Venture Life Group PLC - VLG Final Results
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Venture Life Group PLC
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Venture Life Group plc
("Venture Life", the "Group", or the "Company")

Final results

Venture Life (AIM: VLG), the international consumer self-care company focused on developing, manufacturing and commercialising products for the self-care market, announces its audited results for the year ended 31 December 2017, including the Company's maiden pre-tax profits.

Financial highlights

- Revenues up 12% to £16.1 million (2016: £14.3 million)
- Gross profit increased 18% to £6.5 million (2016: £5.5 million), giving an increased gross margin of 40% (2016: 38%)
- EBITDA increased by 134% to £1.9 million (2016: £0.8 million)
- Maiden profit before tax of £0.1 million (2016: loss of £1.1 million)
- Adjusted earnings* per share of 0.66 pence (2016: loss per share of 1.28 pence)
- Year-end cash balance of £1.4 million (2016: £2.0 million), cash positive H2 2017

Commercial highlights

- 10 new long-term distribution agreements signed with partners on key brands
- Seven new international markets signed for UltraDEX brand, including France, Italy, Sweden, Denmark, Norway and Finland in the EU
- Record and growing annual sales for Lubatti skincare brand in Chinese market
- Seven new product launches during 2017
- CE Mark granted for two new products, Myco Clear™ and Rosa calma™, developed in-house
- Widest distribution of UltraDEX in the UK for over 5 years

Post period highlights

- Long term distribution agreements signed for Procto-eze Plus in Poland and Romania
- Launch of UltraDEX in France, Italy and the Nordic region in Q1 2018
- Manufacturing capacity now increased through plant re-organisation, 2017 production represents only 50% of this new capacity
- New listings for UltraDEX in UK market with important pharmacy chains, to take effect in 2018

* Adjusted earnings exclude amortisation and share-based payments

Commenting on the results, Jerry Randall, Chief Executive Officer of Venture Life, said: *"Venture Life has delivered another year of good organic revenue growth across its business, and achieved another of its objectives by delivering a profit before tax for the first time. This coupled with a cash positive H2 2017, means we expect to be sustainably profitable going forward. Having invested in and established excellent operating leverage within our business, these growing revenues have translated into increasing profitability, with the majority of incremental gross margin falling through to the bottom line. This again demonstrates the opportunity in our business to grow the bottom line at a faster rate than the top line, and with the recent reorganisation of our plant in Italy, we have increased our capacity such that we can now accommodate twice the volumes of 2017. Our strategy continues to be a focus on revenue growth, through both organic growth of our existing portfolio and through acquisition. 2018 has started well with our order book ahead of the same point in 2017, and I look forward to another good year of growth for the Group."*

This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).

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Notes to editors

About Venture Life

Venture Life is an international consumer self-care company focused on developing, manufacturing and commercialising self-care products globally. The Group's product range and pipeline currently includes the UltraDEX oral care products range, food supplements for lowering cholesterol and maintaining brain function, dermo-cosmetics for addressing the signs of ageing, and medical devices for onychomycosis (nail fungus), rosacea and haemorrhoids.

The products, which typically are recommended by pharmacists or healthcare practitioners, are available primarily through pharmacies supplied by the Group's international distribution partners.

Through its Development & Manufacturing business, Biokosmes, the Group also provides development and manufacturing services to companies in the medical devices and cosmetic sectors.

Chair's Statement

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

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

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

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

Self-care is characterised where a patient will:

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

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

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

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

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

We were delighted to welcome Adrian Crockett to the Board in 2017 as our Chief Financial Officer. Adrian brings a wealth of experience from the pharmaceutical sector, through his previous roles with GSK, Novartis and latterly Abbott Diabetes. We are already feeling the positive impact of Adrian's influence in the Group. We have seen a strong start to 2018, and look forward to the rest of the year with confidence.

Lynn Drummond
Non-Executive Chair
21 March 2018

Chief Executive Officer's Statement

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

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

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

As we have set out previously, the Group has built an operation that has the capacity to accommodate significantly increased revenues without the need to increase the fixed cost base. By fully utilising our existing buildings at Biokosmes, we are now able to double the 2017 volumes. Above and beyond this, we have the capacity to increase the footprint of the production buildings on the current site to the extent of more than doubling capacity again.

Our products

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

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

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

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

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

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

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

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

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

Lubatti (China)
We have continued to see growth in China from this skincare brand during 2017, with revenues of £0.5 million (2016: £0.4 million). Sales out of the Lubatti range through our partner Gialen, have grown consistently during 2017 with monthly sales in December 2017

over three times higher than monthly sales in January 2017. Gialen now have over 2,100 stores in China, and they have launched the range in all eight regions. We are hopeful this level of sales growth will continue to deliver growing revenues for Venture Life from this range. The brand is well received by the Chinese consumer and some clear 'hero' products are emerging, which lead the brand forward. Importantly, we have already received significant orders in 2018 which are ahead of our expectations.

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

- NeuroAge™ - food supplement indicated for short-term memory loss and cognitive function. Sold in six countries and recently registered in a new market, Canada.

- Myco Clear™ - indicated for the management of onychomycosis (fungal nail infection), which can leave the toes or fingernails discoloured and uneven. Registered during 2017 in the EU and the subject of a patent application, this innovative product deals with both the aesthetic issue surrounding the condition, as well as the underlying cause. Having successfully completed a preliminary aesthetic evaluation demonstrating the improvement in appearance of the nail through use of the product, we are currently conducting a further clinical study, demonstrating the efficacy on the underlying fungus that we have already seen at an in vitro level. We already have partners in four markets for this.

- Rosa calma™ - a range of three topical products that treats this inflammatory skin condition; rosacea affects up to 10% of the population, occurring mostly in middle-aged people. This innovative range, which is undergoing further studies for marketing purposes, provides a unique long-term safe treatment regime for patients suffering from this condition.

- Procto-eze™ Plus - an innovative range of medical devices and cosmetics for the treatment of haemorrhoids. Already partnered in 12 countries, this product offers a unique treatment regime for the patient.

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

- Our existing partners growing their in-country revenues, and hence buying more product from us.

- Venture Life partnering products into new or existing countries, either with existing partners or new partners globally.

- Venture Life developing new brands, which are in turn offered to existing partners by way of line extensions.

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

Operations
The Group now has 100 employees in total throughout the business. Venture Life is a fully integrated business for the development, manufacture and commercialisation of self-care products. The UK operation employs 18 people at its UK head office and manages finance, business development and partner management for the Venture Life Brands, both in the UK and internationally. The Italian operation employs 82 people, and houses development, production, procurement, technical, regulatory, customer services/ support, business development and administration.

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

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

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

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

Outlook

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

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

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

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

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

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

Financial Review

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

Statement of Comprehensive Income

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

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

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

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

Statement of Financial Position

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

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

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

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

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

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

Under IFRS 15, management performed a full review of all Group revenue contracts to assess the impact of the new accounting standard. There were no changes to the accounts as a result of IFRS15.

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

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

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

This has a minimal impact on profit after tax but moves the lease charges of Biokosmes (the Development and Manufacturing facility) to depreciation and finance costs instead of across cost of sales and administration costs. Right-of-use assets capitalised onto the balance sheet increased by £3,676,000 and lease liabilities of £3,696,000 were recorded. Further details of the adoption of IFRS16 are included in note 9.

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

Dividend

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

Dividend Timetable

Subject to shareholder approval at its Annual General Meeting, its proposed final dividend of 0.04 pence per ordinary share related to the financial year ended 31 December 2017 is expected to be paid according to the timetable below:

Ex-dividend date:	24 May 2018
Record date:	25 May 2018
Dividend payment date:	22 June 2018

Jerry Randall
Chief Executive Officer
21 March 2018

Consolidated Statement of Comprehensive Income
Company number 05651130
for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue	2	**16,052**	14,280
Cost of sales		**(9,581)**	(8,789)
Gross profit		**6,471**	5,491
Administrative expenses			
Operating expenses		**(5,431)**	(4,979)
Amortisation of intangible assets		**(521)**	(862)
Total administrative expenses		**(5,952)**	(5,841)
Other income		**62**	65
Operating profit/(loss) before exceptional items		**581**	(285)
Exceptional costs	3	**-**	(180)
Operating profit/(loss)		**581**	(465)
Finance income		**-**	-
Finance costs		**(518)**	(644)
Profit/(loss) before tax		**63**	(1,109)
Tax	4	**(430)**	(260)
Loss for the year		**(367)**	(1,369)
Other comprehensive income which will not be subsequently reclassified to the income statement		**-**	-
Other comprehensive income which will be subsequently reclassified to the income statement		**121**	317
Total comprehensive loss for the year attributable to equity holders of the parent		**(246)**	(1,052)

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

		Year ended 31 December 2017	Year ended 31 December 2016
Loss per share			
Basic and diluted loss per share (pence)	5	**(1.00)**	(3.76)
Adjusted profit/(loss) per share (pence)	5	**0.66**	(1.28)

Consolidated Statement of Financial Position
Company number 05651130
at 31 December 2017

	Note	At 31 December 2017 £'000	At 31 December 2016 £'000
Assets			
Non-current assets			
Intangible assets		**16,175**	16,272
Property, plant and equipment		**5,069**	1,279
		21,244	17,551
Current assets			
Inventories		**3,563**	3,141
Trade and other receivables		**5,141**	4,656
Cash and cash equivalents		**1,361**	1,998
		10,065	9,795
Total assets		**31,309**	27,346
Equity and liabilities			
Capital and reserves			
Share capital	7	**111**	111
Share premium account	7	**13,289**	13,289
Merger reserve	7	**7,656**	7,656
Convertible bond reserve		**109**	109
Foreign currency translation reserve		**234**	113
Share-based payments reserve		**497**	409
Retained earnings		**(7,711)**	(7,329)
Total equity attributable to equity holders of the parent		**14,185**	14,358
Liabilities			
Current liabilities			
Trade and other payables		**4,404**	4,347
Taxation		**29**	195
Interest bearing borrowings	8	**1,509**	687
Convertible bond		**171**	171
Vendor loan notes		**71**	54
		6,184	5,454
Non-current liabilities			
Interest bearing borrowings	8	**6,243**	2,986
Convertible bond		**1,631**	1,546
Vendor loan notes		**1,751**	1,700
Statutory employment provision		**909**	795
Deferred tax liability		**406**	507
		10,940	7,534
Total liabilities		**17,124**	12,988
Total equity and liabilities		**31,309**	27,346

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

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

Net cash from financing activities	**252**	4,306
Net decrease in cash and cash equivalents	**(685)**	(942)
Net foreign exchange difference	**48**	83
Cash and cash equivalents at beginning of period	**1,998**	2,857
Cash and cash equivalents at end of period	**1,361**	1,998

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

1. Basis of the announcement

The financial information of the Group set out above does not constitute statutory accounts for the purposes of Section 435 of the Companies Act 2006. The financial information for the year ended 31 December 2016 has been extracted from the Group's audited financial statements which were approved by the Board of directors on 22nd March 2017 and delivered to the Registrar of Companies for England and Wales following the Company's 2017 Annual General Meeting.

The financial information for the year ended 31 December 2017 has been extracted from the Group's audited financial statements for that period. The reports of the auditor on both these financial statements were unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRSs') as adopted by the European Union, this announcement does not itself contain sufficient information to comply with those IFRSs. This financial information has been prepared in accordance with the accounting policies set out in the 2016 Report and Accounts and updated for new standards adopted in the current year.

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 Company is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

2.1 Segment revenue and results

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

	Brands £'000	Development and Manufacturing £'000	Consolidated Group £'000
Year ended 31 December 2017			
Revenue			
Sale of goods	**4,502**	**13,491**	**17,993**
Sale of services	**-**	**297**	**297**
Intercompany sales elimination	**-**	**(2,238)**	**(2,238)**
Total external revenue	**4,502**	**11,550**	**16,052**
Results			
Operating profit before exceptional items and excluding central administrative costs	**255**	**1,756**	**2,011**

Year ended 31 December 2016			
Revenue			
Sale of goods	3,764	11,099	14,863
Sale of services	-	243	243
Intercompany sales elimination	-	(826)	(826)
Total external revenue	3,764	10,516	14,280
Results			
Operating profit before exceptional items and excluding central administrative costs	17	1,509	1,526

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

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

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

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

2.2 Segmental assets and liabilities

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

2.3 Other segmental information

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

2.4 Geographical information

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

	Year ended 31 December 2017	Year ended 31 December 2016

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

3. Exceptional items

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

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

4. Income tax expense

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

Tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits and losses of the consolidated entities as follows:

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

There are no enacted or substantively enacted changes to the small profits tax rate.

As at the reporting date, the Group has unused tax losses of £8,610,000 (2016: £7,195,000) available for offset against future profits generated in the UK. No deferred tax asset has been recognised in respect of these losses due to the uncertainty of its recoverability.

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

5. Earnings per share
A reconciliation of the weighted average number of ordinary shares used in the measures is given below:

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

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

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

* Adjusted EPS is loss after tax excluding amortisation and share-based payments.

The resulting EPS measures are:

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

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

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

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

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

7. Share capital and share premium

Share capital
All shares are authorised, issued and fully paid. The Group has one class of ordinary shares which carry no fixed income.

	Ordinary shares of 0.3p each Number	Ordinary shares of 0.3p each £	Share premium £'000	Merger reserve £'000
At 31 December 2016 and 2017	**36,837,106**	**110,511**	**13,289**	**7,656**

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

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

8. Interest bearing borrowings

	At 31 December 2017 £'000	At 31 December 2016 £'000
Current		
Invoice financing	**965**	629
Leasing obligations	**485**	-
Unsecured bank loans due within one year	**59**	58

	2017	2016
	1,509	687
Non-current		
Deferred consideration	**426**	416
Leasing obligations	**3,211**	-
Unsecured bank loans due after one year	**2,606**	2,570
	6,243	2,986

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

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

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

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

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

Lease liability

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

9. Leases

During the year the Group early adopted IFRS16 'Leases', which has been applied from 1 January 2017.

IFRS16 requires the Group, with the exception of short-term and low value leases, to value all leasing obligations, disclosing right-for-use assets and corresponding lease liabilities. As detailed below, all leases of the group have been considered to have balance sheet leasing obligations with the exception of a UK property lease which expired within the year.

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

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

There was one lease contract of the Group that was not considered to have a balance sheet leasing obligation in the year, with its monthly lease payments taken through the income statement. This lease contract for the office of the former UK headquarters was terminated in October 2017 and consequently was considered short term in nature. The 10 monthly lease payments made during the year totalled £59,000.

The lease categories of the Group are made up of:

Office equipment

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

Motor vehicles

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

Property

> The Group's Italian subsidiary has one operating location and storage location in Lecco, near to Milan. The operating location has a long-term rental agreement until November 2019. Rental obligations on the storage location continue until September 2020. Both locations have a six year extension option at the end of the initial term that is available to the Group. Due to the fixed nature of the Italian business, management consider that these extensions will be exercised.

> The Group's current UK operation is head quartered in leased premises in Bracknell. The lease contract commenced in August 2017 and expires in July 2022. The contract has a three year break clause, but management does not expect that this break clause will be exercised.

At transition, IFRS16 permits the cumulative effect of adopting the standard to be taken to retained earnings. The Group has also elected to value the right-of-use lease assets in line with the lease liabilities at transition. There were no movements taken to retained earnings in the year as a result of transition.

If IFRS16 was not adopted in the year, operating profit of the Group for the year would be reduced by £21,000 and profit before tax would be increased by £21,000.

10. 2017 Annual Report and Accounts and 2018 Annual General Meeting

The Group's Annual Report and Accounts for the year ended 31 December 2017 will be posted to shareholders in early April 2018. It will be available on the Company's website (http://www.venture-life.com/investor-relations) from 11.00am on 26 March 2018. The Annual General Meeting of Venture Life Group plc will be held on 23 May 2018 at 10.30am at the offices of Simmons & Simmons LLP, CityPoint, One Ropemaker Street, London, EC2Y 9SS. A notice of meeting will be sent to shareholders with the Annual Report and Accounts and a copy will be available on the Company's website (http://www.venture-life.com/investor-relations) in due course.

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