total	**6,805**	5,126

The aggregate remuneration is charged within the Financial Statements as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Charged into cost of sales and a proportion absorbed into closing inventory	**2,452**	1,834
Charged into research and development costs and a proportion into capitalised development costs	**426**	390
Charged into operating expenses	**3,927**	2,902
Total	**6,805**	5,126

The aggregate remuneration of the key management personnel of the Group (who are all persons with decision making responsibilities [PDMRs]) comprises:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	**1,191**	901
Social security costs	**162**	109
Pension costs	**89**	96
Other benefits	**8**	5
Equity settled share-based payments	**295**	94
Total	**1,745**	1,205

Further information on Directors' remuneration is included in the Remuneration Report on page 39.

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 27). The pension charge represents contributions payable by the Group including the Italian severance indemnity liability and amounted to £317,000 (2019: £295,000). At year end an amount of £nil (2019: £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.

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10. Income tax expense

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current tax:		
Current tax on profits for the year	**1,184**	627
Adjustments in respect of earlier years	**(209)**	(30)
Total current tax expense	**975**	597
Deferred tax:		
Origination and reversal of temporary differences	**(67)**	(139)
Total deferred tax expense	**(67)**	(139)
Total income tax expense	**908**	458

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 2020 £'000	Year ended 31 December 2019 £'000
Profit before tax	**3,276**	1,362
Profit before taxation multiplied by the local tax rate of 19% (2019: 19%)	**622**	259
Expenses not deductible for tax purposes	**118**	73
Change in recognised deferred tax liability	**-**	(139)
Change in unrecognised deferred tax asset	**103**	100
Higher rate on foreign taxes	**65**	165
Income tax charge	**908**	458

In the Spring Budget 2020, the UK 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. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In the Spring Budget 2021 the UK Government announced that from 1 April 2023 the corporation tax rate would rise to 25% on all profits in excess of £250,000. The standard corporation tax rate in Italy is 24% and there is in addition a regional production tax of 3.9%. Corporation tax rates in the Netherlands are 25% on profits in excess of €200,000 and 19% on profits below this threshold. A previously announced plan to lower the 25% rate in 2021 has been cancelled and the corporation tax rate going forward will remain at 25%.

As at the reporting date, the Group has unused tax losses of £10,900,000 (2019: £10,259,000) 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 S.r.l and Nelie BV, offset by the release of deferred tax liabilities generated on the acquisition of Biokosmes, Periproducts and Dentyl businesses. In 2020 the effective tax rate of Biokosmes was 17% (2019: 22%) and the effective tax rate of Nelie BV was 22% (2019: 23%).

11. Deferred tax

Deferred taxes arising from temporary differences are summarised as follows:

Deferred tax liabilities/(assets)	At 1 January 2020 £'000	Recognised in profit and loss £'000	Arising upon acquisitions in the year £'000	Movements attributed to foreign exchange £'000	**At 31 December 2020 £'000**
Purchased goodwill	56	(15)	-	10	**51**
Other intangibles	(473)	91	(277)	(24)	**(683)**
Inventories	(41)	(11)	-	(12)	**(64)**
Trade and other receivables	37	2	-	10	**49**
Deferred tax liability	(421)	67	(277)	(16)	**(647)**

Venture Life group plc and its wholly owned UK subsidiaries have applied the tax consolidation legislation, which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

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 2020 Number	Year ended 31 December 2019 Number
For basic EPS calculation	86,402,007	83,712,106
For diluted EPS calculation	93,416,888	89,254,313

The dilution reflects the inclusion of the options and LTIPs that have been issued, amounting to 6,460,766 stock options and 554,115 LTIPs per Note 23.

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

	£'000	£'000
For basic and diluted EPS calculation	2,368	904
Add back: amortisation	909	579
Add back: exceptional costs	167	208
Add back: share based payments	409	131
For adjusted EPS calculation [1]	3,853	1,822

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	2.74	1.08
Diluted EPS calculation	2.53	1.01
Adjusted EPS calculation [1]	4.46	2.18
Adjusted diluted EPS calculation	4.12	2.04

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 2020 £'000	Year ended 31 December 2019 £'000
Final dividend	-	-

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 2020 (2019: £nil pence per share).

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14. Business combinations

On 24 January 2020 the Company completed the acquisition of 100% of the equity instruments of Nelie BV and wholly-owned subsidiaries PharmaSource BV and MD Manufacturing BV, a group of companies based in the Netherlands engaged in the supply of anti-fungal and related products to European customers and trading under the name of "PharmaSource". The acquisition consideration was €6.5 million, comprising €0.25 million net working capital at completion, €1.7 million in intangible assets (principally customer relationships, distribution agreements and trademarks), €0.3 million deferred tax provision and a balance of €4.8 million as goodwill. The magnitude of the goodwill reflects the future value that the Group can unlock from this business acquisition through (a.) the trading of these acquired products into its network of existing Venture Life Brand customers, (b.) value creation through the transitioning of manufacturing in-house and (c.) value creation through the application of the Group' internal R&D resources to broaden the product range. The acquisition consideration of €6.5 million was paid entirely in cash of which €5.3 million was paid at completion, €1.0m within 45 days of completion and the balance of €0.5 million within 270 days of completion. The acquisition was funded through the Company's own resources.

PharmaSource 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. The inclusion of this additional business into its portfolio increased the leverage of its trading infrastructure and contributed to the overall improvement in profitability. The acquisition has been accounted for under IFRS 3 as a business combination. The Consolidated Financial Statements to 2020 include the results of the PharmaSource business for the period from 24 January 2020 to 31 December 2020.

The fair values of the identifiable assets and liabilities of the PharmaSource business as at the date of acquisition were:

	Fair Value €'000	**Fair Value £'000**
Assets		
Non-current assets		
Customer relationships *	551	**465**
Distribution agreements *	682	**575**
Trademarks *	494	**417**
Current assets		
Inventories	314	**265**
Trade and other receivables	189	**159**
Cash and cash equivalents	319	**269**
Total assets	2,549	**2,150**
Current liabilities		
Trade and other payables	257	**215**
Non-current Liabilities		
Deferred tax	328	**277**
Total net assets	1,964	**1,658**
Net assets acquired	1,964	**1,658**
Goodwill	4,831	**4,076**
Total consideration	6,795	**5,734**
Satisfied by		
Cash paid at completion	5,294	**4,467**
Cash paid within 45 days of completion	976	**822**
Cash to be paid within 270 days of completion	525	**445**
Total consideration	6,795	**5,734**

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

Revenue and profit impact of the acquisition

PharmaSource was acquired on 24 January 2020. It generated net revenues of £2.8 million and operating profit before exceptional items of £0.9 million in the period from 24 January 2020 to 31 December 2020. Had the business been acquired from 1 January 2020 it would have contributed £2.8 million in net revenues and operating profit before exceptional items of £0.9 million.

15. 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 2019, as previously reported	2,712	1,089	996	16,233	2,819	23,849
Prior period adjustment*	(32)	-	(5)	629	128	720
Restated at 1 January 2019	2,680	1,089	991	16,862	2,947	24,569
Additions	872	-	106	-	-	978
Disposals	(147)	-		-	-	(147)
Foreign exchange movements	(125)	-	(81)	(445)	(91)	(742)
At 1 January 2020 (restated*)	3,280	1,089	1,016	16,417	2,856	24,658
Acquired through business combinations	-	-	417	4,076	1,040	5,533
Additions	739	-	82	-	-	821
Disposals	(345)	-	(182)	-	-	(527)
Foreign exchange movements	170	-	41	784	174	1,169
At 31 December 2020	**3,844**	**1,089**	**1,374**	**21,277**	**4,070**	**31,654**
Amortisation:						
At 1 January 2019, as previously reported	1,223	-	662	-	1,423	3,307
Prior period adjustment*	27	-	(56)	-	82	53
Restated at 1 January 2019	1,250	-	606	-	1,505	3,361
Charge for the year	246	-	178	-	155	579
Foreign exchange movements	(58)	-	(81)	-	(57)	(196)
At 1 January 2020 (restated*)	1,438	-	703	-	1,603	3,744
Charge for the year	323	-	213	-	373	909
Disposals	-	-	(182)	-	-	(182)
Foreign exchange movements	76	-	6	-	77	159
At 31 December 2020	**1,837**	**-**	**740**	**-**	**2,053**	**4,630**
Carrying amount:						
At 31 December 2019	1,842	1,089	313	16,417	1,253	20,914
At 31 December 2020	**2,007**	**1,089**	**634**	**21,277**	**2,017**	**27,024**

* see notes 3.4 b) and 32 for more information on the prior period adjustment.

All Capitalised development costs are amortised over their estimated useful lives, which is five years. All amortisation has been charged to administrative expenses in the Statement of Comprehensive Income.

Other intangible assets currently comprise customer relationships and product formulations acquired through the acquisition of Biokosmes S.r.l. and customer relationships acquired through the acquisitions of Periproducts, the Dentyl brand and the PharmaSource group. 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. The weighted average remaining amortisation period for other intangible assets is 5.0 years (2019: 4.4 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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15. Intangible assets continued

The key assumptions used in relation to the Biokosmes (Customer Brands CGU), Periproducts, the Dentyl brand and PharmaSource group (part of the Venture Life Brands CGU) impairment review are as follows:

- The estimates of profit before tax for the three years to 31 December 2023 are based on management forecasts of the Biokosmes, Periproducts, the Dentyl brand and PharmaSource group businesses, with subsequent years growth forecasted at -2-3%, 0-2% and 0-1% respectively. Management consider 2-3%, 0-2% and 0-1% conservative growth rates for these businesses, but reflective of the operating sectors of the businesses. During 2020, Biokosmes net sales growth was in excess of 10% due to broad organic growth, Periproduct's main asset (UltraDEX) net sales declined by 4% partly due to the consequence of COVID-19 lockdown in the UK oral care market, the Dentyl brand grew by 80% due to development of sales to China and the full-year Pharmsource group net sales grew by 20% due to broad organic growth.
- The Group has applied a discount rate to the future cash flows of Biokosmes for five years, with a terminal value reflecting future years. The rate is based upon the Group WACC of 12.4% and adjusted for specific segment, country and currency risk and then converted onto a pre-tax basis. The resulting 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. The Biokosmes factory has remained open throughout 2020 and in the current year-to-date and has not been impacted by COVID-19 despite the country undergoing periods of regional and national lockdown.
- The Group has applied a discount rate to the future cash flows of Periproducts Ltd, the Dentyl brand and the PharmaSource group for five years including a terminal value. The rate is based upon the Group WACC of 12.4% and adjusted for specific segment, country and currency risk and then converted onto a pre-tax basis. These assumptions generate a significant headroom over the assets of the business held at the balance sheet date.
- These above impairment assessments of Biokosmes S.r.l, Periproducts Ltd, the Dentyl brand and the PharmaSource group 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, acquired Trademarks and Goodwill.

Intangible assets with indefinite useful lives allocated to operating segments

		Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000 Restated
Goodwill	Periproducts Ltd	3,337	3,337
	Dentyl	3,100	3,100
	PharmaSource BV	4,340	-
	Venture Life Brands Total	**10,777**	6,437
	Biokosmes S.r.l (restated *)	10,500	9,980
	Customer Brands Total	**10,500**	9,980
	Total	**21,277**	16,417
Brands	Periproducts Ltd	-	-
	Dentyl	1,089	1,089
	PharmaSource BV	-	-
	Venture Life Brands Total	**1,089**	1,089
	Biokosmes S.r.l	-	-
	Customer Brands Total	**-**	-
	Total	**1,089**	1,089

* see notes 3.4 b) and 32 for more information on the prior period adjustment.

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment.

Recoverable amount of each operating segment

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Periproducts Ltd	**6,290**	6,130
Dentyl	**5,930**	5,175
PharmaSource BV	**8,659**	-
Venture Life Brands Total	**20,879**	11,305
Biokosmes S.r.l	**13,691**	21,476
Customer Brands	**13,691**	21,476

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.

16. Property, plant and equipment

	Plant and equipment £'000	Other equipment £'000	Right-of-use assets £'000	Total £'000
Cost or valuation:				
At 1 January 2019	2,317	97	4,126	6,540
Additions	388	-	137	525
Disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
At 1 January 2020	2,705	97	4,263	7,065
Additions	1,213	35	2,510	3,758
Disposals *	(4)	(4)	(351)	(359)
Foreign exchange movements	(212)	105	63	(44)
At 31 December 2020	**3,702**	**233**	**6,485**	**10,420**
Depreciation:				
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 1 January 2020	1,174	91	1,648	2,913
Charge for the year	331	26	724	1,081
Disposals *	(4)	(4)	(351)	(359)
Foreign exchange movements	(198)	21	(56)	(233)
At 31 December 2020	**1,303**	**134**	**1,965**	**3,402**
Carrying amount:				
At 31 December 2019	1,531	6	2,615	4,152
At 31 December 2020	**2,399**	**99**	**4,520**	**7,018**

* The disposal of RoU assets represents the expiry of a lease on a logistics facility at 31 December 2020. The group entered into a new 3 year lease agreement in relation to this facility from 1 January 2021 which comprises a commitment of £760,000.

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 28.

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17. Inventories

	At 31 December 2020 £'000	At 31 December 2019 £'000
Raw materials	**5.330**	3,490
Finished goods	**3,556**	1,592
Total	**8,886**	5,082

An amount of £17,229,000 (2019: £12,203,000) was recognised in respect of expenditure on inventory in the Statement of Comprehensive Income within Cost of Sales.

18. Trade and other receivables

	At 31 December 2020 £'000	At 31 December 2019 £'000
Trade receivables	**6,709**	5,985
Prepayments and accrued income	**311**	100
Other receivables	**633**	278
Total	**7,653**	6,363

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

The aging analysis of trade receivables that are past due is as follows:

	At 31 December 2020 £'000	At 31 December 2019 £'000
31 to 60 days past due	**177**	183
60 to 90 days past due	**175**	26
90 to 120 days past due	**-**	155
>120 days past due	**899**	119
Overdue trade receivables gross	**1,251**	483
Allowance for credit losses	**(516)**	(111)
Trade receivables – net	**735**	372

The Directors consider that the carrying value of trade and other receivables represents their fair value.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on the Group's credit risk management policies, refer to Note 29(d). The Group has adopted IFRS9 to trade receivables and considered the recoverability of amounts owing from its customers by applying the simplified model for expected credit losses to trade receivables to measure the loss allowance at an amount equal to lifetime expected credit losses.

The Group's expected credit loss model uses the Standard & Poors sovereign credit default ratings as an indication of the likelihood of default by customers in each territory, Judgements are then applied to translate these ratings into probabilities of default, which are then compounded on a sliding scale with aging. £300 of this increase arises from the inclusion of the trade receivables within the PharmaSource group.

The Group does not hold any collateral as security for its trade and other receivables. The amounts of trade and other receivables denominated in currencies other than pounds sterling are shown in Note 29(c). The Directors further considered the carrying value of overdue trade and other receivables in the light of the on-going COVID-19 situation. Settlements since 31 December 2020 have been robust, with the majority of the unprovided overdue balance having now been settled and the remaining sum giving no cause for concern.

19. Cash and cash equivalents

	At 31 December 2020 £'000	At 31 December 2019 £'000
Available cash and cash equivalents	**42,095**	5,159
Cash allocated for acquisition of PharmaSource BV post year-end	**-**	5,551
Cash and cash equivalents	**42,095**	10,710

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, euro accounts in the Netherlands and a Swiss franc account in Switzerland.

The Directors consider that the carrying value of cash and cash equivalents approximates their fair value. For details on the Group's credit risk management policies, refer to Note 29(d).

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

20. Share capital and share premium

Share capital

All shares are authorised, issued and fully paid. The Group has one class of ordinary shares which have full voting rights, no preferences and no restrictions attached.

	Ordinary shares of 0.3p each Number	Ordinary shares of 0.3p each £	Share premium £'000	Merger reserve £'000
At 31 December 2020	**125,831,530**	**377,495**	**65,738**	**7,656**
At 31 December 2019	83,712,106	251,136	30,824	7,656

The Company issued 42,119,424 new shares during the year for consideration of £36,997,000 (nil new shares issued during 2019).

This issuance included 2,070,674 shares arising from the exercise of staff share options.

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 2020, one of the awards matured but did not meet vesting conditions. Further details are included in the Directors' Remuneration Report set out on pages 36 to 40.

21. 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 (2019: £7,656,000) has arisen through the acquisition of Venture Life Limited in 2010 (£50,000), and Biokosmes in March 2014 (£7,606,000).

22. 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 and Netherlands subsidiaries.

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

23.1 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 share option charge for the year was £409,000 (2019: £131,000) and is included in administrative expenditure in the Statement of Comprehensive Income.

The share option provision recycling for the year was £373,000 (2019: £115,000) and pertained to a series of successful staff stock option exercise events coupled with releases in respect of executive 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.

	2020 Number	2020 WAEP (p)	2019 Number	2019 WAEP (p)
Total outstanding at beginning of the year	4,067,940	46.1	4,108,940	46.1
Granted during the year	5,060,100	33.8	-	-
Exercised	(2,070,674)	46.0	-	-
Forfeited	(596,600)	46.0	(41,000)	47.5
Total outstanding at 31 December	6,460,766	36.5	4,067,940	46.1
Exercisable at 31 December	1,278,666	44.6	3,157,440	45.0

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

	2020 Number	2019 Number
Range of exercise prices 0p–49p	6,148,766	3,310,040
50p–99p	312,000	757,900
100p–149p	-	-
Total	6,460,766	4,067,940

At 31 December 2020, the weighted average remaining contractual life of options exercisable is 7.88 years (2019: 3.22 years). The weighted average exercise price of options granted in the year was 33.7 pence. No options were granted in the prior year.

The non-market performance conditions for all share options outstanding at 31 December 2020 and which are exercisable at 31 December 2020 or before have been achieved.

The share-based payment charge has been calculated using the Black-Scholes model to calculate the fair value of the share options that vest according to non-market performance conditions. An appropriate valuation model has been used to calculate the fair value of share options with market performance-related vesting. Disclosure of those valuation assumptions is not made on the basis that the related charge is immaterial. The scheme is equity settled.

The inputs into the Black-Scholes model for issuance of stock options were as follows for 2020. No issuances were made in 2019:

	2020	2019
Weighted average share price (p)	**33.7**	n/a
Weighted average exercise price (p)	**33.7**	n/a
Weighted average expected volatility (%)	**37.0**	n/a
Weighted average expected life (years)	**4**	n/a
Weighted average risk free rate (%)	**0.546**	n/a
Expected dividends (%)	**0.294**	n/a

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.

23.2 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 Four
Grant date of awards	23 March 2018
Grant date fair value of award (pence per award)	46.5
Vesting date of awards	23 March 2021
Maximum number of awards	554,115
Vesting condition based on	TSR
Relevant date for determination of vesting conditions	23 March 2021 for TSR

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 37 and 38. Regarding awards one, two and three, the vesting conditions were not met and the awards were forfeited. Award four includes vesting conditions that are market based, and allowance for these are included within the fair value at grant date. The weighted average fair value of options granted in prior years was 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.

Notes to the Consolidated Statements
for the year ended 31 December 2020

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

23.2 Long-Term Incentive Plan continued

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

	2020 Number	2019 Number
At 1 January	1,474,267	2,672,009
Granted	-	-
Did not meet vesting conditions	(920,152)	(781,642)
Forfeited	-	(416,100)
At 31 December	**554,115**	1,474,267

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.

24. Retained earnings

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

25. Trade and other payables

	At 31 December 2020 £'000	At 31 December 2019 £'000
Trade payables	4,004	4,027
Accruals and deferred income	2,003	727
Social security and other taxes	846	600
Other payables	255	137
Total	7,108	5,491

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest-bearing and are normally settled on 30 - 90 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 29(c).

26. Interest-bearing borrowings

	At 31 December 2020 £'000	At 31 December 2019 £'000
Current		
Invoice financing	888	1,184
Leasing obligations	477	512
Unsecured bank loans due within one year	1,092	738
Total	**2,457**	2,434
Non-current		
Leasing obligations	4,085	2,139
Unsecured bank loans due after one year	4,636	2,452
Total	**8,721**	4,591

All bank loans are held by the Group's Italian subsidiaries. During 2020 three new bank loans in the amount of €3.5 million were secured from BPM SPA and Unicredito with expiry dates of June 2025, November 2025 and June 2026 respectively. Invoice financing includes the Italian RiBa (or "Ricevuta Bancaria") facility which is a short-term facility. The balance shown above of £888,000 (2019: £1,184,000) reflects the amount that had been settled in Biokosmes's account under RiBa and drawn against invoices in the UK as at the reporting date.

All of the above bank loans and the RiBa invoice financing balance bear interest at variable rates.

A summary showing the utilisation of this invoice financing is shown below:

	2020 £'000	2019 £'000
Opening balance at 1st January	1,184	1,240
Drawdown	2,314	3,083
Repayments	(2,668)	(3,088)
Impact of foreign exchange	58	(51)
Closing balance at 31st December	888	1,184

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

	At 31 December 2020			At 31 December 2019		
	Leasing obligations £'000	Other £'000	2020 £'000	Leasing obligations £'000	Other £'000	2019 £'000
Amounts and timing of debt repayable						
Within 1 year	523	2,052	2,575	523	1,974	2,497
1-2 years	473	1,508	1,981	491	766	1,257
2-3 years	447	1,352	1,799	444	757	1,201
3-4 years	448	1,167	1,615	422	644	1,066
4-5 years	447	638	1,085	422	463	885
After more than 5 years	2,471	90	2,561	414	7	421
Total	4,809	6,807	11,616	2,716	4,611	7,327

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Net debt reconciliation

	Liabilities from financing activities			Other assets	
	Borrowings	Leases	Sub-total	Cash	Net Cash / (Net Debt)
Net cash at 1 January 2019	3,842	3,226	7,068	9,623	2,555
Net cashflow	-	-	-	1,406	1,406
Finance lease repayments	-	(585)	(585)	-	585
Drawdown	3,784	-	3,784	-	(3,784)
(Repayments)	(3,088)	-	(3,088)	-	3,088
Foreign exchange movements	(164)	10	(154)	(319)	(165)
Net cash at 31 December 2019	4,374	2,651	7,025	10,710	3,685
Net cashflow	-	-	-	31,443	31,443
Finance lease repayments	-	(764)	(764)	-	764
Interest on leases	-	33	33		(33)
Drawdown	5,428	2,510	7,938	-	(7,938)
(Repayments)	(3,433)	-	(3,433)	-	3,433
Foreign exchange movements	247	132	379	(58)	(437)
Net cash at 31 December 2020	6,616	4,562	11,178	42,095	30,917

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 2020 of £4,562,000 (2019: £2,651,000) and right-of-use assets of £4,520,000 (2019: £2,615,000) are recognised, giving a net liability position of £42,000 (2019: £36,000).

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27. 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. The timing of utilisation of this provision is uncertain.

	At 31 December 2020 £'000	At 31 December 2019 £'000
At 1 January	**1,058**	1,062
Additional provisions	**236**	216
Amount utilised	**(149)**	(137)
Foreign exchange movements	**56**	(83)
At 31 December	**1,201**	1,058

28. 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 2019	33	-	3,099	3,132
Additions	-	-	137	137
Depreciation charge in the year	(15)	-	(539)	(554)
Foreign exchange movements	-	-	(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
Carrying value 1 January 2020	18	-	2,597	2,615
Additions	-	17	2,493	2,510
Depreciation charge in the year	(13)	(7)	(704)	(724)
Foreign exchange movements	(2)	(1)	122	119
Carrying value 31 December 2020	**3**	**9**	**4,508**	**4,520**
Interest charge in the year	-	-	33	33
Cash outflow for leases in the year	14	6	744	764

Lease liabilities were calculated as the present value of the future lease obligations of the Group amounting to £4.56 million (31 December 2019: £2.65 million). The future leasing obligations were discounted using the relevant Italian and UK local borrowing rates of 1% and 5% respectively. The closing lease liability is shown in note 26.

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 2021 and 2022. 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 during 2020 for use by a senior member of staff whose responsibilities require a high degree of national and international road travel.

Property
- The Group's Italian subsidiary has one operating location and one logistics facility in Lombardy, near to Milan. The operating location has 2 long-term rental agreements. The main agreement was renewed in November 2019 for a period of six years and has an option to extend the lease for a further 6 years, which the group expects to exercise, and has accounted for as an addition to right-of-use assets in 2020. The lease on the logistics facility expired on 31 December 2020. The group entered into a new lease agreement in relation to this facility in December 2020 to commence on 1 January 2021 for a period of 3 years.
- 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.

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. The contractual maturity of lease liabilities is shown in note 26.

If IFRS 16 was not required, operating profit of the Group for the year would be reduced by £40,000 (2019: £31,000) and profit before tax would be increased by £6,000 (2019: increase £7,000).

29. Financial instruments

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

a) Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises are as follows:
- Trade and other receivables (excluding prepayments)
- Cash and cash equivalents
- Trade and other payables (excluding 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 2020		31 December 2019	
	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]	7,342	7,390	6,263	6,263
Cash and cash equivalents	42,095	42,095	10,710	10,710
Total	49,437	49,485	16,973	16,973

1 Trade and other receivables excludes prepayments

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29. Financial instruments continued

a) Principal financial instruments continued

	31 December 2020		31 December 2019	
	Liabilities (amortised cost) £'000	**Total financial liabilities £'000**	Liabilities (amortised cost) £'000	Total financial liabilities £'000
Financial liabilities:				
Trade and other payables [2]	**6,875**	**6,875**	4,164	4,164
Leasing obligations	**4,562**	**4,562**	2,651	2,651
Convertible bond	–	**-**	–	-
Vendor loan note	**-**	**-**	–	-
Interest-bearing debt	**6,616**	**6,616**	4,374	4,374
Total	**18,053**	**18,053**	11,189	11,189

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 28 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 20 and 21.

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 2020					
Assets					
Trade and other receivables	–	–	–	5,721	**5,721**
Cash and cash equivalents	–	65	4	3,361	**3,430**
	–	65	4	9,082	**9,151**
Liabilities					
Trade and other payables	–	–	–	5,180	**5,180**
Interest-bearing debt	–	–	–	6,616	**6,616**
	–	–	–	11,796	**11,796**

	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	–	–	13	6,015	6,028
	–	–	13	11,459	11,472
Liabilities					
Trade and other payables	–	–	–	4,210	4,210
Interest-bearing debt	–	–	–	4,374	4,374
	–	–	–	8,584	8,584

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 2020		
Assets	**909**	**(909)**
Liabilities	**(1,180)**	**1,180**
At 31 December 2019		
Assets	1,275	(1,043)
Liabilities	(954)	780

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29. Financial instruments continued

d) Credit risk

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

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

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 2020, the Group was also owed £2,063,000 (2019: £1,045,000) from two (2019: one) of its major customers, the balance being shown under trade receivables. A provision of £356,000 was made against one of these amounts and included in the group's bad debt provision. The carrying amount of financial assets recorded represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. In the Directors' opinion there have been no impairments of financial assets in the periods in this financial information.

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

Interest rate risk

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

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

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

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

	Fixed rate		Floating rate		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Sterling	**-**	-	**38,665**	4,682	**38,665**	4,682
Euro	**-**	-	**3,361**	6,015	**3,361**	6,015
RMB	**-**	-	**65**	-	**65**	-
USD	**-**	-	**-**	-	**-**	-
Swiss franc	**-**	-	**4**	13	**4**	13
Total	**-**	-	**42,095**	10,710	**42,095**	10,710

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

The interest rate risk profile of the Group's interest-bearing borrowings, as at 31 December was:

	Fixed rate		Floating rate		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Sterling	**-**	-	**85**	145	**85**	145
Euro	**-**	-	**11,093**	6,880	**11,093**	6,880
RMB	**-**	-	**-**	-	**-**	-
USD	**-**	-	**-**	-	**-**	-
Swiss franc	**-**	-	**-**	-	**-**	-
Total	**-**	-	**11,178**	7,025	**11,178**	7,025

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 26.

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 2020 £'000	At 31 December 2019 £'000
Total equity	72,109	33,008
Cash and cash equivalents	(42,095)	(10,710)
Capital	30,014	22,298
Total equity	72,109	33,008
Borrowings	6,616	4,374
Leasing obligations	4,562	2,651
Overall financing	83,287	40,033
Capital to overall financing ratio	0.36	0.56

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

a) Transactions with Directors
Total dividends paid to Directors in the year ending 31 December 2020 were £nil (2019: £nil).

Gianluca Braguti, a Director and shareholder of the Group, was provided with services by the Group totalling £3,460 (2019: £4,389). At 31 December 2020, Gianluca Braguti owed the Group £4,262 (2019: £5,213).

Under the terms of the Share Purchase Agreement dated 28 November 2013 and signed between the Group and the vendors of Biokosmes, one of whom was Gianluca Braguti, the vendors agreed to indemnify the Group 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 Group 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 Biokosmes in an amount slightly exceeding €250,935 which has accordingly extinguished this indemnified liability. The small net positive surplus was de-recognised in the statement of financial position at 31 December 2019. During 2020, in order to avoid a remote but potential escalation of legal action, Biokosmes S.r.l decided to settle with one claimant in the amount of €116.000 which resulted in a net amount owing to the Group of €102,713. Gianluca Braguti owes to the Group this amount of €102,713 which will be settled in April 2021.

Notes to the Consolidated Statements
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30. Related party transactions continued

b) Transactions with other related parties

Braguti's real estate S.r.l (formerly known as Biokosmes Immobiliare S.r.l), a company 2% owned by Gianluca Braguti, a Director and shareholder of the Group provided property lease services to Biokosmes S.r.l, the Group's Italian subsidiary, totalling £409,253 in the year to 31 December 2020 (2019: £403,508). At 31 December 2020, the Group owed Braguti's real estate S.r.l £68,883 (£94,757 at 31 December 2019).

Services purchased from Biogenico S.r.l, a company 47% owned by Gianluca Braguti, a Director and shareholder of the Group, totalled £32,626 (2019: £2,157). At 31 December 2020, the Group owed Biogenico S.r.l £nil (2019: £2,100). Services provided to Biogenico S.r.l totalled £26,084 (2019: £32,935). At 31 December 2020, Biogenico S.r.l owed the Group £nil (2019: £24,295). Services purchased from A. Erre, a company 10% owned by Gianluca Braguti, a Director and shareholder of the Group, totalled £64,623 (2019: £74,032) and services provided totalled £222 (2019: £1,970). At 31 December 2020, the Group owed A. Erre £274 (2019: £11,169).

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 £3,393 (2019: £1,863 purchased from Farmacia San Francesco). At 31 December 2020, Farmacia San Francesco owed the Group £379 (2019: £270). 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.

31. Post balance sheet events

There were no material events after the balance sheet date.

32. Prior period adjustment

During 2020 the Group made a change to accounting policy in respect of foreign currency translation of Goodwill and fair value adjustments arising on the acquisition of a foreign entity. The change is to treat Goodwill and fair value adjustments arising on the acquisition of a foreign entity as assets and liabilities of the foreign entity and translate them into GBP at the closing rate. The previous policy did not account for these adjustments correctly by treating them as assets and liabilities of the parent and translating them at the historic rate.

See notes 3.4 b) and 15 for further information

The following tables summarise the impacts on the Group's consolidated financial statements.

a) Consolidated statement of financial position (extract)

At 1 January 2019

	Impact of prior period adjustment		
	As previously reported £'000	Adjustments £'000	As restated £'000
Assets			
Non-current assets			
Intangible assets	20,542	667	21,209
Property, plant and equipment	4,591	-	4,591
	25,133	667	25,800
Current assets	20,512	-	20,512
Total assets	45,645	667	46,312
Equity and liabilities			
Capital and reserves			
Share capital	251	-	251
Share premium account	30,824	-	30,824
Merger reserve	7,656	-	7,656
Foreign currency translation reserve	252	667	919
Share-based payments reserve	609	-	609
Retained earnings	(7,512)	-	(7,512)
Total equity attributable to equity holders of the parent	32,080	667	32,747
Liabilities			
Current liabilities	6,779	-	6,779
Non-current liabilities	6,786	-	6,786
Total liabilities	13,565	-	13,565
Total equity and liabilities	45,645	667	46,312

At 31 December 2019

	Impact of prior period adjustment		
	As previously reported £'000	Adjustments £'000	As restated £'000
Assets			
Non-current assets			
Intangible assets	20,722	192	20,914
Property, plant and equipment	4,152	-	4,152
	24,874	192	25,066
Current assets	22,155	-	22,155
Total assets	47,029	192	47,221
Equity and liabilities			
Capital and reserves			
Share capital	251	-	251
Share premium account	30,824	-	30,824
Merger reserve	7,656	-	7,656
Foreign currency translation reserve	(47)	192	145
Share-based payments reserve	624	-	624
Retained earnings	(6,492)	-	(6,492)
Total equity attributable to equity holders of the parent	32,816	192	33,008
Liabilities			
Current liabilities	8,143	-	8,143
Non-current liabilities	6,070	-	6,070
Total liabilities	14,213	-	14,213
Total equity and liabilities	47,029	192	47,221

b) Consolidated Statement of Comprehensive Income (extract)

For the year ended 31 December 2019

	Impact of prior period adjustment		
	As previously reported £'000	Adjustments £'000	As restated £'000
Profit for the year	904	-	904
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Foreign exchange loss on translation of subsidiaries	(300)	(475)	(775)
Total comprehensive profit for the year attributable to equity holders of the parent	604	(475)	129

There is no impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for the year ended 31 December 2019.

Parent Company Balance Sheet
for the year ended 31 December 2020

Company number 05651130

	Note	At 31 December 2020 £'000	At 31 December 2019 £'000
Fixed assets			
Investments	5	**25,064**	19,053
Intangible assets	6, 7	**3,977**	4,219
		29,041	23,272
Current assets			
Inventory		**170**	-
Debtors	8	**5,564**	9,853
Cash at bank		**38,477**	4,293
		44,211	14,146
Creditors			
Amounts falling due within one year	9	**(2,844)**	(2,175)
Net current assets		**41,367**	11,971
Total assets less current liabilities		**70,408**	35,243
Creditors			
Amounts falling due after one year	10	**(1,308)**	(728)
Net assets		**69,100**	34,515
Capital and reserves			
Called up share capital	11	**377**	251
Share premium account		**65,738**	30,824
Merger reserve		**7,656**	7,656
Foreign currency translation reserve		**5**	-
Share-based payments reserve		**660**	624
Profit and loss account		**(5,336)**	(4,840)
Shareholders' funds		**69,100**	34,515

* As permitted by Section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented. The loss for the financial year dealt with in the financial statements of the Company is £869,000 (2019: loss £217,000).

The financial statements on pages 86 to 94 were approved and authorised for issue by the Board on 24 March 2021 and signed on its behalf by:

Jerry Randall
Director
24 March 2021

Parent Company Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Share-based payments reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2019	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	-	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	15	115	130
Balance at 31 December 2019	251	30,824	7,656	-	624	(4,840)	34,515
Loss for the year	-	-	-	-	-	(869)	(869)
Foreign exchange on translation	-	-	-	5	-	-	5
Total comprehensive income / (expenses)	-	-	-	5	-	(869)	(864)
Share-based payments charge	-	-	-	-	409	-	409
Share-based payments charge recycling	-	-	-	-	(373)	373	-
Contributions of equity, net of transaction costs	126	34,914	-	-	-	-	35,040
Transactions with shareholders	126	34,914	-	-	36	373	35,449
Balance at 31 December 2020	**377**	**65,738**	**7,656**	**5**	**660**	**(5,336)**	**69,100**

During the year the third tranche of the management long-term incentive matured but did not meet its vesting conditions. The respective accumulated provision within the Share Based Payments reserve of £129,000 was discharged and recycled into retained earnings. In addition a number of employee stock option contracts were successfully exercised during the year and the respective accumulated provision within the Share Based Payments reserve of £244,000 was similarly discharged and recycled into retained earnings.

Notes to the Parent Company Balance Sheet
for the year ended 31 December 2020

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. A summary of how the Directors have considered Going Concern at a Group level and the various scenarios that have been examined is included in Note 3.1 of the Group 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.

The company conducts trade in Italy by means of a permanent establishment. This foreign operation operates in a functional currency of euros.

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.

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 2020

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 £869,000 (2019: loss £217,000).

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

4. Employee information

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

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Product development and manufacturing	**-**	-
Sales and marketing	**-**	-
Directors	**7**	7
Administration	**-**	-
Total	**7**	7

Their aggregate remuneration comprises:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	**1,299**	1,010
Social security costs	**174**	121
Pension costs	**89**	96
Other benefits	**8**	5
Equity settled share-based payments	**295**	94
Total	**1,865**	1,326

The aggregate remuneration is charged within the Financial Statements as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Charged into cost of sales and a proportion absorbed into closing inventory	**-**	-
Charged into research and development costs and a proportion into capitalised development costs	**-**	-
Charged into operating expenses	**1,865**	1,326
Total	**1,865**	1,326

The aggregate remuneration of the key management personnel of the Company (who are all persons with decision making responsibilities [PDMRs]) comprises:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	**1,191**	901
Social security costs	**162**	109
Pension costs	**89**	96
Other benefits	**8**	5
Equity settled share-based payments	**295**	94
Total	**1,745**	1,205

Further information on Directors' remuneration is included in the Remuneration Report on page 36.

5. Investments

	Investments in subsidiary undertakings shares £'000	Capital contributions from share-based payments £'000	Other investments £'000	Total £'000
Cost				
At 1 January 2020	18,756	297	31	19,084
Additions	5,824	187	-	6,011
Revaluation adjustment	-	-	-	-
At 31 December 2020	**24,580**	**484**	**31**	**25,095**
Accumulated impairment				
At 1 January 2020	-	-	(31)	(31)
Charge for the year	-	-	-	-
At 31 December 2020	**-**	**-**	**(31)**	**(31)**
Net book value				
At 31 December 2019	18,756	297	-	19,053
At 31 December 2020	**24,580**	**484**	**-**	**25,064**

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 S.r.l, registered address 20122 Milano – Via Besana, 10), one Swiss subsidiary (PermaPharm AG, registered address Oberallmendstrasse 24, 6304 Zug), one Irish subsidiary (Venture Life Europe Ltd, registered address Corrig Road, Dublin 18, Ireland) and one Netherlands group, Nelie BV (registered address Hescheweg 94, 5342 CL in Oss, NL) (which wholly owns PharmaSource BV and MD Manufacturing BV).

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 S.r.l	Ordinary	100%	Italy
Venture Life Europe Ltd	Ordinary	100%	Ireland
Nelie BV (including two subsidiaries – PharmaSource BV and MD Manufacturing BV)	Ordinary	100%	Netherlands

6. Intangible assets

	Brands £'000	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost or valuation:				
At 1 January 2020	1,089	3,272	189	4,550
Additions	-	-	-	-
At 31 December 2020	**1,089**	**3,272**	**189**	**4,550**
Amortisation:				
At 1 January 2020	77	232	27	336
Charge for the year	54	164	19	237
At 31 December 2020	**131**	**396**	**46**	**573**
Carrying amount:				
At 31 December 2020	**958**	**2,876**	**143**	**3,977**

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 15 of the Group Financial Statements for more information.

Notes to the Parent Company Balance Sheet
for the year ended 31 December 2020

7. Business combinations

On 24 January 2020 the Company completed the acquisition of PharmaSource BV, a group of companies based in the Netherlands engaged in the supply of antifungal and related products to European customers. The acquisition consideration was €6.7 million, comprising €0.25 million net working capital at completion, €1.7 million in intangible assets (principally customer relationships, distribution agreements and trademarks), €0.3 million deferred tax provision, capitalised costs of the acquisition of €0.1 million and a balance of €4.8 million as goodwill. The acquisition consideration of €6.7 million was paid entirely in cash, of which €5.2 million was paid at completion, €1.0m within 45 days of completion and the balance of €0.5 million within 270 days of completion. The acquisition was funded through the Company's own resources.

PharmaSource 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 inclusion of this additional business into its portfolio increased the leverage of its trading infrastructure and contributed to the overall improvement in profitability. The acquisition has been accounted for under IFRS 3 as a business combination. The Consolidated Financial Statements to 2020 include the results of the PharmaSource business for the period from 24 January 2020 to 31 December 2020.

The fair values of the identifiable assets and liabilities of the PharmaSource business as at the date of acquisition were:

	Fair Value €'000	**Fair Value £'000**
Assets		
Non-current assets		
Customer relationships *	551	**465**
Distribution agreements *	682	**575**
Trademarks *	494	**417**
Current assets		
Inventories	314	**265**
Trade and other receivables	189	**159**
Cash and cash equivalents	319	**269**
Total assets	2,549	**2,150**
Current liabilities		
Trade and other payables	257	**215**
Non-current liabilities		
Deferred Tax	328	**277**
Total net assets	1,964	**1,658**
Net assets acquired	1,964	**1,658**
Goodwill	4,831	**4,076**
Total consideration	6,795	**5,734**
Satisfied by		
Cash paid at completion	4,975	**4,198**
Cash paid within 45 days of completion	976	**822**
Cash to be paid within 300 days of completion	525	**445**
Total consideration	6,795	**5,734**
Transaction costs	n/a	**90**
Total investment	n/a	**5,824**

* Intangible assets identified as part of the PharmaSource BV acquisition. See note 3.10 of the Group Financial Statements for further details.

Revenue and profit impact of the acquisition

PharmaSource was acquired on 24 January 2020. It generated net revenues of £2.8 million and operating profit before exceptional items of £0.9 million in the period from 24 January 2020 to 31 December 2020. Had the business been acquired from 1 January 2020 it would have contributed £2.8 million in net revenues and operating profit before exceptional items of £0.9 million.

8. Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	115	-
Other debtors	66	4
Other taxation	-	16
Prepayments and accrued income	72	45
Amounts owed by Group undertakings	-	-
	253	65
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	5,311	9,788
Aggregate amounts	5,564	9,853

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 £9.8 million was re-assessed at 31 December 2020 and its impairment was unchanged at £5.5 million resulting in an impairment charge of £nil (2019: £nil) recognised in the Income Statement in respect of this.

9. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	226	162
Other taxation and social security costs	192	-
Accruals and deferred income	849	288
Bank loan	257	-
Amounts owed to Group undertakings	1,320	1,716
Other payables	-	9
Total	2,844	2,175

Notes to the Parent Company Balance Sheet
for the year ended 31 December 2020

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

	2020 £'000	2019 £'000
Amounts owed to Group undertakings	-	511
Bank loan	1,091	-
Deferred tax	217	217
Total	**1,308**	728

Included in amounts owed to Group undertakings are two loans from Biokosmes S.r.l in the amounts of €0.6 million and €0.7 million (31 December 2019: Two loans totalling €1.9 million). These loans carry interest at 3% and 1.5% respectively and are repayable in instalments to 2021 and 2022.

11. Share capital

	2020 £'000	2019 £'000
Allotted, issued and fully paid:		
During the year 39,848,451 ordinary shares were issued. At the balance sheet date there were 125,831,530 (2019: 83,712,106) ordinary shares of 0.3 pence each	377	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

There were no material events after the balance sheet date.

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 Group
The Registry, 10th Floor, Central Square,
29 Wellington Street, Leeds, LS1 4DL
Telephone: +44 (0)371 664 0391

(Calls cost 12p/minute plus network extras. Lines are open 8.30am-5.30pm Mon-Fri. If calling from outside the UK please dial: +44 (0)371 664 0391).

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.

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