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Venture Life Group PLC
20 September 2018

VENTURE LIFE GROUP PLC

("Venture Life" or the "Group")

20 September 2018

Half Year Report

Unaudited interim results for the six months ended 30 June 2018

Venture Life Group plc (AIM: VLG), the international consumer self-care group focused on developing, manufacturing and commercialising products for the self-care market, announces its unaudited interim results for the six months ended 30 June 2018.

Financial highlights:

- Revenues increased 6% to £8.3 million (H1 2017: £7.8 million)
- EBITDA increased to £0.7 million (H1 2017: £0.5 million)
- Profit before tax, amortisation and exceptional items increased to £0.1 million (H1 2017: loss of £0.1 million)
- Adjusted loss per share[1] reduced to 0.4p (H1 2017: adjusted loss of 0.9p)
- Cash at period end of £1.5 million (31 December 2017: £1.4 million)

[1] Adjusted loss per share is calculated using loss after tax excluding amortisation and share-based payments

Commercial highlights:

- Listings of UltraDEX in the UK increased by 37% from June 2017 to June 2018
- Launch of the new UltraDEX One Go™ single use sachet in Boots, Sainsbury's and Superdrug
- Launch of the new UltraDEX Fresh Breath Starter Kit in Boots
- Lloyds Pharmacy launch UltraDEX in the UK
- Extension of the partnership with Alliance Pharma, adding €1.6 million of annualised revenues and extending the agreement term to 2025
- Six new international partnering deals signed, on products including UltraDEX, Mycoclear and Procto-eze

Post-period end highlights:

- Acquisition of the Dentyl mouthwash brand for £4.2 million in cash
- Placing at 40p per share to raise gross proceeds of £18.75 million (£17.5 million net of expenses)
- Proceeds of the placing used to fund:
    - the acquisition of the Dentyl brand;
    - repayment of £3.7 million of debt; and
    - strengthen balance sheet to support growth of business and strategic M&A
- Sainsbury's, Amazon and Ocado to launch the new UltraDEX One Go single use sachets
- Partner agreement with La Brosse et Dupont extended into Spain, Portugal and Belgium - UltraDEX now partnered in 15 countries

Commenting on the results, Jerry Randall, CEO of Venture Life, said: *"Whilst the first half of 2018 has been a period of continued organic growth for the business, the placing and acquisition which completed in August have been a transformational event for the Group. The acquisition of the well-known Dentyl brand is a perfect fit for our business, building on the strong oral care expertise that the Group has both in the UK and internationally, and using the significant operational leverage that we have. Our success with UltraDEX has enabled us to develop a strong internal team to exploit this area of the market, and the team is already hard at work on this new brand. The placing we undertook also enabled us to significantly de-gear and hence de-risk our balance sheet, and leaves us in a significant net cash position, with substantial funds at our disposal for both organic growth and further M&A. The profitable, cash generative nature of the Dentyl brand, coupled with the meaningful saving in interest costs from the loan repayments, will add significant profitability and positive cash flow to our already profitable business.*

"I am delighted with the continued development of UltraDEX, with significant listings added in the UK, including the launch of the new UltraDEX One Go sachet. Internationally, we have already seen re-orders from the launches in H1 2018, as well as further international deals on some key brands within the business.

"We go into the second half of 2018 with a significantly stronger order book than the same time last year, aside from any contribution from Dentyl, a stronger balance sheet, and a solid share register courtesy of the many significant new, high quality, institutional investors who supported our Placing. I would like to take this opportunity to thank both our existing shareholders who participated in the Placing, and the new shareholders who joined our register through the Placing, for their support in this transformational transaction. I believe the second half of 2018 will evidence the continued development of the Group and the Board looks forward to the rest of 2018 and beyond with confidence."

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Non-Executive Chair's and Chief Executive Officer's Statement

Overview

The first half of 2018 has been another period of revenue growth for the Group, building on the momentum of 2017. Revenues grew organically by 6% to £8.3 million (H1 2017: £7.8 million), which is encouraging to see. As a result of the positive commercial news we announced in the first half of the year, we are expecting the second half revenues and profitability to be higher than the first half. The Group order book at the end of the August was more than 20% ahead of the same time last year, pointing to a strong second half for the business and coupled with the integration of the newly acquired Dentyl business, is expected to result in a record H2 revenue for the Group.

In the first half, we have experienced a slightly lower gross margin percentage of 36% (H1 2017: 39%) due to product mix and operational gearing effect. We had a significant amount of international sales into China, that are at lower than average gross margin, and having increased our capacity in our Italian facility, we have a slightly higher level of fixed production related costs - so in the second half, with higher revenues, the gross margin to be delivered from Italy is expected to be higher. We therefore expect this gross margin to return to levels similar to those achieved in 2017. We have also grown EBITDA for the first half of 2018 to £0.7 million (H1 2017: £0.5 million). The acquisition of the Dentyl brand and the repayment of £3.7 million of convertible debt and vendor loan notes, all of which occurred post period end, will substantially increase the profitability and cash generation of the business going forward.

Placing, Acquisition of Dentyl brand, repayment of convertible debt and vendor loan notes

On 20 July 2018, the Group announced an equity placing of £18.75 million (gross of expenses) at 40p per share with new and existing shareholders. This raising was undertaken by our new joint broker, Cenkos Securities, and the use of the net proceeds of £17.5 million were as follows:

- to pay the purchase consideration of £4.2 million to acquire the Dentyl brand business
- to repay £3.7 million of convertible loans and vendor loan notes
- the balance of £9.6 million is to fund transaction costs, some working capital growth, and to provide significant funds for further M&A activity

In addition to the cash raised for the Group, the equity placing also introduced a number of significant new institutional shareholders onto the share register. These new shareholders have significantly broadened our share register, and are supportive of our strategy to acquire further strategically interesting brands. We believe further brand acquisitions can be integrated into our business and utilise the significant operating leverage and unused capacity in our manufacturing facilities.

Dentyl Brand
The acquisition of this well-known brand has brought another historic brand asset into the Group, which we believe we can revitalise in the same way as UltraDEX. The Dentyl brand comprises a series of bi-phase mouthwash products designed to remove plaque from the teeth and gums. The product is presented in 100ml, 250ml and 500ml sizes, with 500ml being by far the biggest volume of sales. The two main flavours are Fresh Clove and Smooth Mint. The brand has been on sale in the UK since 1996, and its novel presentation and mode of action have given it a strong shelf presence and opportunity for growth. Net sales in the 2017 calendar year for the acquired brand were £2.9 million, of which £2.7 million was generated in the UK. Profit before tax for the same period was £1.2 million. We believe that the brand was not a core asset for the vendor, and in recent years has received little investment, resulting a small annual reduction in revenues from those achieved in 2016. In 2017, a Chinese partner was appointed by the vendor and 2018 is showing interesting growth from this partner.

As we have already demonstrated with UltraDEX, we believe we can revitalise the Dentyl brand and return it to growth through:

- engaging with new and existing UK retailers to increase listings
- internationalising the brand more widely
- making improvements to the cost of goods
- bringing innovation into the brand
- improving the marketing of the brand

In addition to the core mouthwash product, the Dentyl acquisition also brings the UK rights to a fresh breath bead product, namely BB mints, licensed from a Thai partner. This product was launched in Tesco in April of this year and is currently on sale in a number of those stores. Initially launched under this brand name, we will be rebranding to align more with the Dentyl brand. Whilst small in revenue terms at the moment, these fresh breath beads are a very suitable product for wider distribution in the convenience channel.

We plan to fully integrate the Dentyl brand into our Group operations and stabilise the slightly falling revenues, and then look to implement a progressive marketing initiative to relaunch the brand. We see significant opportunity for new products within the Dentyl brand, accessing new markets and customers, as well as reducing the cost of goods.

Venture Life brands
The Venture Life brands business revenues for the first half of 2018 were £2.3 million, 30% up over the first half of 2017. Of this, £1.4 million was derived from UltraDEX UK and the balance was international brands.

UK
In the first half of 2018, the only brand sold in the UK was UltraDEX, where revenues for the first half were £1.4 million (H1 2017: £1.4 million). The brand faced some headwinds at the start of 2018, with some unwinding of over stocking in Boots from H2 2017, and a significant reduction in price from its main competitor. Despite this, the brand managed to retain its revenues in the first half and achieved a significant increase in its UK listings in pharmacies and grocery multiples, which we expect to begin to positively impact revenues in H2 and beyond. Whilst this price competition had a significant impact on the brand, we are still expecting UltraDEX to outperform the sector and its direct competitors in 2018 in key retailers.

The brands business saw a number of distribution gains in the first half resulting from a combination of increasing listings of existing products, as well as listing some of the new products developed. The listing increase is stated on a net basis, and despite the new gains we have been notified post period end that we have lost our listing in Waitrose. This is down purely to range rationalisation in the stores - this is one of the smaller distributors of UltraDEX, with the product listed in only 182 stores, equating to 428 points of distribution.

In June 2018, the Group launched two new UltraDEX products, both of which are designed to encourage new users into the brand:

- UltraDEX One Go™ - this is a pack of ten single use UltraDEX sachets, and

- UltraDEX Fresh Breath Starter Kit - a box containing 250ml mouthwash, 100ml spray, dental floss and 100ml toothpaste.

The One Go sachets were launched in all Superdrug stores in June 2018, and were subsequently launched in a large number of Boots stores. The UltraDEX Fresh Breath Starter Kit was launched in Boots in July 2018. These new products have been priced keenly to attract new users, and whilst these earn us a slightly lower gross margin than the main product, over time we expect this to be outweighed by incremental sales. In addition to the new listings in Boots and Superdrug, Lloyds Pharmacy, the second largest pharmacy chain in the UK, has launched UltraDEX, starting in a small number of stores. The overall level of store listings for UltraDEX is now the largest it has been in the life of the product.

International
The international brands business has delivered revenues in the first half of 2018 of £0.9 million an increase of 160% on H1 2017. A significant proportion of this first half revenue has come from our partner in China who sells the Lubatti brand. Good sell out in H2 2017 meant that the partner placed a number of orders with us for this first half. Whilst these sales into China are a good source of revenue, the gross margin is lower than we would expect for international partners and this has reduced the overall H1 gross margin for the Group.

In the first half of the year, we signed additional new long-term partner deals, in particular the continued expansion of UltraDEX across Europe. As well as the UK, the brand is now partnered in 15 countries including France, Italy, Spain, Portugal, Belgium and Scandinavia. The partnerships in Spain, Portugal and Belgium were signed post period end with our French partner, La Brosse et Dupont - we extended our agreement with them to sell the products into the grocery multiples channels in these markets. In addition, this same partner has extended the range it is selling, launching the UltraDEX Sensitive toothpaste and the One Go products in France in H2 2018.

During the period, a new long term partnering agreement was also signed for MycoClear with Jaba Recordati S.A. for Portugal.

We continue with further clinical efficacy studies for marketing purposes for both NeuroAge and Mycoclear, which we expect to complete in H1 2019 and H2 2019, respectively. We will update shareholders on the results of these studies in due course.

We have received a further patent grant in this period for the UltraDEX sensitive range, which contains additional components to help users with sensitive teeth. The patent has now been granted in Canada, so the patent over this product is now granted in nine territories including the EU, USA and Japan.

Development and Manufacturing

The first half of 2018 saw revenues from development and manufacturing of £6.0 million, slightly lower than the previous year (H1 2017: £6.1 million). This is due to the timing and phasing of various customer orders, which is beyond our control. However as mentioned earlier, the Group order book, the larger part of which relates to this segment of the business, was, at the end of August, over 20% higher than the same time last year, demonstrating a stronger second half is expected than in 2017. We still expect year on year growth from this segment of our business in 2018.

In May 2018 we announced both the expansion and extension of our partnership with Alliance Pharma plc ("Alliance"), the UK specialty pharma business, for which we already manufacture a number of products. Under the revised agreement we have achieved:

- an extension of the existing agreement between the two companies up to the end of 2025. The existing agreement covers the products currently manufactured by us for Alliance, and was due to expire at the end of 2019 and;

- additional manufacturing business of at least €1.6 million per annum was added to the agreement, under which we will manufacture additional products sold by Alliance. We would expect a small contribution from this new business before the end of 2018, and a full contribution in 2019.

The facility in Italy also continues to undertake new development and manufacturing work for both existing and new customers, in particular in the area of medical devices. This is becoming a significant revenue generator for the development centre as well as building long term manufacturing revenues for us. As the majority of the costs in the facility are fixed, the majority of gross margin generated from additional revenues will largely fall straight to the bottom line.

In the first half of 2018 we increased the production capacity at the plant by reorganising the space that we have. This has released additional capacity for the secondary packing operations, and in due course we will add further primary filling lines into this space. In 2017 we manufactured approximately 17 million units of finished goods at the plant, and once we have added three more filling lines, which we will finance out of operating cashflow, we will be able to produce 34 million units of finished goods. Further reorganisation opportunities would take us to 50 million units of capacity, and physically extending the buildings could take us to 70 million units, over 4 times our production in 2017. There are also additional buildings nearby that could be leased to further increase capacity. So as a business, we are not capacity constrained and have significant operating leverage.

Financial review

Statement of comprehensive income

Group revenue for the six-month period was £8.3 million an increase of 6% on the £7.8 million reported for the same period in 2017. The growth was led by higher sales in the brands business. On a like-for-like basis, Group revenue increased 3% in the six-month period compared to the first six months of 2017.

The brands segment showed strong growth, up 30% on H1 2017, with revenues for the six-month period of £2.28 million compared to £1.75 million reported in H1 2017. Higher orders in China for the international brands business led to the improved sales in H1 2018.

Our development and manufacturing segment continues to represent the larger proportion of Group revenue. Revenues from this area of the business were £6.0 million in H1 2018 compared to £6.1 million for H1 2017, down 1% and reflecting a different revenue phasing compared to the prior year. With the current manufacturing order book more than 20% ahead of the same point last year, the Board expects a strong second half of 2018.

In the period under review, the Group generated gross profit of £3.0 million, representing a gross margin of 36%. This compares to a gross margin of 39% for the same period in 2017. As described above, this is a reduction in gross profit margin compared with H1 2017 resulted from a different product revenue mix in the period.

Administrative expenses decreased in the period to £3.0 million from £3.2 million in H1 2017. This was largely due to a different phasing in UK advertising and promotion expenditure in the period compared to the same period in the prior year.

H1 2018 generated a positive EBITDA of £0.7 million, up 40% compared to H1 2017 of £0.5 million.

The loss after tax, adjusted for amortisation and exceptional costs for the period, reduced to a loss of £0.2 million (H1 2017: loss of £0.3 million). Loss per share was 1.35p (H1 2017: loss of 1.67p).

Adjusted loss per share was 0.36p (H1 2017: adjusted loss of 0.86p).

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018

	Note	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
		(Unaudited)	**(Unaudited)** Restated	(Audited)
		£'000	**£'000**	**£'000**
Revenue	4	8,260	7,811	16,052
Cost of sales		(5,283)	(4,762)	(9,581)
Gross profit		**2,977**	**3,049**	**6,471**
Operating expenses		(2,727)	(2,942)	(5,431)
Amortisation of intangible assets	5	(277)	(247)	(521)
Total administrative expenses		**(3,004)**	**(3,189)**	**(5,952)**
Other income		27	16	62
Operating profit/(loss) before exceptional items		**-**	**(124)**	**581**
Exceptional items	6	(54)	-	-
Operating (loss)/profit		**(54)**	**(124)**	**581**
Finance costs		(223)	(261)	(518)
(Loss)/profit before tax		**(277)**	**(385)**	**63**
Tax	7	(221)	(230)	(430)
Loss for the period attributable to the equity shareholders of the parent		**(498)**	**(615)**	**(367)**
Other comprehensive (loss)/income which may be subsequently reclassified to the income statement	8	(4)	102	121

Total comprehensive loss for the period attributable to equity shareholders of the parent		**(502)**	**(513)**	**(246)**
Basic and diluted loss per share (pence) attributable to equity shareholders of the parent	9	(1.35)	(1.67)	(1.00)
Adjusted (loss)/profit per share	9	(0.36)	(0.86)	0.66

Unaudited Interim Condensed Consolidated Statement of Financial Position
As at 30 June 2018

	Note	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)	31 December 2017 (Audited)
ASSETS		**£'000**	£'000	£'000
Non-current assets			Restated	
Intangible assets	11	16,131	16,251	16,175
Property, plant and equipment		4,811	5,292	5,069
		20,942	**21,543**	**21,244**
Current assets				
Inventories		4,327	3,436	3,563
Trade and other receivables		5,170	4,984	5,141
Cash and cash equivalents		1,496	1,323	1,361
		10,993	**9,743**	**10,065**
TOTAL ASSETS		**31,935**	**31,286**	**31,309**
EQUITY & LIABILITIES				
Capital and reserves				
Share capital	12	111	111	111
Share premium account	12	13,289	13,289	13,289
Merger reserve	12	7,656	7,656	7,656
Convertible bond reserve		109	109	109
Foreign currency translation reserve		230	215	234
Share-based payment reserve		586	460	497
Retained earnings		(8,224)	(7,959)	(7,711)
Total equity attributable to equity holders of the parent		**13,757**	**13,881**	**14,185**
Liabilities				
Current liabilities				
Trade and other payables		4,794	4,363	4,404
Taxation		334	484	29
Interest bearing borrowings		2,063	771	1,509
Convertible bond		1,847	171	171
Vendor loan notes		71	65	71
		9,109	**5,854**	**6,184**
Non-current liabilities				
Interest bearing borrowings		6,039	6,945	6,243
Convertible bond		-	1,587	1,631
Vendor loan notes		1,740	1,740	1,751
Statutory employment provision		944	823	909
Deferred tax liability		346	456	406
		9,069	**11,551**	**10,940**
Total liabilities		**18,178**	**17,405**	**17,124**

TOTAL EQUITY & LIABILITIES	**31,935**	**31,286**	**31,309**

Unaudited Interim Condensed Consolidated Statement of Changes in Equity
As at 30 June 2018

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Convertible bond reserve £'000	Foreign currency translation reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017 (Audited)	**111**	**13,289**	**7,656**	**109**	**113**	**409**	**(7,329)**	**14,358**
Loss for the period	-	-	-	-	-	-	(615)	(615)
Foreign exchange for period	-	-	-	-	102	-	-	102
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**102**	**-**	**(615)**	**(513)**
Transactions with shareholders:								
Share options charge	-	-	-	-	-	51	-	51
Dividends	-	-	-	-	-	-	(15)	(15)
Balance at 30 June 2017 (Unaudited)	**111**	**13,289**	**7,656**	**109**	**215**	**460**	**(7,959)**	**13,881**
Profit for the period	-	-	-	-	-	-	248	248
Foreign exchange for period	-	-	-	-	19	-	-	19
Total comprehensive income	**-**	**-**	**-**	**-**	**19**	**-**	**248**	**267**
Transactions with shareholders:								
Share options charge	-	-	-	-	-	37	-	37
Balance at 31 December 2017 (Audited)	**111**	**13,289**	**7,656**	**109**	**234**	**497**	**(7,711)**	**14,185**
Loss for the period	-	-	-	-	-	-	(498)	(498)
Foreign exchange for period	-	-	-	-	(4)	-	-	(4)
Total comprehensive (expense)	**-**	**-**	**-**	**-**	**(4)**	**-**	**(498)**	**(502)**
Transactions with shareholders:								
Share options charge	-	-	-	-	-	89	-	89
Dividends	-	-	-	-	-	-	(15)	(15)
Balance at 30 June 2018 (Unaudited)	**111**	**13,289**	**7,656**	**109**	**230**	**586**	**(8,224)**	**13,757**

Unaudited Interim Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2018

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited) Restated	Year ended 31 December 2017 (Audited)
	£'000	£'000	£'000
Cash flow from operating activities:			
(Loss)/profit before tax	(277)	(385)	63
Finance cost	223	261	518
Operating loss	**(54)**	**(124)**	**581**
Adjustments for:			
- Depreciation of property, plant and equipment	343	333	668
- Amortisation of intangible assets	277	247	521
- Finance costs	(162)	(127)	(285)
- Disposal of capitalised development costs	-	-	165
- Share-based payment expense	89	51	88
Operating cash flow before movements in working capital	**493**	**380**	**1,738**
Taxation received/(paid)	-	-	(694)
Increase in inventories	(766)	(251)	(322)
Increase in trade and other receivables	(38)	(190)	(392)
Increase/(decrease) in trade and other payables	511	(104)	72
Net cash from/(used in) operating activities	**200**	**(165)**	**402**
Cash flow from investing activities:			
Purchases of property, plant and equipment	(152)	(98)	(285)
Development expenditure in respect of intangible assets	(233)	(189)	(568)
Net cash used by investing activities	**(385)**	**(287)**	**(853)**
Cash flow from financing activities:			
Movements in interest-bearing borrowings	586	10	267
Leasing obligation repayments	(251)	(243)	(486)
Dividends paid	(15)	(15)	(15)
Net cash from/(used in) financing activities	**320**	**(248)**	**(234)**
Net increase/(decrease) in cash and cash equivalents	**135**	**(700)**	**(685)**
Net foreign exchange difference	-	25	48
Cash and cash equivalents at beginning of period	1,361	1,998	1,998
Cash and cash equivalents at end of period	**1,496**	**1,323**	**1,361**

Notes to the Unaudited Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018

1. Corporate information

The Interim Condensed Consolidated Financial Statements of Venture Life Group plc and its subsidiaries (collectively, the Group) for the six months ended 30 June 2018 ("the Interim Financial Statements") were approved and authorised for issue in accordance with a resolution of the directors on 18 September 2018.

Venture Life Group plc ("the Company") is domiciled and incorporated in the United Kingdom, and is a public company whose shares are publicly traded. The Group's principal activities are the development, manufacture and distribution of healthcare and dermatology products.

2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Consolidated Financial Statements for the year ended 31 December 2017 ("the 2017 Consolidated Financial Statements") which have been prepared in accordance with IFRS as adopted by the European Union.

The financial information contained in the Interim Financial Statements, which are unaudited, does not constitute statutory accounts in accordance with the Companies Act 2006. The financial information for the year ended 31 December 2017 is extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies and on which the auditor issued an unqualified opinion that did not include an emphasis of matter reference or statement made under section 498(2) or (3) of the Companies Act 2006.

The financial information extracted from the prior year interim financial statements has been restated for changes to policies relating to accounting for leases and also the restatement of treatment of amortisation of acquired intangible assets. These changes were retrospectively implemented within the 2017 Consolidated Financial Statements, with the details of the accounting changes discussed in full.

3. Accounting policies

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the 2017 Consolidated Financial Statements.

Foreign currencies

The assets and liabilities of foreign operations are translated into sterling at exchange rates ruling at the balance sheet date. Revenues generated and expenses incurred in currencies other than sterling are translated into sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation of assets and liabilities of foreign operations are recognised directly in the foreign currency translation reserve.

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

Sterling/euro exchange rates	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Average exchange rate for the period	**1.136**	1.169	1.146
Exchange rate at the period end	**1.129**	1.137	1.126

Results restatement in the period to 30 June 2017

In line with the 2017 Financial Statements, the results to 30 June 2017 have been restated to reflect the early adoption of IFRS 15 - Revenue from contracts with customers and IFRS16 - Leases and the updated treatment of the amortisation of acquisition intangible assets. The adoption of IFRS15 and IFRS16 had a minimal impact on operating profit. Updating of the amortisation of acquired intangible assets reduced the Group amortisation charge by £0.2m in the period to 30 June 2017.

4. Segmental Information

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/(loss).

In line with the 2017 Consolidated Financial Statements, the operations of the Group are segmented as Brands, which includes sales of healthcare and skin care products under distribution agreements and direct to UK retailers, and Development and Manufacturing.

4.1 Segment Revenue and Results

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

	Brands	**Development and Manufacturing**	**Inter-group eliminations**	**Consolidated Group**
	£'000	**£'000**	**£'000**	**£'000**
Six months to 30 June 2018				
Revenue				
External sales	2,279	5,981		8,260
Inter-segment sales	-	1,357	(1,357)	-
Total revenue	**2,279**	**7,338**	**(1,357)**	**8,260**
Results				
Operating (loss)/profit before exceptional items and excluding central administrative costs	**(68)**	**842**	**-**	**774**

	Brands	**Development and Manufacturing**	**Inter-group eliminations**	**Consolidated Group**

	£'000	£'000	£'000	£'000
Six months to 30 June 2017				
Revenue				
External sales	1,747	6,064	-	7,811
Inter-segment sales	-	855	(855)	-
Total revenue	**1,747**	**6,919**	**(855)**	**7,811**
Results				
Operating (loss)/profit before exceptional items and excluding central administrative costs	**(151)**	**828**	**-**	**677**

	Brands	**Development and Manufacturing**	**Inter-group eliminations**	**Consolidated Group**
Year to 31 December 2017	**£'000**	**£'000**	**£'000**	**£'000**
Revenue				
External sales	4,502	11,550	-	16,052
Inter-segment sales	-	2,238	(2,238)	-
Total revenue	**4,502**	**13,788**	**(2,238)**	**16,052**
Results				
Operating profit before exceptional items and excluding central administrative costs	**255**	**1,756**	**-**	**2,011**

The reconciliation of segmental operating loss to the Group's operating loss before exceptional items excluding central administrative costs is as follows:

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited) Restated	Year ended 31 December 2017 (Audited)
	£'000	£'000	£'000
Operating profit before exceptional items and excluding central administrative costs	774	677	2,011
Central administrative costs	(774)	(801)	(1,430)
Exceptional expenses	(54)	-	-
Operating (loss)/profit	(54)	(124)	581
Net finance cost	(223)	(261)	(518)
(Loss)/profit before tax	**(277)**	**(385)**	**63**

5. Amortisation of intangible assets

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited) Restated	Year ended 31 December 2017 (Audited)
Amortisation of:	**£'000**	£'000	£'000
Acquired intangible assets (a)	(129)	(129)	(258)
Acquired intangible assets (b)	(22)	(22)	(44)
Patents, trademarks and other intangible assets	(79)	(49)	(130)
Capitalised development costs	(47)	(47)	(89)
	(277)	**(247)**	**(521)**

(a) Customer relationship and product formulation intangible assets acquired as part of the acquisition of Biokosmes Srl in March 2014.

(b) Customer relationships, patents and trademark intangible assets acquired as part of the acquisition of Periproducts Limited in March 2016.

6. Exceptional items

	Six months	Year ended 31 December

	Six months ended 30 June 2018 (Unaudited)	ended 30 June 2017 (Unaudited)	2017 (Audited)
	£'000	£'000	£'000
Costs incurred in acquisitions	**(54)**	-	-
Total exceptional items	**(54)**	-	-

Exceptional items in the period related to legal fees incurred in the acquisition of the Dentyl brand.

7. Taxation

The Group calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the Interim Condensed Statement of Comprehensive Income are as follows:

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)	Year ended 31 December 2017 (Audited)
	£'000	£'000	£'000
Current income tax	278	279	528
Adjustment in respect of earlier periods	-	-	-
Deferred income tax expense related to origination and reversal of timing differences	(57)	(49)	(98)
Income tax expense recognised in statement of comprehensive income	**221**	**230**	**430**

The current income tax expense is based on the profits of the Development and Manufacturing business based in Italy. The UK based businesses on a combined basis are currently loss making and so there are no UK income tax charges due in respect of trading for the first six months to 30 June 2018.

The Group has not recognised the deferred tax asset on losses made by the UK based businesses on a combined basis as although management are expecting the UK based businesses on a combined basis to become profitable, it is not currently certain when there will be sufficient taxable profits against which to offset such losses.

At the period end, the estimated tax losses amounted to £9,472,000 (30 June 2017: £8,352,000; 31 December 2017: £8,610,000).

8. Other comprehensive income/(expense)

Other comprehensive income/(expense) represents the foreign exchange difference on the translation of the assets, liabilities and reserves of Biokosmes which has a functional currency of Euros. The movement is shown in the foreign currency translation reserve between the date of acquisition of Biokosmes, when the GBP/EUR rate was 1.193 and the balance sheet date rate at 30 June 2018 of 1.129 (at 31 December 2017 of 1.126 and at 30 June 2017 of 1.137) and is an amount that may subsequently be reclassified to profit and loss.

9. Earnings per share

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)	Year ended 30 December 2017 (Audited)
Weighted average number of ordinary shares in issue	36,837,106	36,837,106	36,837,106
Loss attributable to equity holders of the Company (£'000)	(498)	(615)	(367)
Basic and diluted loss per share (pence)	(1.35)	(1.67)	(1.00)
Adjusted loss per share (pence)	(0.36)	(0.86)	0.66

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33.

10. Dividends

Amounts recognised as distributions to equity holders in the period:

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017

	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Final dividend	**15**	**15**	**15**

11. Intangible assets

The intangible assets of the group of £16.1 million (31 December 2017: £16.2m) include goodwill, development costs, patents and trademarks and customer relationships.

At the reporting date goodwill generated from the acquisitions of Biokosmes Srl in March 2014 and Periproducts Limited in March 2016 accounted for £13.1 million of the intangible assets of the Group (£13.1 million at 31 December 2017). There were no movements in goodwill during the period (increase in goodwill of £ Nil in the 6 months to June 2017), nor have there been any impairment of goodwill during this time (6 months to June 2017: £ Nil).

12. Share capital and share premium

	Ordinary shares of 0.3p each	Ordinary Shares	Share premium	Merger reserve
	No.	£'000	£'000	£'000
Audited at 31 December 2016 and Unaudited at 30 June 2018	**36,837,106**	**111**	**13,289**	**7,656**

There were no movements in share capital or share premium between 31 December 2016 and 30 June 2018.

13. Related party transactions

The following transactions with related parties are considered by the Directors to be significant for the interpretation of the Interim Condensed Financial Statements for the six month period to 30 June 2018 and the balances with related parties at 30 June 2018 and 31 December 2017:

In March 2014 the Company issued 3% convertible loan notes with a nominal amount of €2,000,000 to the vendors of Biokosmes including Gianluca Braguti, a Director of the Company. Interest accrued on the loan notes was increased from 3% to 4% per year effective 1 August 2017 and is paid in October and April each year.

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

Key transactions with other related parties
Braguts' Real Estate Srl (formally known as Biokosmes Immobiliare Srl), a company 100% owned by Gianluca Braguti a director and shareholder of the Group provided property lease services to the Development and Manufacturing business totalling €230,000 in the six months to 30 June 2018 (€230,000 in the six months to 30 June 2017). At 30 June 2018, the Group owed Braguts' Real Estate Srl €297,000 (€414,000 at 31 December 2017).

14. Financial instruments

Set out below is an overview of financial instruments held by the Group as at:

	30 June 2018		30 June 2017		31 December 2017	
	Loans and receivables	**Total financial assets**	Loans and receivables	**Total financial assets**	Loans and receivables	**Total financial assets**
	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**
Financial assets:						
Trade and other receivables (a)	5,055	5,055	4,888	4,888	4,989	4,989
Cash and cash equivalents	1,496	1,496	1,323	1,323	1,361	1,361
Total	**6,551**	**6,551**	**6,211**	**6,211**	**6,350**	**6,350**

	30 June 2018		30 June 2017		31 December 2017	
	Liabilities (amortised cost)	**Total financial liabilities**	Liabilities (amortised cost)	**Total financial liabilities**	Liabilities (amortised cost)	**Total financial liabilities**
	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**

Financial liabilities:						
Trade and other payables (b)	4,794	**4,794**	4,363	**4,363**	4,389	**4,389**
Leasing obligations	3,470	**3,470**	3,919	**3,919**	3,696	**3,696**
Convertible bond	1,847	**1,847**	1,758	**1,758**	1,802	**1,802**
Vendor loan notes	1,811	**1,811**	1,805	**1,805**	1,822	**1,822**
Interest bearing debt	4,632	**4,632**	3,797	**3,797**	4,056	**4,056**
Total	**16,554**	**16,554**	**15,642**	**15,642**	**15,765**	**15,765**

(a) Trade and other receivables excludes prepayments
(b) Trade and other payables excludes deferred revenue

15. Post balance sheet events

On 7th August, the Company completed the acquisition of the Dentyl oral care brand. The acquired brand represents an expansion of the existing product offering and is complementary to the Group's existing UltraDEX oral care brand. Acquisition consideration of £4.2m was paid in cash for the Dentyl brand and assets at the date of completion. No share capital was acquired as part of the acquisition. The acquisition was funded by way of placing of new ordinary shares at 40p per share raising £18.75m (gross). The balance of the funds raised by the placing will be used to pay off the Group's Convertible bond and Vendor loan notes, to strengthen the balance sheet and for future acquisitions.

The Company is currently in the process of determining the fair value of the assets and liabilities acquired and expects to complete the final determination of fair values shortly.