



Venture Life Group plc

AIM Admission Document

Nominated Adviser

Charles Stanley Securities

Financial Adviser & Broker

WG Partners





THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT OR THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES.

This document, which comprises an admission document required by the rules of AIM, a market operated by the London Stock Exchange plc ("AIM"), has been drawn up in compliance with the AIM Rules. This document does not contain an offer of transferable securities to the public within the meaning of the Financial Services and Markets Act 2000 (as amended) ("FSMA") and therefore no prospectus within the meaning of s.85 FSMA is required. Accordingly this document has not been pre-approved by the Financial Conduct Authority ("FCA") pursuant to s.85 of FSMA and the document does not comprise a prospectus for the purposes of the EU Prospectus Directive (2013/71/EC) or for the purposes of the Prospectus Rules of the FCA.

Application has been made to the London Stock Exchange for the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings for normal settlement on AIM will commence in the Ordinary Shares on 28 March 2014.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Your attention is drawn to the risk factors set out in Part II of this document but the whole of this document should be read. All statements regarding the Company's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange plc has not itself examined or approved the contents of this document.

The Directors and the Proposed Director of Venture Life Group plc (the "Company"), whose names appear on page 8 of this document, and the Company accept responsibility for the information contained in this document, including individual and collective responsibility for the Company's compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, the Proposed Director and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.



Venture Life Group plc

(incorporated in England and Wales under the Companies Act 2006 with registered no. 05651130)

Placing of 4,954,579 Ordinary Shares of 0.3p each at 109p per share, the acquisition of Biokosmes Srl and Admission to trading on AIM

Charles Stanley Securities
Nominated Adviser

WG Partners
Financial Adviser and Broker

Share capital (immediately following Admission)

Issued and fully paid

<i>Amount</i>	<i>Number</i>
£72,792.42	24,264,141

This document does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase, any securities other than the shares to which it relates, or any offer or invitation to sell, or any solicitation of any offer to purchase, such shares by any person in any circumstances or jurisdiction in which such offer or solicitation is unlawful.

This document is not, subject to certain exceptions, for publication or distribution in Australia, Canada, Japan or the United States. The Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or jurisdiction in the United States or under the applicable securities laws of Australia, Canada or Japan and may not be offered, sold or otherwise transferred, directly or indirectly, in or into Australia, Canada, Japan or the United States or for the account or benefit of citizens or residents of Australia, Canada, Japan or the United States, subject to certain exceptions determined by the Company in its sole discretion and pursuant to the applicable laws. Potential investors with registered addresses in overseas territories are required by the Company and Charles Stanley & Co. Ltd ("Charles Stanley") to inform themselves about and observe any restrictions on the offer, sale or transfer of the shares and the distribution of this document and should refer to paragraph 7 of Part III (The Placing) for further information.

Charles Stanley, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the Placing and Admission and is advising no one else in relation to the Placing and Admission and will not be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person in relation to the Placing or Admission or otherwise.

The responsibilities of Charles Stanley, as nominated adviser under the AIM Rules and the AIM Rules for Nominated Advisers, are owed solely to the London Stock Exchange and are not owed to the Company or any Director or Proposed Director of the Company or to any other person in respect of their decision to acquire Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Charles Stanley as to the contents of this document, or for the omission of any material from this document.

Charles Stanley has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Charles Stanley for the accuracy of any information or opinions contained in this document or for the omission of any information from this document.

IMPORTANT INFORMATION

Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares.

Restrictions on sales in the United States

The Ordinary Shares have not been approved or disapproved by the SEC, any State Securities Commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed on or endorsed the merits of the offer or the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

This document does not constitute an offer of, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for publication or distribution in the United States. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act"), or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold or otherwise transferred, directly or indirectly, in or into the United States or for the account or benefit of citizens or residents of the United States, subject to certain exceptions determined by the Company in its sole discretion and pursuant to the applicable laws.

Restrictions on sales in the European Union

This document has been prepared on the basis that all offers of Ordinary Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of Shares. Accordingly any person making or intending to make any offer within the EEA of Ordinary Shares which are the subject of the Placing contemplated in this Admission Document should only do so in circumstances in which no obligation arises for the Company or Charles Stanley to produce a prospectus for such offer. Neither the Company nor Charles Stanley have authorised, nor do they authorise, the making of any offer of Ordinary Shares through any financial intermediary other than the placing of Ordinary Shares by Charles Stanley as agent for the Company as contemplated in this document.

Restrictions on sales in Australia, Japan and Canada

The relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of Canada, no document in relation to the Placing has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("ASIC"), and no registration statement has been, or will be, filed with the Japanese Financial Services Agency in relation to the Placing or the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, Australia or Japan or offered or sold to a resident of Canada, Australia or Japan.

This document does not constitute a disclosure document under Chapter 6D of the Australian Corporations Act 2001 ("Corporations Act") or a product disclosure statement under Chapter 7 of the Corporations Act and will not be lodged with the ASIC. If this document is received in Australia any offer pursuant to it is void and incapable of acceptance other than to the extent that it has been received by any person who falls within one or more of the following categories of investors ("Exempt Investors"): (a) a 'sophisticated investor' under section 708(8) (a) or (b) of the Corporations Act; (b) a 'sophisticated investor' under section 708(8) (c) or (d) of the Corporations Act who has provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act; (c) a 'professional investor' within the meaning of section 708(11) of the Corporations Act; or (d) investors who receive the offer through an Australian financial services licensee, where all of the criteria set out in section 708(10) of the Corporations Act have been satisfied. Ordinary Shares must not be offered for resale within Australia within 12 months of them being issued except in circumstances where disclosure is not required under Part 6D.2 of the Corporations Act or unless a compliant disclosure document is prepared and lodged with the ASIC.

Forward-looking statements

This document contains certain “forward-looking statements”, including statements about current beliefs and expectations of the Directors and the Proposed Director. In particular, the words “expect”, “anticipate”, “estimate”, “may”, “should”, “plans”, “intends”, “will”, “believe” and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward-looking statements. These statements are based on the Board’s expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Group’s financial performance. Though the Board believes these expectations to be reasonable at the date of this document they may prove to be erroneous. The development plans shown for different Group companies are as at the date of this document and comprise forward-looking information involving a mixture of targets, milestones and other planned project management steps. These plans are subject to periodic review, change and reprioritisation by reference to the development of individual and other Group companies. Forward-looking statements involve known and unknown risks and uncertainties and speak only as of the date they are made. Investors are cautioned that certain important factors could cause actual results, outcomes, performance or achievements of the Group or industry results to differ materially from those expressed or implied in forward-looking statements. These factors include, but are not limited to, those described in Part II (Risk Factors) of this document.

Save as required by law or the AIM Rules for Companies, the Company undertakes no obligation to release publicly the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Board’s expectations or to reflect events or circumstances after the date of this document.

Presentation of financial and non-IFRS information

The historical financial information of the Group included in Part IV and V and of Biokosmes included in Part VI and VII has each been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

Part I of this document also includes certain unaudited pro forma financial information of the Group for the year ended 31 December 2012 and the six month periods ended 30 June 2012 and 30 June 2013. The financial information of Venture Life and Biokosmes which are the constituent parts of the pro forma financial information for the year ended 31 December 2012 has been prepared in accordance with IFRS and has been audited. The financial information of Venture Life and Biokosmes which are the constituent parts of the pro forma financial information for the six month periods ending 30 June 2012 and 30 June 2013 has been prepared in accordance with IFRS and has been neither reviewed nor audited. The presentation of the pro forma financial information combining financial information of Venture Life and Biokosmes has not been reviewed or audited.

Part I of this document also contains certain non-IFRS financial measures, namely EBITDA. The Company defines EBITDA as the Group earnings before interest, tax, depreciation, amortisation and share-based payments. The EBITDA figures in this document were derived by adding the Company’s EBITDA and Biokosmes’ EBITDA for the relevant financial periods.

The Company presents EBITDA because the Directors and the Proposed Director believe that it may enhance an investor’s understanding of its profitability and cash flow generation, and because it is frequently used by securities analysts, investors and other interests parties in the evaluation of companies generally. In addition, the Directors and the Proposed Director use EBITDA to assess the Group’s performance. EBITDA is not a measure calculated in accordance with IFRS and the Group’s use of the term may vary from others in its industry. EBITDA should not be considered as an alternative to any performance or liquidity measures determined in accordance with IFRS.

For the purposes of the Acquisition Agreement, references to the EBITDA of Biokosmes are to the EBITDA calculated in accordance with that agreement and should not be assumed to be the same as the EBITDA for the purposes of financial reporting by the Group under IFRS or as EBITDA when used as a non-GAAP financial measure.

Certain financial information in this document has been translated from euros to pounds sterling. The table below sets out the specific financial information in Part I that has been translated and the exchange rates used:

<i>Financial information for</i>	<i>Average rate</i>
Year ending 31 December 2012	1€ = £0.811
Six months ending June 2012	1€ = £0.823
Six months ending June 2013	1€ = £0.850

Defined Terms

Certain terms used in this document are defined in the “Definitions” section of this document.

Sources

Various market data and forecasts used in this document have been obtained from independent industry sources. None of the Company or Charles Stanley has verified the data, statistics, or information obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward looking information obtained from these sources are subject to the same qualifications, risks and uncertainties as above.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

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KEY STATISTICS

Existing Share Capital at the date of this document

Current number of Ordinary Shares in issue	16,961,430
Number of Ordinary Shares subject to share options	3,792,440

Non Placing Shares to be issued immediately prior to Admission

Vantage Link Shares	33,333
Cybex Shares	10,193
PermaPharm Shares	125,000
Founder Loan Note Conversion Shares	821,421

Consideration Shares issued on Admission **1,358,185**

Placing Shares

Price	109 pence
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Number of Placing Shares⁽¹⁾ **4,954,579**

Gross Proceeds of the Placing	£5.4 million
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Estimated net proceeds of the Placing	£4.2 million
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Upon Admission

Number of Ordinary Shares in issue at Admission⁽²⁾ **24,264,141**

Number of Ordinary Shares subject to share options at Admission	3,792,440
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Approximate market capitalisation of the Company at Admission	£26.4 million
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AIM Symbol	VLG.L
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ISIN number	GB00BFPM8908
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SEDOL	BFPM890
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Notes

(1) Includes 3,221,288 Ordinary Shares from which the proceeds will form part of the consideration for Biokosmes.

(2) Before (if the Company chooses to do so) any placing post Admission of up to 1,393,207 Consideration Shares as may be sold to fund repayment of the Vendor Loan Note.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2014

Publication of the AIM admission document	25 March
Admission and commencement of dealings in the Enlarged Issued Share Capital on AIM	28 March
CREST accounts credited (where applicable)	28 March
Despatch of definitive share certificates (where applicable)	by 4 April

Notes:

1. References to time in this document are to London (GMT) time.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.

DIRECTORS, PROPOSED DIRECTOR AND ADVISERS

Directors:	Lynn Drummond <i>Non-Executive Chairperson</i> Jerry Randall <i>Chief Executive Officer</i> Sharon Collins <i>Commercial Director</i> James Hunter <i>Chief Financial Officer</i> John Lucas <i>Director of New Product Development and IP</i> John Sylvester <i>Non-Executive Director</i>
Proposed Director:	Gianluca Braguti <i>Manufacturing Director</i>
Registered Office:	Venture House 2 Arlington Square Bracknell, Berkshire RG12 1WA
Company Secretary:	James Hunter
Company website:	www.venture-life.com
Nominated Adviser:	Charles Stanley Securities 131 Finsbury Pavement London EC2A 1NT
Financial Adviser and Broker:	WG Partners 131 Finsbury Pavement London EC2A 1NT
Reporting Accountants:	Baker Tilly Corporate Finance LLP 25 Farringdon Street London EC4A 4AB
Auditors:	Baker Tilly UK Audit LLP 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN
Solicitors to the Company:	Simmons & Simmons LLP CityPoint One Ropemaker Street London EC2Y 9SS
Solicitors to the Nominated Adviser and Financial Adviser and Broker:	Covington & Burling LLP 265 Strand London WC2R 1BH
Registrars:	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Acquisition”	the conditional acquisition by the Company of Biokosmes
“Acquisition Agreement”	the agreement between the Company, Mr Lodovico Gianluca Braguti and Mr Andrea Braguti relating to the sale and purchase of the issued quotas (share capital) of Biokosmes dated 28 November 2013 (as amended by the Supplemental Purchase Agreement on 24 March 2014)
“Act”	the Companies Act 2006
“Admission”	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
“Articles”	the articles of association of the Company which have been adopted conditional on Admission
“Biokosmes”	Biokosmes Srl, a limited liability company regulated in Italy with its registered offices at Via Besana 10, 20122 Milan, Italy
“certificated” or “in certificated form”	recorded on the relevant register of the share or security concerned as being held in certificated form (that is not in CREST)
“Charles Stanley”	Charles Stanley & Co. Limited, a company incorporated in England and Wales with registered number 1903304
“Charles Stanley Securities”	Charles Stanley Securities, a trading division of Charles Stanley
“Company” or “Venture Life”	Venture Life Group plc, a company incorporated in England and Wales with registered number 05651130
“Consideration Shares”	the consideration for the issued quotas (share capital) in Biokosmes, being equal to one third of the Company’s share capital immediately before Admission (but excluding Ordinary Shares issued under the Placing)
“Corporate Governance Code”	the UK Corporate Governance Code published in September 2012 by the Financial Reporting Council
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended from time to time)
“Directors” or “Board”	the directors of the Company as at the date of this Document, whose details are set out on page 8 of this document

“Downward Adjustment Shares”	has the meaning given in paragraph 10.2 of Part IX of the document
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007 (as amended)
“EIS Placing Shares”	the 457,798 new Ordinary Shares to be placed in the Placing with Placees eligible for EIS relief
“Enlarged Share Capital”	the entire issued Ordinary Share capital of the Company as enlarged by the issue of the Placing Shares and the Consideration Shares being issued on Admission
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 02878738 and the operator of CREST
“Existing Ordinary Shares”	the 16,961,430 Ordinary Shares in issue as at the date of this document
“FCA”	Financial Conduct Authority
“First Shares”	has the meaning given in paragraph 10.2 of Part IX
“Founder Loan Note Conversion Shares”	has the meaning given in paragraph 2.4 of Part IX
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“GCC”	Gulf Corporation Council, consisting of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates
“Group”	in relation to matters before the completion of the Acquisition, the Company and its subsidiaries excluding Biokosmes, and in relation to matters after the completion of the Acquisition, the Company and its subsidiaries including Biokosmes
“Immobiliare”	Biokosmes Immobiliare S.r.l.
“London Stock Exchange”	London Stock Exchange plc
“MENA”	Middle East and North Africa
“Ordinary Shares”	ordinary shares of £0.003 each in the capital of the Company
“Placees”	the purchasers of Placing Shares in the Placing
“Placing”	the conditional placing of the Placing Shares by Charles Stanley as agent for the Company pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 25 March 2014 between (1) the Company, (2) the Directors and Proposed Director, and (3) Charles Stanley relating to the Placing
“Placing Price”	109 pence per Placing Share
“Placing Shares”	the 4,954,579 new Ordinary Shares (including the EIS Placing Shares) to be placed in the Placing
“Proposed Director”	Gianluca Braguti

“Prospectus Rules”	the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and 4 of FSMA
“Registrars”	Capita Registrars Ltd
“RIS”	Regulatory Information Service
“Second Shares”	has the meaning given in paragraph 10.2 of Part IX
“Shareholder(s)”	holders of Ordinary Shares
“Supplemental Purchase Agreement”	the agreement amending the Acquisition Agreement and including the Vendor Loan Note dated 24 March 2014
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FCA, acting in its capacity as the competent authority for the purposes of FSMA
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”	the United States of America and all of its territories and possessions
“VCT”	a Venture Capital Trust under the provisions of Part 6 of the Income Tax Act 2007 (as amended)
“Vendor Loan Note”	has the meaning given in paragraph 10.2 of Part IX
“Vendors”	Mr Lodovico Gianluca Braguti and Mr Andrea Braguti
“WG Partners”	a trading name of Charles Stanley
“£” or “Sterling”	British pounds sterling

GLOSSARY OF TECHNICAL AND SCIENTIFIC TERMS

EAS	European Atherosclerosis Society
ESC	European Society of Cardiology
FDA	US Food and Drug Administration
IP	Intellectual Property
ISO	International Organisation of Standardisation
LDL	Low-density lipoprotein
UVA	Long-wave ultraviolet rays
UVB	Short-wave ultraviolet rays

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

Venture Life is an international consumer healthcare company focused on developing products for the ageing population. The Group's product range includes food supplements for lowering cholesterol and improving brain function, dermo-cosmetics and cosmetics for addressing the signs of ageing and medical devices for improving minor aches and pains, dry eyes and itchy skin. The products, which typically are recommended by pharmacists or healthcare practitioners, are available primarily through pharmacies supplied by the Group's international distribution partners.

Specifically, the Group's products:

- have efficacy supported by objective clinical evidence, and unique selling points in order to differentiate them from their competitors;
- are branded consumer products with consumer benefits clearly explained on and within the packaging; and
- are protected by intellectual property rights in the form of patents (if granted), trademarks, formulations or other know how.

On 28 November 2013, Venture Life entered into a conditional agreement to acquire Biokosmes, based in Lecco, Italy. Founded in 1983, Biokosmes is a privately-held development and manufacturing business for topical products, producing cosmetics, dermo-cosmetics and medical devices. The acquisition of Biokosmes brings together Venture Life's expertise in new product development, brand management and commercialisation, and Biokosmes' expertise in topical product development and manufacturing. Furthermore, Biokosmes has an extensive library of proprietary formulations that the Group believes can be further profitably commercialised. The total consideration payable for Biokosmes will be satisfied (subject to adjustment) in cash and shares together equal to one third of the issued share capital of Venture Life immediately prior to the Placing. The acquisition of Biokosmes is conditional on the Company's shares being admitted to AIM. Further details of the Acquisition are set out in paragraph 10.2 of Part IX.

The Group's executive management team, led by Jerry Randall, an experienced healthcare executive who founded Venture Life in 2010 with Sharon Collins, the Group's Commercial Director, has successfully positioned the Group to take advantage of the increasing demand for healthcare products and food supplements for the ageing population. The Group will seek to generate growth through expanding distribution and sales of its current on-market products, the development and commercialisation of new products and formulations addressing unmet needs, investment in Biokosmes' manufacturing capabilities, and penetration into the potentially lucrative Chinese market.

In the twelve months to 31 December 2012 the Group, on an illustrative pro forma basis, generated EBITDA (before exceptional items) of (£0.42 million) on revenue of £7.8 million. In the six months to 30 June 2013 the Group, on an illustrative pro forma basis, generated EBITDA (before exceptional items) of £1.0 million on revenue of £6.1 million.

2. HISTORY AND DEVELOPMENT OF THE GROUP AND THE ACQUISITION OF BIKOSMES

Venture Life

Venture Life was founded in 2010 when it acquired its first product, Original Bioscalin®, a treatment for hair loss, hair thinning and baldness. During 2011, the Group developed further products and having registered them under their new brands, the Group began to market and sell its products through newly appointed international distribution partners. During this time, the Group continued to innovate by developing its new product pipeline.

Since 2011, the Group has launched its products through its distribution partners in several countries, including Greece, Kingdom of Saudi Arabia, Egypt, Vietnam, Romania, Bulgaria, Czech Republic and Slovakia. Over the last three years, the Group's pipeline of new products and technologies has continued

to grow and as at the date of this document, the Group had 10 product ranges and 15 distribution partners covering more than 30 countries, with sales of its various products launched in over 10 countries.

Biokosmes

Biokosmes was established in 1983, and develops and manufactures topical products, such as cosmetics, dermo-cosmetics and medical devices but does not develop or market the brand under which the customer may sell the product. When Biokosmes develops a product for a customer, it normally retains ownership of the resulting formulations. Furthermore, Biokosmes is able to develop and create a topical product quickly and cost effectively, and can provide a finished product ready for commercial scale manufacturing, with associated technical dossiers or clinical data packages, as required.

Biokosmes has over 60 active customers and currently has capacity for producing 16 million units annually; with limited investment, it could increase capacity to 25 million units per annum. It owns over 1,000 product formulations and products manufactured by Biokosmes are sold in more than 10 countries, including the United States.

The Acquisition

The acquisition of Biokosmes is subject to the satisfaction (or waiver, where applicable) of a number of conditions including Admission occurring before 31 December 2014, and Biokosmes is being acquired for Ordinary Shares in two stages – the first stage being at Admission and the second stage being after the audit of Biokosmes's financial statements for the year ending 31 December 2013 in May 2014. Further details of the terms of the Acquisition can be found in paragraph 10.2 of Part IX.

Benefits of the Acquisition

The Directors believe the Acquisition brings a number of benefits to the Group:

- (1) a range of proprietary formulated products ready to market internationally under new Venture Life brands;
- (2) growing revenues, with good recent cash generation, profit growth, and many long-term customers; and
- (3) in-house manufacturing and new product development facilities, with the opportunity for the Group's products and new product development programmes to be prioritised.

Furthermore, the Directors believe that the Group can add significant value to the Biokosmes business through:

- (1) improved utilisation of the manufacturing facility, by way of investment in the installation of previously acquired equipment, changes to work shift patterns, and possible expansion of facilities at the existing premises;
- (2) introduction of new product lines, with the investment in the installation of an already acquired production line to make fragrances; and
- (3) investment in the commercial team, and in branding some of its products, to help drive revenue growth through existing and new customers.

3. THE GROUP'S STRATEGY AND BUSINESS MODEL

The Group's objective is to grow Venture Life into a leading international healthcare products business, generating long-term and sustainable profits to benefit all Shareholders.

The Directors and Proposed Director plan to achieve this objective through implementing the following strategies:

(1) Increase penetration and revenue through existing distributors

The Group's products (including those of Biokosmes) collectively are currently partnered in more than 40 countries but not all products are yet distributed in all countries of these distribution partnerships.

Launches have occurred in as many as 20 countries to date. The Directors and Proposed Director see strong potential for organic growth in revenue coming from existing distribution partners, as more of the Group's products and product ranges are registered and launched in these and other countries. By strengthening its relationships with its distribution partners through continued product and customer service excellence, the Group expects to be able to increase its market share and penetration in all relevant jurisdictions.

(2) **Expand distributor network**

The Group will continue to identify new distributors for the marketing of its current product portfolio and selected products from Biokosmes in new countries. The Directors and Proposed Director believe that many of the Group's products are capable of being marketed in at least 50 countries within five years of first launch. At present, individually some of the Group's products are distributed in as few as one country, and collectively the Group's products are partnered in more than 40 countries. Furthermore, Biokosmes products are currently sold in only a handful of countries and the Directors and Proposed Director believe that there are significant expansion opportunities for these products. Consequently, the Group will be investing materially in the commercial team across the business to help secure new distribution agreements for new countries.

(3) **Leverage in-house product development capabilities**

The Group has an established, proven system for rapidly developing new products and bringing them quickly to market, at a relatively low cost. Historically, the Group has managed this process through extensive use of consultants and third party contract manufacturers, but following the Acquisition, the Group will have this capability for topical products in-house at Biokosmes.

(4) **Expand contract manufacturing capabilities**

Biokosmes has successfully developed its contract manufacturing business to produce products sold under its customers' own brands. The internal development capability of Biokosmes enables it to develop products to customer specifications ready for manufacture. Biokosmes currently can manufacture a range of products such as liquids, creams and gels, and through expanding its development and manufacturing capacity and its product offering, the Directors and Proposed Director believe the Group can continue to grow revenues from the contract manufacturing business.

(5) **Expand international operations, including China and the Far East**

China and the Far East represent potentially valuable markets for the Group. The Group has already signed a non-binding heads of terms with a public Chinese functional skincare company for a joint venture arrangement, both to market some of the Group's anti-ageing skin products in China, and to explore lower cost manufacturing for some of the Group's products. The Directors intend the Group to enter into a full joint venture agreement and begin the registration process for sales of its products in China. In addition, the Group is also in discussions with two other Chinese companies and is exploring a variety of commercial opportunities in China and the Far East.

The Directors and Proposed Director expect to execute their growth strategy through an integrated business model and the Group's core business processes are as follows:

(1) **New product development – innovation**

The Group believes strongly in the value of generating a regular flow of new products designed to meet the needs of ageing consumers, and plans to continue to invest heavily in this area. The Group's new products are generally conceived through internal research and planning and are then designed collaboratively with the Group's Scientific Advisory Board, network of academic and commercial experts and market researchers. In some cases, product ideas are presented to the Group by distribution partners or third-party product technology licensors. The investment case for each product idea is assessed by the Group's new product development committee against rigorous cost and market opportunity criteria before being progressed onto the next stage.

(2) **New product development – creation**

The Group develops the necessary formulation for the product, either through its in-house or external development facilities, using its own developed materials or those purchased or licensed from a third party. All product formulations are subject to feasibility, stability, safety, and compatibility and production scale up testing. Technical dossiers of the product are prepared and clinical studies are commissioned.

Once the product is ready for manufacture and marketing, the Group, or its distribution partners, will register the product in Europe, and then subsequently its distribution partners will do so in any further territories where the product will be launched.

(3) **Manufacturing**

Venture Life's manufacturing and packaging has historically taken place at third-party manufacturing plants. However, following the Acquisition, the Group will also have the ability to develop and manufacture topical products at Biokosmes. It will continue to use third party manufacturers for other product presentations.

(4) **Marketing**

The marketing and sales of the Group's branded products are conducted through the Group's international network of distribution partners. Distribution partners are granted rights to distribute one or more of the Group's products in certain territories. In exchange for these rights, the distribution partners are obliged to purchase the products only from the Group, they are subject to minimum annual purchase obligations and they are expected to provide sales and marketing support for the products. Distribution partners typically operate dual sales channels with teams marketing separately to healthcare providers, such as doctors and specialists, to obtain product endorsements, and to pharmacies for direct sales.

4. MARKET OVERVIEW

The Group primarily competes on a product-by-product basis with other consumer healthcare companies. Whilst each product within the Group's portfolio will compete with a number of products, none of these companies producing such competing products focus exclusively on the Group's target market, so far as the Directors and Proposed Director are aware.

The target market for the Group's products is the ageing population. According to the United Nations Department of Economic and Social Affairs' 2010 World Population Prospects report, the segment of the world population that was over 60 years old in 2012 was 810 million (11 per cent. of the global population) and is expected to grow to more than two billion by 2050 (22 per cent. of the global population). As set out in the table below, this increase is expected to occur across all markets, but more dramatically in the less developed markets, due to improving education and healthcare.

	<i>Population of persons aged 60+*</i>			
	2012		2050	
Asia	447m	55%	1,252m	62%
Europe	166m	21%	242m	12%
North America	68m	8%	121m	6%
South America	63m	8%	188m	9%
Africa	60m	7%	215m	10%
Oceania	6m	1%	13m	1%
Total	<u>810m</u>	<u>11%+</u>	<u>2,031m</u>	<u>22%+</u>

* Source: Population Division (2011). World Population Prospects: The 2010 Revision
+ Percentage of the worldwide population

As the body ages, the general process of oxidative stress begins to diminish the function of many aspects of the human body. This manifests itself through changes in the appearance or the functional ability of the body. These changes, whilst not usually life-threatening, can adversely affect the quality of life enjoyed by people. In addition, lack of treatment of these conditions can lead to the onset of more acute conditions.

One characteristic of the ageing population is that they control a significant proportion of financial wealth, and therefore have the ability to pay for these treatments. In the US, a recent study indicated that 77 per cent. of financial assets in the US were held by people aged 50 and over.

This financial power of the ageing population is key as increasingly such consumers will be expected to fund more of their own healthcare treatments. The pressures on the healthcare budgets of governments worldwide are expected to manifest themselves in a reduction in the number of medicines and treatments

which governments are willing to fund, as well as the prices which they are prepared to pay. Many non-critical conditions are unlikely to receive funding support from governments, resulting in patients being expected to fund such treatment themselves.

Furthermore, these trends affect both pharmaceutical companies and pharmacies. Both can have the challenge of experiencing reduced revenues from their prescription products, while searching for products that provide an alternative source of revenue and increased margin to replace the losses in revenue and reductions in margin from prescription products.

Pharmacies in particular can suffer from reduced dispensing income, as exemplified recently in the financial statements for the year ended 31 March 2013 of major UK pharmacy-led health and beauty retailer, Boots. Boots' dispensing revenues fell over 7 per cent. in the year ended 31 March 2013 compared with the previous year.

However, the pharmacy is generally the retail setting where the ageing population will buy its non-critical medicines and the pharmacist is considered by many people in many countries to be the first point of contact for non-critical ailments. As a result, the pharmacists seek to supply products that have demonstrable efficacy and generate a good margin, which in turn will help them retain customer loyalty.

The Group seeks to develop products that fit into the pharmacy distribution channel. In conjunction with this distribution channel, the Group, through its distribution partners, seeks the endorsement or other support of healthcare practitioners.

5. KEY STRENGTHS

The Directors and the Proposed Director believe that the Group's key strengths include:

- (1) **Scalable business model.** Through its strong and growing network of manufacturing and distribution partners, the Group is able to create, develop, manufacture, market and sell a wide range of products with a short product development timeframe. As a result, the Group can quickly and efficiently enter new product categories and international markets, whilst reducing reliance on any one partner or product. In addition, through its acquisition of the Biokosmes manufacturing facility, the Group will also be able to develop and manufacture new topical products, such as creams, gels, and liquids and, in due course, fragrances, which may be sold as standalone products.
- (2) **Speed to market.** By intentionally developing products that are not classified as drugs, the Group is able to avoid the significant capital and time expenditure required to develop and bring to market prescription drugs. As a result, the Group is typically able to bring new products from innovation to ready-for-market in less than one year, whereas pharmaceutical drugs can take over 10 years to clear all regulatory approvals. The ability to bring products to market in such a short time frame also means that the Group can realise returns on its investment much more quickly.
- (3) **Diverse, growing network of distribution partners.** By entering into distribution agreements, the Group is able to avoid the significant costs and resources required for undertaking sales and marketing activity itself in each territory. Through its diverse base of distribution partners, the Group is able to select those partners that it considers are best suited for each product and product range in each territory. In addition, the Group's distribution partners provide product support in their relevant markets and are able to provide valuable market intelligence to the Group on local market needs and trends, which in turn the Group can exploit to meet distribution partner and consumer needs.
- (4) **High regulatory compliance.** Biokosmes' manufacturing facilities have been inspected twice by the US Food and Drug Administration, and each time passed the inspection, as well as receiving accreditation from the MHRA and EU. The Group also has products which have successfully obtained registrations through its distribution partners in countries as diverse as the Kingdom of Saudi Arabia, Egypt and Vietnam, and this is expected to grow as the business grows. Furthermore, under the terms of its relevant agreements, its manufacturing and distribution partners are required to adhere to strict standards of regulatory compliance. Each product is subject to testing to meet the requirements of all relevant regulation, and the Group has historically commissioned, and intends to continue to commission, clinical trials to support its marketing and sales activities.
- (5) **Significant growth opportunities.** The Group currently has a number of significant growth opportunities, which it plans to exploit from allocating the funds raised in the Placing. These include

the Benecol food supplement and the potential for sales of the Group's products in China. Investment in increased business development resources and new product development is expected to bring further products and distribution partners to the Group rapidly.

6. REASONS FOR THE PLACING AND USE OF PROCEEDS

Venture Life is proposing to raise £5.4 million by the issue of 4,954,579 new Ordinary Shares at the Placing Price for the benefit of the Company. The proceeds of the Placing will be used as follows:

- £3.3 million for the cash element of the consideration for the Acquisition as described in paragraph 10.2 of Part IX;
- £0.4 million to invest in accelerating the new product development programme of the Group;
- £0.5 million to invest in the commercial operations of the Group. This will primarily fund three new business development executives to address key regions;
- £1.2 million on costs related to the Placing.

The Company has received advance assurance from HMRC that the shares to be issued under the Placing will be eligible shares under the EIS legislation and will form qualifying holdings under the VCT legislation and that its proposed activities would be regarded as a qualifying activity for these purposes. HMRC has confirmed that EIS relief should be available after the issue of relevant certificates and upon a claim being made by a qualifying individual. Further details about the VCT and EIS relief can be found in paragraph 20 of this Part I and paragraph 9 of Part IX.

7. HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The financial information presented below has been extracted from the audited and unaudited historical financial information presented in Parts IV and VI of this document and from the underlying accounting records of each of Venture Life and Biokosmes for that period. The pro forma financial information presented below has been prepared for information purposes only and in accordance with IFRS but has not been audited or reviewed. Full details of the Group's historic financial information is set out in Parts IV to VIII.

	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>	<i>6 months</i> <i>ended</i> <i>30 June</i> <i>2012</i> <i>£'000</i>	<i>6 months</i> <i>ended</i> <i>30 June</i> <i>2013</i> <i>£'000</i>
Revenue ⁽¹⁾	7,809	3,740	6,137
Gross profit ⁽²⁾	1,789	1,020	2,504
EBITDA ⁽³⁾ before exceptional items and other income	(416)	(198)	1,056
EBITDA ⁽³⁾ before exceptional items	(176)	(59)	1,140
EBITDA ⁽³⁾ after exceptional items	(1,150)	(960)	1,123

(1) Intercompany trading between Venture Life and Biokosmes has been eliminated in the figures presented. Such trading amounted to £84,000 in the year ended 31 December 2012, £5,000 in the 6 months ended 30 June 2012 and £88,000 in the 6 months ended 30 June 2013.

(2) Gross profit is shown on a net of depreciation basis.

(3) EBITDA represents earnings before interest, tax, depreciation, amortisation and share-based payments. Depreciation and amortisation costs have been extracted from Cost of Sales in determining Gross profit and EBITDA, and from Administrative costs in determining EBITDA.

8. CURRENT TRADING

In the year to 31 December 2013, the combined revenues and gross margin of Venture Life and Biokosmes were in line with the Directors' and Proposed Director's expectations.

With regard to revenues generated by Biokosmes each year, and as reported in Part VI Section II and in Part VII, it should be noted that there is typically some element of seasonality to revenues, such that revenues for the first half (1 January to 30 June) are usually materially higher than revenues for the second half (1 July to 31 December). This is largely on account of lower than average levels of manufacturing output in August and December owing to holiday periods.

2014 has started encouragingly for Venture Life. For Biokosmes revenues for 2014 are behind management's expectations, although the Directors and Proposed Director are confident that this shortfall will be made up for the full year.

9. PRODUCTS AND PRODUCT PIPELINE

The Group's current product range includes:

<i>Range</i>	<i>Treatment Area</i>	<i>Product</i>
Benecol®	LDL cholesterol reduction	Food supplement capsules
Neuro-Age™	Brain function, memory	Neuro-Age™ Capsules
Lissio™ Light	Skin hyper-pigmentation	Face treatment Hand treatment Face gel Radiance cream Skin serum
Lissio™ HA	Fine lines and deep wrinkles	Face creams Volumising lip filler Face and neck serum Anti-ageing cleanser Make-up remover
Lissio™ Pure Original Bioscalin®	Sensitive, ageing skin Hair loss, hair thinning	Cleansers, gels and moisturisers Hair elixir Hair shampoo Hair lotion Hair foam Nutrient capsules and orosoluble sachets
Dry-eze™	Dry eyes	Dry-eze™ eye drops
Ox-eze™	Joint stiffness, muscle aches	Ox-eze™ cream Ox-eze™ oil
Calm-eze™	Itchy skin	Calm-eze™ cream
Lubatti™	Skin care	Cleansers Moisturisers Oils

The Group designs, develops, arranges the manufacture and then enters into commercial agreements with pharmaceutical companies who are then responsible for the marketing and sales of these products, including functional skin care products, nutritional supplements and topical medical devices.

The Group's focus is on products that address the concerns of the ageing population, particularly those relating to self-image and impaired function. Consumers of the Group's products are interested in novel, self-medicating products, especially for chronic, non-life-threatening conditions. The Group's products help an ageing population to both maintain their well-being and perceived quality of life, and reduce the need for more costly later-stage therapies.

The Group's current and pipeline products are designed to target major body systems including the central nervous system, cardiovascular system, skin, sight and immunity. They also address conditions including

fine lines and deep wrinkles, hyper-pigmentation, cognitive health, minor aches and pains, high cholesterol, dry eyes and hair loss.

Products

Benecol® Food Supplement

In conjunction with Raisio Group, Venture Life has been granted the rights to sell plant stanol ester under the trade name Benecol® as a food supplement. The Benecol® brand was launched in 1995 as a functional food and is now present in up to 30 countries across 5 continents. It is one of the leaders in a market segment estimated to be worth €2.45 billion¹. The Group's new presentation of Benecol® as a food supplement is a convenient and portable solution for naturally lowering LDL cholesterol. It is currently presented as a capsule, which will be marketed towards healthcare professionals, given the strength of its robust supporting clinical data, and it is anticipated it will be available to purchase in pharmacies. The product does not require refrigeration, unlike the functional foods variants, and also has up to a two year shelf life.

Key ingredient: Benecol's key ingredient, plant stanol ester, has been demonstrated to help reduce LDL cholesterol on average by 10 per cent. in as little as 2-3 weeks. In 2009, plant stanol ester was identified as one of the ten greatest discoveries in nutrition by a panel of leading international nutrition scientists. The review article was published in the *European Journal of Clinical Nutrition*².

Plant stanol ester is also recommended by expert bodies and food safety authorities. It appears in dyslipidaemia management guidelines around the world. In the ESC/EAS guidelines for the management of dyslipidaemias, plant stanols/sterols are recommended to those who are not on statins but have elevated cholesterol levels and as an adjunct to statin therapy.

Mechanism of action: Plant stanol ester helps reduce the amount of dietary and biliary LDL cholesterol absorbed into the bloodstream. Plant stanol esters work by partly blocking the uptake of cholesterol from the digestive tract.

Clinical data: There are currently over 70 clinical studies supporting the safety and efficacy of plant stanol ester in varying dosages. They have been performed on women, men and children; individuals with both normal and elevated cholesterol levels; patients with coronary heart disease, familial hypercholesterolemia, type 1 and 2 diabetes or metabolic syndrome; kidney transplantation patients; people on an ordinary Western diet; people on a strict cholesterol-lowering diet; populations from Europe, North America, Asia, and Australia; and with plant stanol ester incorporated into several different types of foods and presentations.

Partners: The first agreement has been signed with a distribution partner in Jordan, and launch is expected in the second half of 2014, depending on timely registration by the partner.

NeuroAge™

NeuroAge™ is a food supplement containing a combination of ingredients to maintain cognitive brain function and memory. The effective combination of key ingredients has been clinically tested to help support an ageing brain. Key benefits include an increase in cognitive function including concentration, mental alertness and memory. NeuroAge™ is designed to increase the number of neuronal synapses and support neuronal activity, thereby helping to slow the loss of function associated with an ageing brain. The Group has filed a patent application over the NeuroAge™ product.

Key ingredients: uridine, cytidine and glutamine

Mechanism of Action: In the nervous system, a synapse is a structure that permits a neuron to pass an electrical or chemical signal to another cell. Synapses are how neurons 'communicate' with each other. Brain synapses are composed principally of a special type of membrane, "synaptic membrane", comprised of lipids, principally phosphatides, and a specific set of proteins. Precursors, e.g., uridine and cytidine, required to form these components are in limited supply in our diet. Administering uridine and cytidine increases neurite outgrowth and thus the number of synapses. Pyrimidine compounds, e.g., uridine and cytidine, also maintain brain metabolism during cerebral ischemia (lack of oxygen) and severe hypoglycaemia (low glucose).

¹ <http://www.nutraingredients-usa.com/Manufacturers/Emerging-market-focus-delivers-Benecol-cholesterol-reduction-bounty>
² 2009 Jan;63(1):2-10

The predominant neurotransmitters in the brain are glutamate (excitatory) and γ -Aminobutyric acid (GABA) (inhibitory) and are involved in functions including learning and memory. Glutamate and GABA are both converted to glutamine. Glutamine acts to balance the levels of glutamate and GABA. Glutamine is also the primary energy source for the brain. The brain is unable to synthesize glutamine and unable to take up glutamate and GABA. Exogenously added glutamine is taken up by the brain. Thus, glutamine in NeuroAge provides energy and neurotransmitters to the brain.

Clinical studies: A combination of the key ingredients has been extensively tested in 31 studies involving more than 2,200 subjects. Out of these, six studies were double blind, placebo controlled, and conducted on more than 500 subjects. These studies demonstrated statistically significant improvement in a broad range of tests of cognitive function including short-term memory, concentration and attention, caregivers' assessment, comprehension and reasoning. This was evident in healthy subjects.

Partners: Partners to date include Hikma Pharmaceuticals plc and Elpen Pharmaceutical Company Inc., the latter currently launching in Greece in the second half of 2013. Distribution deals are signed with distributors in Bulgaria, Romania & Moldova, Czech Republic, Slovakia (all expected to be launched in the first quarter of 2014) and Iran, Jordan, Kazakhstan (expected to be launched later during 2014 depending on the timing of registration approval).

Lissio™ HA

The Lissio HA skincare range has been expertly formulated for the management of fine lines and deep wrinkles. Designed to suit all skin types, the products contain a unique system involving three different types of Hyaluronic Acid – called the 'CronoActiveSystem'. The product range is comprehensive and includes 14 products.

Key ingredient: CronoActiveSystem™ – a unique system that involves three different types of Hyaluronic Acid that works on three layers of the skin, at three different points in time.

Clinical data: Three clinical studies were conducted at the University of Pavia in Italy on women aged between 22 and 40 years of age. The results demonstrated effectiveness of the products in improving both the skin's structure and texture. Results were seen at day 14, with an even greater effect at day 28, meaning there was a progressive action.

Partners: Venture Life has signed distribution agreements with three partners assigning exclusive distribution rights for 23 countries in total. The products are registered and launched in three countries to date – Slovakia, Vietnam and Saudi Arabia.

Calm-eze™

Calm-eze™ is a dermatological treatment specifically designed to help to relieve itchy skin. The formulation is based on using the sensation of cooling as a method of helping to control the itch. Its triple action effect helps to cool, soothe and calm itchy skin, as well as keep it moisturised and protected from further irritation. It is available as a non-greasy emollient cream and is free from ingredients that could irritate the skin further. A patent application has been filed for Calm-eze.

Clinical studies: Results from a clinical study are due in 2014.

Partners: Signed with one distributor in Saudi Arabia incorporating six countries in the GCC region; launch planned in the fourth quarter of 2014, subject to the timing of registration.

Dry-eze™

Dry-eze™ Soothing Eye Drops is indicated to help the relief of mild to moderate dry and irritated eyes. The formulation was developed by Moorfields Pharmaceuticals (part of Moorfields Eye Hospital). The name Moorfields is synonymous around the world with trust and quality. It contains Hypromellose that acts to swell and absorb water, thereby expanding the thickness of the tear-film, and is available in single dose, re-sealable vials, helping to avoid cross-contamination. It is preservative free.

Partners: Signed with one distributor in Saudi Arabia incorporating six countries in the GCC region and the launch is planned in the fourth quarter of 2014.

Ox-eze™

Ox-eze™ contains Oxygenated Glycerol Triesters (OGTs), which work to help relieve mild to moderate aches and pains and stiffness associated with sprains, minor injuries and general wear and tear. Ox-eze is available in two presentations: a non-greasy, emollient cream (containing 20 per cent. OGT) and an aromatic oil in a spray presentation (containing 93 per cent. OGT) and is clinically supported.

Partners: Signed with one distributor in Saudi Arabia incorporating six countries in the GCC region, with launch expected in the fourth quarter of 2014.

Lissio™ Light

Lissio Light has been expertly formulated for its lightening, brightening and anti-ageing properties.

It contains Ascophyllum Nodosum (Algowhite G), a natural tyrosinase inhibitor, which helps to prevent the over production of melanin within the skin, thus reducing the onset of dark spots. It also encourages cell regeneration and as the keratinisation process takes place, the pigmented area eventually 'sloughs', leaving less visible pigmented spots or areas. The product range consists of five products.

Clinical data: One clinical study was conducted at the University of Pavia, Italy on 20 subjects over a 56 day period, to evaluate the whitening and skin radiance of Lissio Light. The results showed there was increased skin brightness in 80 per cent. of the cases, and decreased visibility of hyperpigmented spots in 70 per cent. of the cases.

Partners: Distribution agreements are in place with two distribution partners to market the products across 20 countries in MENA. One of the partners launched in Egypt in January 2013. The Directors believe that the second distribution partner will launch Lissio Light in Saudi Arabia in the first half of 2014.

Lissio™ Pure

Lissio Pure™ is a dermatological range of products specifically designed to help and prevent sensitive ageing skin caused by everyday UVA and UVB rays, environmental pollutants, skin dehydration and a slower cell renewal process. The range consists of 10 products and all products have been dermatologically tested.

Partners: the Group has signed an exclusive distribution agreement to market Lissio Pure in Egypt and also with another distribution partner for Sudan. Launches are expected to take place in 2014, registration timelines permitting.

Original Bioscalin®

Original Bioscalin is an effective hair and scalp treatment indicated for hair loss, hair thinning and baldness. Developed more than 35 years ago at the University of Helsinki (Finland), the products are supported by clinical data. Recently, Venture Life has introduced a new, multi-component system called Bioventin, to provide additional benefits for the hair and scalp.

Original Bioscalin offers a complete product line (both topically and orally) consisting of seven products including four dermo-cosmetics and three food supplements.

Clinical data: The Original Bioscalin Shampoo and Elixir have been tested on more than 800 subjects in three clinical trials (men and women) to demonstrate its effectiveness. The results from all three studies showed a decrease in loss of hair and improvement in new hair growth without causing any side effects in some studies. Also the condition Seborrhoea was improved in approximately 75 per cent. of the cases in one of the clinical studies.

Partners: Venture Life has signed distribution agreements with seven partners in 12 countries in total. Currently, the products are on sale in five countries and being registered in the others.

Lubatti™

The Lubatti collection is a range of luxury skincare products, inspired by the original founder, Madame Lubatti, a skincare pioneer in London in the 1920s whose secret formulations were passed down through generations to the late Tracey Malone (sister of Jo Malone). Launched in 2009 by Sharon Collins, Lubatti

now boasts a full range of retail products, luxury spa treatments using the exclusive products and techniques, and a luxury in-room amenity range for hotels.

Lubatti has been recognised and nominated as the Best Beauty Brand in the Sunday Times Style Beauty Awards 2010. More recently, Lubatti Anti-age Wonderlip™ was voted the winner of the Best Lip Therapy category for two consecutive years in the Beauty Shortlist 2012 & 2013 Awards.

The main future focus will be China, where the Directors expect to launch Lubatti in the next few years.

Biokosmes Product Portfolio

With expertise in both the development and manufacturing field for 30 years, Biokosmes has been a great source of new product development and the manufacture of high quality products for third parties. Utilising its extensive formulation base, it is able to develop product concepts into fully finished products both cost effectively and rapidly, and to help ensure these products are supported by clinical data, where appropriate.

This full service offering has been key to maintaining existing long-term customers, and also in gaining new significant ones.

It currently manufactures both medical devices (Class I, II and III) and dermo-cosmetics, and the following gives an example of some of these:

Bioscalin® (owned in Italy by Guiliani s.p.a)

Bioscalin is indicated for hair loss, and the range consists of both oral and topical formulations. The brand is widely available in pharmacies throughout Italy.

One product manufactured by Biokosmes is Bioscalin Shampoo. It contains Biogenina, a combination of ingredients that helps to promote a stimulating action on the hair bulb, which in turn helps to overcome hair loss. It also contains ingredients that have an antioxidant action to help nourish and hydrate the hair.

Biokosmes has been manufacturing some of Guiliani's topical formulations since 2006.

Aloclair® (owned by Sinclair Pharmaceuticals Ltd)

Aloclair is an alcohol-free range of products designed specifically for the management of aphthous mouth ulcers. Available in a mouthwash, gel and spray, it works quickly to provide fast, long-lasting pain relief for mouth ulcers. It works by providing an invisible barrier over the ulcer in order to protect the exposed nerve endings from further trauma.

The Aloclair range of products (including Recordati's Alovex product range) has been manufactured by Biokosmes since 2000.

BB Cream

BB stands for Blemish Balm or Beauty Balm and, until 2011 when it was introduced by major brands in the Western market, was primarily sold in East and South East Asia. It is a multi-function cream that has both coverage and skincare properties.

This all round BB foundation aims to balance, moisturise, illuminate and protect the complexion. It contains an SPF 30.

BB Cream has been manufactured by Biokosmes for Cosnova GmbH since 2011 and is currently available in four different shades.

Product Pipeline

The Group has several products currently in development, including extensions of the Benecol® and NeuroAge™ product lines. New product lines that address ageing skin, and skin damaged by smoking and pollution are also in development. The Group is currently evaluating new product concepts addressing health related concerns including cardiovascular health, brain function, joint function, obesity, diabetes and immunity.

10. THE REGULATORY ENVIRONMENT

The Group's products are intended for use primarily as functional cosmetics, food supplements or medical devices which (or whose ingredients) require pre-market notification, but not pre-market authorisation/approval by the relevant authorities in the relevant markets including the US and EU (including the UK).

Cosmetics and food supplements in the EU (including the UK) are governed by a system whereby companies are responsible for any claims made on packaging for ingredients that have approved EU status and are subject to member state label and safety monitoring powers. EU legislation also covers the labelling and levels of cosmetic and food supplement ingredients, the labelling intended for particular purposes and an EU assessment procedure and labelling requirements for novel ingredients. In May 2011 guidance was published by the European Food Safety Authority ("EFSA") in relation to health claims which may be made about approved ingredients. Venture Life has products both on the market and under development which are (or will need to be) classified as Class I medical devices. This class of device works by physical contact with skin and without their principal intended action in or on the human body by pharmacological, immunological or metabolic means. They are regulated in the EU by the Directive on Medical Devices (as amended). For example, in the UK, approval for Class I medical devices can be obtained by notification to the Medicines and Healthcare Products Regulatory Agency (MHRA).

Unlike for the registration of a pharmaceutical drug, the Group's products (or ingredients) do not require the traditional phase I, II and III clinical trials, with their high costs and long timeframes, aside from normal product stability data. There are two levels of requirements for clinical testing for:

- regulatory reasons; and
- marketing reasons.

The regulatory data requirements differ between categories:

- Cosmetics – patch tests and bibliographical safety data required;
- Food supplements – bibliographical safety data is required; and
- Medical devices – depending on whether Class I, II or III the requirement for safety data varies.

Venture Life provides data and/or dossiers to its distribution partners to support marketing of products in a manner consistent with the underlying data.

The Group has its own in-house expertise and experience of the general and regulatory environment and attaches great importance to operating in accordance with regulatory requirements. If a cosmetics or food supplement ingredient requires the approval of the relevant competent authorities in EU member states, the Group will work in combination with its distribution partners to gain such approvals. The Group has technical dossiers (comprising regulatory data) to support applications necessary for its existing products and intends to produce technical dossiers as required for future products.

The Group's marketing strategy is based upon developing strategic alliances with established pharmaceutical and consumer healthcare companies that have strong distribution channels in each of the market segments in the relevant country or region. The Company contracts for each product partner to deal with regulatory issues relating to the Group's products distributed by them in their territory outside the EU (including obtaining any local regulatory approvals) using regulatory data generated and supplied by the Group. Registrations outside the EU are obtained in the name of the product partner. Within the EU, the Company deals with these matters.

Biokosmes has various manufacturing licences to manufacture cosmetics and medical devices in Classes I and IIa, ISO registration supporting the required quality systems and FDA inspection certificates to allow export of products manufactured by it to the US. Biokosmes' developed and manufactured products are sold by its customers and therefore Biokosmes does not hold registrations for their sale in particular territories.

11. INTELLECTUAL PROPERTY

The Group's intellectual property strategy involves a combination of trademarks (e.g., brand names and logos), trade secrets, and applications for patents. A primary strategy for the Group's products is brand

building. Trademarks provide protection for the Group's brands such as Original Bioscalin® and in-licensed brands such as Beneco®. The products created by the Group are differentiated and normally protectable either through patents (if/when granted) or trade secrets relating to formulation and manufacturing processes.

The Group has an in-house review procedure for patentable inventions resulting from its development work. The Group files patent applications to protect its technology when patentable inventions are identified and the Group sees a commercial need to protect such inventions through patents. The life of a patent (when/if granted) is usually twenty years and provides exclusivity in the countries where it is in force. The term for trade secrets is indefinite but is subject to third party 'reverse engineering' and independent discovery. The Group has security measures by which it seeks to protect its trade secrets, including confidentiality terms with its manufacturers, distributors and employees. The Group uses the registration of trademarks by it and its distributors to build and establish its brand names.

12. INFORMATION ON THE DIRECTORS, PROPOSED DIRECTOR AND SENIOR MANAGEMENT

Details of the Directors and Proposed Director, their roles and their backgrounds are set out below.

Executive Management

Jeremy (Jerry) Anthony Philip Randall, Chief Executive Officer (49)

After qualifying as a chartered accountant with KPMG, Jerry has enjoyed a career initially in corporate finance but more recently in founding and growing small private companies. Most recently, Jerry was co-founder and chief financial officer of what became Sinclair IS Pharma plc, an international specialty pharma business, admitted to trading on AIM. Sinclair IS Pharma was founded in August 2000 when Jerry completed the management buy-in together with Dr Michael Flynn. Jerry has also been non-executive director of a number of companies, including recently non-executive Chairman of Silence Therapeutics plc.

Before that, Jerry had been involved in other buy-ins and acted as advisor to both private and quoted companies between 1993 and 2000, in both the capacity as nominated advisor and in practice with KPMG. During this period, Jerry was involved in a number of flotations and transactions on the Official List and AIM, as well as raising private equity. Jerry is Chief Executive Officer and a co-founder of Venture Life.

Sharon Mary Collins, Commercial Director (39)

Sharon has 15 years of experience within the healthcare industry, predominately in marketing, international sales and business development roles. She worked for a leading dental manufacturer for six and a half years and launched many products during this time.

Sharon worked for Sinclair IS Pharma plc for five years within the international business development field and successfully completed more than 35 international out-licensing deals during a 2 year period. Sharon qualified from Lancaster University in 1996 with a BSc in Marketing, and gained an MBA (with Distinction) in 2005. Sharon is Commercial Director and is a co-founder of Venture Life.

Lodovico Gianluca Braguti, Manufacturing Director, Biokosmes (53)

Gianluca began his career working in his father's pharmacy, and then after he graduated as a pharmacist, continued working for several years in the University of Milan's cosmetic research and development department researching cosmetic applications for raw materials used in different fields.

In 1990 he started developing formulations for Italian cosmetic brands mainly in the perfumery and pharmaceutical area and moved into contract manufacturing. In 1999 Biokosmes started developing and manufacturing medical devices, exporting within Europe. In 2002 Biokosmes passed its first FDA inspection and the export of products manufactured by it to the US started and continued growing from only its own internal resources. In 2004 Biokosmes moved into an industrial area and obtained ISO certification for cosmetic and medical devices as well as approval from the FDA for the move.

James Douglas Hunter, Chief Financial Officer (47)

James joined the Company in September 2013. Before joining Venture Life, James was finance director at Proximagen Group plc, an AIM traded biotechnology company. During his eight years at Proximagen, James was part of the management team that led Proximagen through an initial public offering and admission to AIM, undertook several company and product acquisitions, and oversaw the acquisition of Proximagen by Upsher-Smith Laboratories Inc. for £223 million in 2012.

Before Proximagen, James spent six years in the corporate finance team at Ernst & Young where he worked in mergers and acquisitions and corporate restructuring.

James has an MBA from Cranfield School of Management.

Dr. John Mark Lucas, *Director of New Product Development and IP (47)*

John joined the Company in September 2013, bringing over 15 years of experience in the biotechnology industry. Most recently, John held the position of Head of Patents, Biosimilars, at Boehringer Ingelheim Pharma GmbH & Co. KG. Before that, he was chief executive officer of Cizzle Biotechnology Limited. Before joining Cizzle Biotechnology Limited, he was general counsel and vice president of Intellectual Property at Silence Therapeutics plc where he was responsible for a wide range of legal and business matters and played a key role in the corporate transaction with Intradigm Corporation in 2009.

John has also held a number of other positions including vice president of Intellectual Property at Metabasis Therapeutics Inc., a biopharmaceutical company, and vice president, Intellectual Property at Transform Pharmaceuticals Inc., a company specialising in small molecule drug form and formulation. John holds a law degree from George Washington University and a PhD in molecular genetics from The Ohio State University. He also holds a MS in microbiology and a BEd from Ohio University. In addition to his graduate studies, John's scientific experience includes a post-doctoral fellowship in cancer research at the National Cancer Institute, National Institutes of Health in Maryland.

Non-Executive Directors

Dr Lynn Drummond, *Non-Executive Chair (54)*

Lynn has a strong track record within the life sciences sector, bringing over twenty years of management and advisory experience. Lynn spent 16 years at Rothschild in London most recently as a managing director within the investment banking division, with a particular focus on transactions within the healthcare sector. Prior to this she worked in the Cabinet Office in London as private secretary to the chief scientific advisor. Lynn is non-executive chairman of Infirst Healthcare Limited and also a non-executive director of Consort Medical plc, Allocate Software plc, Shield Holdings AG and its subsidiary Iron Therapeutic Holding AG.

Dr. Drummond holds a Bachelor of Science Degree in Chemistry from the University of Glasgow and a PhD in Biochemistry from the University of London. She is also a Fellow of the Royal Society of Chemistry and a Fellow of the Royal Society of Edinburgh.

John Richard Sylvester, *Non-Executive Director (50)*

John Sylvester joined BTG in January 2011 as the chief commercial officer for Interventional Medicine, following the £177 million acquisition of Biocompatibles plc. John joined Biocompatibles plc in 2005 and was appointed to the board in the same year. His career covers a series of senior commercial roles for Rio Tinto Zinc plc, ICI plc and English China Clays plc where he was managing director prior to the acquisition by Imetal for £756 million.

Prior to Biocompatibles plc John was with Baxter Healthcare working out of their European headquarters in Zurich where he was vice president marketing for their European Medication delivery business.

13. EMPLOYEES

The table below shows the average number of persons employed by the Group (including Biokosmes), including the executive Directors, during each of the financial years referred to below.

<i>Year ended 31 December</i>	<i>Full-time employees</i>
2010	57
2011	64
2012	71
2013	63

14. SHARE INCENTIVE SCHEMES

The Directors and Proposed Director believe that an important factor in the Company's success is its ability to motivate and retain its key employees. The structure of remuneration for the Directors, Proposed Director and senior management has been reviewed with a view to developing and implementing remuneration policies which both provide an appropriate motivational framework and align the interests of the senior management with the performance of the business and the interests of the Shareholders.

As part of this exercise, the Company has adopted an Enterprise Management Incentive Scheme and an Unapproved Share Option Scheme. Further details of the principal features of such schemes are set out in paragraph 4 of Part IX.

On the date of Admission, options in respect of a total of 3,792,440 Ordinary Shares (which will represent approximately 15.6 per cent. of the issued share capital immediately following Admission) have been granted to the Directors and Proposed Director. Details of these options are set out in paragraph 5 of Part IX.

15. INSURANCE

The Group maintains policies of insurance and against risks which the Directors and Proposed Director consider to be typical for businesses that are comparable to that of the Group.

16. CORPORATE GOVERNANCE

The Directors and Proposed Director acknowledge the importance of the principles set out in the Corporate Governance Code. Although the Corporate Governance Code is not compulsory for AIM quoted companies, the Directors and Proposed Director support high standards of corporate governance and, following Admission, intend to comply, so far as practicable and having regard to the size and nature of the Group's business, with the good governance guidelines set out in the Corporate Governance Code for Small and Mid-Size companies (published in May 2013 by the Quoted Companies Alliance) ("QCA guidelines").

The Board comprises a Non-Executive Chair, four Executive Directors and one further Non-Executive Director. In addition Gianluca Braguti will join the Board as an Executive Director shortly after Admission. The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. Arrangements will be made for information to be supplied to the Directors on a timely basis and designed to be in a form and of a quality to enable them to discharge their duties. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. Certain matters are reserved for consideration by the Board (with other matters delegated to Board committees).

The Board acknowledges that the term of Gianluca Braguti's office as Biokosmes' Managing Director lasts for five years from Admission without being voluntarily terminable on notice by Biokosmes. The Directors consider that the terms of his service agreement (which are described in paragraph 6.1 of Part IX) form an integral part of the Acquisition and the benefits of the Acquisition to the Group outweigh complete compliance with the Quoted Companies Alliance ("QCA") guidelines.

The Directors intend that the service contracts of other Executive Directors continue to comply with the QCA guidelines.

After Admission, Lynn Drummond and John Sylvester, Non-Executive Directors will be granted share options. The Board acknowledges that this could appear to affect their independence. However, based on the individual calibre, character and experience of these Non-Executive Directors and their financial independence from the Company, the Board still considers each of them to be independent in character and judgement.

The Board of Directors has a procedure through which the Directors are able to take independent advice in the furtherance of their responsibilities. The Directors have access to the advice and services of the Company Secretary.

Board Committees

The Company will, upon Admission, have Audit and Risk, Nomination and Remuneration Committees.

The Audit and Risk Committee will initially have John Sylvester as Chair whilst the Group seeks a third Non-Executive Director with the requisite financial experience to chair the Audit and Risk Committee on appointment. The committee has responsibility for considering all matters relating to financial controls and reporting, internal and external audits, the scope and results of the audits, the independence and objectivity of the auditors and keeping under review the effectiveness of the Company's internal controls and risk management. The Audit and Risk Committee will meet at least twice a year. Lynn Drummond will be the other member of the Audit and Risk Committee.

The Nomination Committee will have Lynn Drummond as Chair, and has responsibility for considering the size, structure and composition of the Board, and the retirement and appointment of Directors, and will make appropriate recommendations to the Board about these matters. The Nomination Committee will meet at least once a year. John Sylvester will be the other member of the Nomination Committee.

The Remuneration Committee will have John Sylvester as Chair, and has responsibility for making recommendations to the Board on the Company's policy for remuneration of senior executives, for reviewing the performance of Executive Directors and senior management and for determining, within agreed terms of reference, specific remuneration packages for each of the Executive Directors and members of senior management, including pensions rights, any compensation payments and the implementation of executive incentive schemes. Non-Executive Directors' fees will be determined by the full Board. The Remuneration Committee will meet at least once a year. Lynn Drummond will be the other member of the Remuneration Committee.

The Directors and Proposed Director understand the importance of complying with the AIM Rules relating to Directors' dealings and have established a share dealing code which is appropriate for an AIM quoted company.

Scientific Advisory Board ("SAB")

Strong scientific foundations are key to the development of the Group's products, and the Group actively works with relevant experts from the key therapeutic areas in which it is involved. The SAB is chaired by Dr John Lucas, and currently has three members, drawing upon other experts as required:

Dr Stefano Manfredini

Professor Manfredini is Professor of Medicinal Chemistry at the Faculty of Pharmacy of the University of Ferrara.

Professor Manfredini is the author of over 150 scientific publications and has worked on more than 10 patents. In 1995 he was awarded the "Giacomello" prize for research, awarded every two years by the Division of Medicinal Chemistry of the Italian Chemical Society.

His principal research topics relate to the study of nucleic acids and antioxidants, focussing on the study of novel inhibitors for the enzymatic processes involved in microbial replication and cell proliferation. These are conducted in collaboration with leading international research groups (University of Cagliari, University of Leuven, University of Montpellier, the Karolinska Institute, Novartis Research Institute and Glaxo-Wellcome – SKF).

Currently Professor Manfredini is the Coordinator of the PhD Programme in Pharmaceutical Sciences, co-director of the Master's Degree in Science and Technology of Cosmetic Products (COSMAST) as well as and vice director of the Department of Life Sciences and Biotechnology at the University of Ferrara. Between 1999 and 2013 he was director of the Department of Pharmaceutical Sciences of the University of Ferrara.

Professor Manfredini is also President of Ambrosialabs Srl, a company spun out of the University of Ferrara, where he is responsible for applied research in science of wellbeing. He also teaches at the Faculty of Pharmacy of the University of Ferrara on subjects including vitamins and cosmetics, cosmetic chemistry, chemistry of functional cosmetics, nutraceuticals, nutritional supplements, biotechnology and pharmaceutical technology.

Dr Vincenzo Politi

Dr Politi graduated in Chemistry at the University of Rome “La Sapienza”, and has an academic background in biochemistry and enzymology. He is also a postdoctoral fellow at University College London on peptides from natural sources.

He is the inventor of more than 25 original patent applications, related to pharmacological and clinical uses of indole-3-pyruvic acid, uridine and new classes of inhibitors of metalloproteinases.

In 2005 Dr Politi founded Polibiotech srl, located at the Science Park of the University of Rome “Tor Vergata”. Polibiotech is focused on the development of a new dry technology, AGS (Aerodynamic Granulation System), for formulation of drugs and nutraceuticals for oral use.

From May 1973 to August 2005 Dr Politi worked at Polifarma S.p.A., a pharmaceutical company located in Rome. He started in the Polifarma research laboratories working on the discovery of new drugs and their characterisation in biochemistry and pharmacology, and also managed the company’s research and development and licensing-out operations until the closure of the research and development department.

Professor John J Griffin

Professor Griffin has had a long and distinguished medical career and his early appointments include Professional Head of Medicines Division of the Medicines Control Agency, Medical Assessor to the Medicines Commission, Chairman of CPMP Working party on Safety Requirements and member of the Joint Formulary Committee of the British National Formulary.

Subsequent appointments include director of the Association of British Pharmaceutical Industries (ABPI), and member or chairman of a number of European Committees involved in the regulation and safety of medicines.

For 12 years Professor Griffin served on the board of the Faculty of Pharmaceutical Medicine at the Royal College of Physicians and in 2005 was awarded the Commemorative Medal for outstanding services to the Faculty.

As the author of more than 250 publications in the field of medicine and several textbooks Professor Griffin is also well known as the editor in chief of The Textbook of Pharmaceutical Medicine and through this and his many other professional activities Professor Griffin has played a key role in establishing the high standards of pharmaceutical medicine in the UK and elsewhere in Europe.

Anti-bribery and anti-corruption policy

The Group has an anti-corruption policy and a whistleblowing policy. Both of these policies are made available to Group employees in English and Italian. The Group has adopted systems and controls designed to support these policies and to be adequate procedures for the purposes of the Bribery Act. The Group is also in the process of implementing a compliance programme for the purpose of the Italian Legislative Decree 231/2001 for Biokosmes, but in the meantime these existing policies, systems and controls adopted pursuant to the UK applicable laws will apply. The Group is in the process of reinforcing its agreements with its distribution partners to emphasise their obligations to promote, market and sell the Group’s products in compliance with applicable anti-corruption laws as well as general legal requirements. The Group is also formalising to a greater extent its due diligence and procedures when appointing or renewing agreements with a distribution partner.

17. DIVIDEND POLICY AND FINANCIAL REPORTING

The Group has paid a modest dividend for its last two financial years. In the short term, the Directors and Proposed Director intend to continue the policy of paying a modest dividend to Shareholders and to re-invest the vast majority of its operating cash flows to promote the continued growth of the business. In the longer term, and having regard to the Group’s performance and future requirements, the Directors and Proposed Director intend to pursue a progressive dividend policy.

The Group’s financial year ends on 31 December. It is anticipated that its first preliminary results will be announced in April 2014 and that half year results for Venture Life will be announced during September each year. It is intended that the Group will hold its annual general meeting in May or June each year.

18. THE PLACING

The Placing comprises an offer of 4,954,579 new Ordinary Shares to be issued by the Company raising proceeds of approximately £4.2 million (net of commissions and charges).

The new Ordinary Shares will represent 20.4 per cent. of the Company's issued ordinary share capital immediately following the Admission. The new Ordinary Shares will be issued fully paid and rank *pari passu* in all respects with the Existing Ordinary Shares, as regards the right to receive all dividends and distributions declared, paid or made after the date of this document.

The Placing is being made by means of an offer of the Placing Shares to certain institutional investors in the United Kingdom and elsewhere outside the United States in one or more "offshore transactions" within the meaning of and in reliance on Regulation S.

The Placing is conditional, amongst other matters, on the Placing Agreement becoming unconditional in all respects and Admission occurring not later than 8.00 a.m. on 28 March 2014 (or such later time and/or date as Charles Stanley and the Company may agree, but not being later than 8.00 a.m. on 28 April 2014), save in respect of the EIS Placing Shares.

The EIS Placing Shares will be issued to Placees regardless of whether Admission occurs.

Under the terms of the Placing Agreement, Charles Stanley has agreed, subject to the fulfilment of certain conditions, to use reasonable endeavours to procure purchasers for the Placing Shares at the Placing Price.

Allocations under the Placing will be determined by Charles Stanley following consultation with the Company.

Further details of the Placing Agreement are set out in paragraph 10.3 of Part IX.

19. VCT AND EIS ELIGIBILITY

The Company has applied for and obtained, based on information supplied, advance assurance from HMRC that the Placing Shares placed with VCTs are expected to constitute a qualifying holding for such VCTs. HMRC has also confirmed that the Placing Shares should satisfy the requirements for tax reliefs under the EIS. Eligibility is also dependent on a Shareholder's own position and not just that of the Company. Accordingly, investors should take their own independent advice and they are referred in particular to Part IX.

The Company cannot guarantee to conduct its activities in such a way as to maintain its status as a qualifying EIS or VCT investment but the Directors intend, as far as possible, to do so.

Information regarding taxation is set out in paragraph 8 of Part IX. These details are intended only as a general guide to the current tax position in the UK. If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.

20. LOCK-UP AND ORDERLY MARKET ARRANGEMENTS

The Company and Charles Stanley have entered into lock-up and orderly marketing deeds dated 24 March 2014 with certain Directors and the Proposed Director (the "Lock-up Parties") pursuant to which the Lock-up Parties have undertaken, subject to certain limited exceptions, including a sale in the event of an offer for all the Ordinary Shares in the Company, not to dispose of any of the Ordinary Shares which they hold, or have an interest in, immediately following Admission for a period of 12 months following Admission (the "Lock-up Period").

For the period of 12 months after the expiry of the Lock-up Period, the Lock-up Parties are obliged to sell Ordinary Shares held immediately following Admission through WG Partners.

21. ADMISSION, SETTLEMENT AND CREST

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 28 March 2014.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST).

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

22. RISK FACTORS

Your attention is drawn to the risk factors set out in Part II and to the section entitled "Forward Looking Statements" on page 3. In addition to all other information set out in this document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

23. TAXATION

Your attention is drawn to the taxation information set out in paragraph 8 of Part IX.

24. FURTHER INFORMATION

Your attention is drawn to the further information set out in Parts II to IX, including the risk factors set out in Part II. You are advised to read the whole of this document.

PART II

RISK FACTORS

An investment in Ordinary Shares may be subject to a number of risks. Accordingly, before deciding whether to invest in the Ordinary Shares, prospective investors should carefully consider the risks described below together with all the other information contained in this document. If any of the following risks actually occur, the Company's business, financial condition, prospects and share price could be materially and adversely affected to the detriment of the Group and its Shareholders and investors may lose all or any part of their investment. Additional risks and uncertainties, not presently known to the Directors or the Proposed Director, or which the Directors or the Proposed Director currently deem immaterial, may also have a material adverse effect on the Group if they materialise. The Directors and the Proposed Director consider the following risks to be material for potential investors.

1. RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

1.1 Dependence on third parties

The Group relies extensively on third parties for many of its activities, including manufacturing, logistics, distribution and sales of its products. The Group is therefore at risk of under-performance by third parties, exploitation by third parties of the Group's commercial dependence and by unforeseen interruptions to third parties' businesses. Although the existence of several alternative suppliers for each function mitigates the risks associated with this dependence, as does the availability of commercial insurance in respect of the impact of accidental events, the failure of a third party properly to carry out their contractual duties or regulatory obligations would be disruptive to the Group's business. Further, any action taken by a third party that is detrimental to the Group's reputation could have a negative impact on the Group's ability to register its trademarks and/or market and sell its products.

1.2 Reliance on intellectual property rights

The ability of the Group's products to compete effectively with those developed by other companies will depend, amongst other things, on the Group's ability to register, maintain and enforce valid trademarks and use these trademarks without infringement by third parties. In some cases, the Group relies on trade secrets, patent applications (if/when leading to granted patents) and other proprietary rights. The commercial success of the Group's products depends to a degree on being able to register, maintain, use and enforce certain trademarks. There can be no assurance that these trademarks will not be challenged and, if challenged, that the trademark would not be found invalid.

The commercial success of the Group's products may also depend on (if ever so entitled) third parties not claiming that the Group infringes their trademark rights. If such a third party is successful in enforcing its trademark, the Group, or its distributors, may need to abstain from using a trademark (all together or for certain goods and services), obtain an alternative trademark or reach commercial terms on the in-licensing of such third parties' intellectual property rights. There can be no assurance that the Group, or its distributors, will be able to agree not to use the trade mark for certain goods or services, obtain such alternative mark or be able to licence, on commercially acceptable terms or at all, such intellectual property rights. Further, marketing the Group's products under multiple marks could cause commercial confusion for consumers and impact sales of such products, and therefore the Group's revenue.

To develop and maintain its competitive position, the Group also relies on unpatented trade secrets and improvements, unpatented confidential know-how and continuing technological innovation. The trade secrets and confidential know-how represent the practical knowledge base the Group has acquired about its products. Trade secrets and know-how can only be protected by keeping the information secret and confidential. The Group seeks to achieve this with security measures it considers to be reasonable, including confidentiality agreements with its manufacturers, distributors and employees. The Group may not have adequate remedies if these agreements are breached and the Group's competitors may reverse-engineer or independently develop any such information.

The Group does not currently hold any granted patents, and therefore no assurance can be given that any of its patent applications will proceed to grant or that any granted patents will be enforceable and, if enforceable, will be sufficiently broad in their scope to provide commercially valuable protection for the

Group's product in question. There can also be no assurance that the patent applications and the patents (if granted) will not be challenged by a third party and if challenged the relevant patent application may not be successful or the relevant patent may be found invalid. Where a significant amount of time is expended in identifying and developing a product after a patent application has been filed, the period of exclusivity afforded to any marketed product by any resulting patent will be reduced. Further, the Group may not be granted patents in all countries where its products are marketed or intends its products to be marketed. Even if the Group is able to secure enforceable, commercially valuable intellectual property protection, the costs associated with enforcement against a third party infringing the Group's rights or challenging third party patents may be disproportionate and substantial, and the outcome of any associated litigation may be uncertain.

The commercial success of some of the Group's products will also depend upon non-infringement of patents granted to third parties who may have filed applications or who have obtained, or may obtain, patents which might inhibit the Group's ability to develop and exploit its own products. As patent applications are not normally published until 18 months after the date of priority applications (or in the case of the United States, until grant) the Group cannot be certain that it was the first to make the innovation covered by each pending application. If this is the case, the Group may need to obtain alternative technology or reach commercial terms on the licensing of other parties' intellectual property rights. There can be no assurance that the Group will be able to obtain such alternative technology or be able to licence, on commercially acceptable terms or at all, such intellectual property rights.

Third parties may allege infringement by the Group of their intellectual property. Even if the Group is ultimately able to defend itself successfully against such allegations, the costs associated with such defence may be significant and the Group may suffer a long period of uncertainty about the outcome of those allegations.

Any unfavourable outcome in any proceedings concerning the infringement or validity of the Group's intellectual property, or the infringement by the Group of a third party's intellectual property, could have a materially adverse impact on the Group's financial and other resources, and could result in a material limitation of the Group's intellectual property rights and activities.

In addition, the Group has in-licensed and acquired intellectual property rights from third parties. There can be no assurance that such intellectual property rights are, or will be, free from the rights and interests of further third parties and that such further third parties will not challenge the Group's rights to such intellectual property. Where registered intellectual property rights are licensed to, but not maintained by, the Group there can be no assurance that the licensor will adequately maintain and protect the underlying intellectual property rights in which the Group has an interest.

1.3 Innovation and development

The Group must develop functional products that address specific market needs. It must therefore engage in new product identification and development activities, which may not produce innovative, commercially viable results in a timely manner or at all. In addition, the Group may not be able to develop new technologies or identify specific market needs that are addressable by its technologies, or technologies available to it. The Group's ability to develop any new technologies depends, in part, on its ability to identify and retain a sufficient number of appropriately qualified staff, and to engage appropriate third parties, particularly as its business grows. New technologies will also likely be subject to additional and regulatory requirements, some of which may be difficult to anticipate at present.

Nor can there be any assurance that the Group will continue to be able to license such intellectual property rights on commercial terms.

Whilst basic checks are conducted periodically, detailed freedom to operate searches are not routinely conducted by the Group in respect of its products.

1.4 Commercial success not guaranteed

There can be no assurance that any of the Group's products currently in development will be successfully developed into any commercially viable product or products, meet applicable regulatory standards and/or be manufactured in commercial quantities at an acceptable cost or be marketed successfully and profitably. If the Group, or its partners, encounters delays at any stage of development, and fails successfully to address such delays, it may have a material adverse effect on the Group's business, financial condition and prospects.

In addition, the Group's success will depend on the market's acceptance of its products and there can be no guarantee that this acceptance will be forthcoming or that the Group's technologies will succeed as an alternative to competing products. The development of a market for the Group's products is affected by many factors, some of which are beyond the Group's control, including the emergence of newer, more effective technologies and products and the cost of the Group's products themselves, including the availability of products for which state healthcare reimbursement is available. Notwithstanding the technical merits of a product developed by the Group, there can be no guarantee that the customer base of the Group's distributors for the product will purchase or continue to purchase the product. If a market fails to develop or develops more slowly than anticipated, the Group may be unable to recover the costs it may have incurred in the development of particular products and may never achieve profitable revenues from that product. In addition, the Directors and Proposed Director cannot guarantee that the Group will continue to identify, develop, manufacture or market its products if market conditions do not support the continuation of such product.

1.5 Dependence on a limited number of customers

A significant proportion of Biokosmes' revenue, which in turn represents the majority of the Group's current revenue, is derived from a relatively small number of customers, although Biokosmes' top five customers have varied over the last three financial years. The percentage of Biokosmes' total revenue generated by its top five customers in the years ended 31 December 2010, 2011 and 2012 was 60 per cent., 56 per cent. and 48 per cent., respectively. The loss of any customer or group of customers who represent a significant proportion of Biokosmes' revenue could have a negative impact on the Group's operating results and cash flow.

1.6 Reliance on distribution arrangements

The Group does not have its own direct sales force and relies on arrangements with distribution partners to market and sell the Group's products. The Group's distribution agreements grant its partners the exclusive right to acquire, sell and promote particular products in specific territories. In addition, distributors for products outside of the European Union are required to obtain any regulatory approvals required for the sale of the Group's products in the distributors' names, rather than in the Group's name. As a result, the Group has very limited control over the regulatory approvals for its products for sale outside the European Union. If any such approval is not obtained, improperly obtained or not maintained, the Group would not be able to take rectifying action and would therefore be unable to arrange the sale of that product in the relevant territory or territories.

In addition, generally, under these agreements, partners are not required to notify the Group of any threat or challenge to the Group's IP rights or if the partner becomes aware that the Group's products infringe a third party's IP rights. Further, under its distribution agreements, the Group has not reserved the right to control IP infringement proceedings brought against a partner. As a result, the Group's IP rights could be threatened or diminished, or the Group could become subject to liability, without its knowledge and without being able to challenge any claims against the Group or its products.

Finally, under certain jurisdictions' IP laws, a partner may claim that it had accrued unregistered rights in the Group's trademarks as a result of its use of such trademarks. Were any of the Group's distribution agreements to terminate, the partner could therefore attempt to impede the ability of a new partner from registering or using the Group's trademarks in the relevant jurisdiction(s) by asserting its prior unregistered rights. Whilst the Group has some general rights under the distribution agreement on which it may be able to rely, the Group could have difficulty entering or be unable to enter into new distribution arrangements for such jurisdictions using these trademarks. The Group is in the process of updating its standard distribution agreements more generally.

1.7 Distribution partners' failure to meet minimum purchase requirements

The Group's distribution agreements generally give market exclusivity to its distribution partners for a period of 10 years. Whilst such agreements impose minimum annual purchase obligations, if any of the Group's partners fails to meet its minimum purchase obligations, the Group's expected revenues and profits could be negatively affected. Such negative impact would continue until either the partner is able to meet its minimum purchase obligations or until the Group is able to find an alternative commercial partner for that market. There can be no assurance that the Group would be able to find a suitable alternative commercial partner.

1.8 Failure to meet licence and supply agreement requirements

The Group has been granted exclusive and non-exclusive licences to use certain third parties' trademarks and to use, produce and/or distribute their products for the purposes of commercialising such products. Under the related licence and supply agreements, if the Group fails to purchase specified volumes of products or fails to successfully commercialise and market the products, the Group could lose its exclusivity or the licensor may terminate the agreement. Were any such agreement to be terminated, the Group would be unable to use any relevant trademarks or products, and would have limited recourse against the licensor.

1.9 Exposure to product liability claims

The Group's business exposes it to potential product liability or recall risks. There can be no assurance that future necessary insurance cover will be available to the Group at an acceptable cost, if at all, or that, in the event of any claim, the level of insurance carried by the Group now or in the future will be adequate or that any product liability, recall or other claim would not materially and adversely affect the business, its reputation or brands.

1.10 Market perceptions and negative publicity

The Group is and will be highly dependent upon market perceptions of the Company, its brands and the safety and quality of the products. The Group's businesses could be adversely affected if it or its brands are subject to negative publicity. The Group could also be adversely affected if any of its products or any similar products distributed by other companies prove to be, or are asserted to be, harmful to consumers. Any adverse publicity associated with illness or other adverse effects resulting from consumers' use or misuse of the Group's products or any similar products distributed by other companies could have a material adverse impact on the Group's results of operations.

1.11 Regulatory approvals

The Group's products are primarily approved for use as functional cosmetics, food supplements and Class I medical devices that require pre-market notification, but not pre-market authorisation or approval by the relevant authorities in the relevant jurisdictions. If the Group does not comply with the regulatory requirements for these products, the products may be recalled and damage incurred to the relevant brand and/or the Group affecting the Group's revenues.

Whilst the Group analyses the classification of its product and is confident that the current classifications are correct, occasionally different countries classify products differently or products may be reclassified (e.g. due to a change in the law). If a product is classified as a medicine in a country, whether due to the claims, effects or other factors relating to the products, the Group will need to comply with that jurisdiction's approval process for medicinal products. In the EU, US and Japan, these processes are complex, costly and time consuming. The classification of a product as a medicine may therefore be costly and delay the launch of a product.

1.12 Compliance with regulatory regimes

Numerous regulations govern the manufacturing, safety, labelling, storage, and marketing of the Group's products, impacting the authorisation of a new product and the manufacturing processes for new and existing products. In particular, the international speciality pharmaceutical industry and medical device industries are highly regulated by numerous governmental authorities in Europe and the US, and by regulatory agencies in other countries where the Group intends to sell, through distributors, its products. National regulatory authorities administer a wide range of laws and regulations governing the testing, approval, manufacturing, labelling and marketing of devices and also review the quality, safety and effectiveness of devices.

The process of meeting the requirements of all applicable regulation is time consuming and expensive and the applicable requirements vary widely from country to country. If an applicable regulatory authority changes its regulatory policy or adopts additional regulations during product development, the Group and its commercial partners could face increased costs and significant development delays before they would be able to sell the Group's products. Such changes to regulation and the regulatory environment could therefore materially impact the Group's ability to bring new or maintain existing products on the market or could materially impact the Group's profitability and cash flow. Further, should the Group expand its sales and marketing to new jurisdictions, it could face increased costs associated with compliance with the relevant new regulatory regimes.

1.13 Maintenance of products' regulatory status

The Group relies on regulatory expertise to ensure products meet regulatory requirements and to monitor changes in legislation to help ensure that it is aware of any likely reclassification of its products and that it continues to comply with any new or modified requirements. However, there can be no assurance that products will continue to meet regulatory requirements if these change from the original regulatory approval basis or that a product will not be reclassified giving rise to the risks described in risk factor 1.12.

1.14 Environmental and safety regulation

Biokosmes is and will be subject to environmental and safety laws and regulations, including those governing sanitation, disposal of waste water and the use of hazardous materials. The cost of compliance with these and similar future regulations could be substantial. Although the Directors and Proposed Director believe that the Group's procedures comply with applicable regulations, the Group cannot eliminate the risk of accidental contamination or injury from such materials. In the event of an incident, the resulting liabilities could have an adverse impact on the Group.

1.15 Competition

The Group operates in a highly competitive industry. Its competitors have and will continue to develop and sell products that directly compete with the Group's products, thus reducing or eliminating the Group's potential revenues from its products. In addition, competitors may offer products of similar quality below the price level at which the Group can make an appropriate return. Some of the Group's competitors have greater resources and may be able to respond more effectively to changing business and economic conditions. Most of the Group's products compete with other widely advertised brands within each product segment. Competition in the Group's industry is based on pricing of products, quality of products and packaging, perceived value and quality of brands, innovation, in-store presence and visibility, promotional activities, advertising, editorials, e-commerce and mobile-commerce initiatives and other activities. The Group cannot predict the timing and scale of its competitors' actions in these areas or whether new competitors will emerge, including those who offer comparable products at more attractive prices. In addition, further technological breakthroughs, new product offerings by competitors, and the strength and success of competitors' marketing programs may impede the Group's growth and the implementation of its business strategy. If the Group is unable to continue to compete effectively on a global basis, it could have an adverse impact on the Group's business, results of operations and financial condition.

1.16 Market trends and consumer preferences

The Group's continued success depends on its ability to anticipate, gauge and react in a timely and cost-effective manner to industry trends and changes in consumer preferences for its products. The Group must continually work to produce and market new products, maintain and enhance the recognition of its brands, achieve a favourable mix of products and refine its approach as to how and where it markets and sells its products through its distributors. Net revenues and margins on cosmetics tend to decline as they advance in their life cycles, so the Group's net revenues and margins could suffer if it does not successfully and continuously develop new products. Due to the increasing use of social and digital media by consumers and the speed by which information and opinions are shared, trends and tastes may continue to change even more quickly. If the Group is unable to anticipate and respond to trends in the market for its products and changing consumer demands, its financial results may suffer.

1.17 Information technology disruption

The Group relies on its information technology systems for the day-to-day management of its business, and to maintain its regulatory and commercial standing. Such information technology systems may require supplement, modification or upgrade. There can be no assurance that any upgrade will be completed within reasonable timescales or within budget or that any new system, once installed will conform to specification or have the functionality which the Group is anticipating. Any failure of its information technology systems, disruption in or cessation of availability, inability to access data, privacy breach or loss or corruption of data may each have a negative impact on the Group's business, cash flow, continued regulatory compliance and reputation, and may in some circumstances lead to a claim for damages.

1.18 Dependence on key executives and personnel

The Group's success and its business strategy are dependent on its ability to retain and attract key management with the relevant expertise and experience. In a period of high growth, the loss of the services of one or more members of the management group or the inability to recruit and effectively integrate

additional personnel as needed could have an adverse effect on the Group's business, financial condition and results.

1.19 Ability to achieve business strategy

The Group's future growth, profitability and cash flows depend on its ability to successfully implement its business strategy, which is dependent on a number of factors, including its ability to:

- develop its portfolio through branding, innovation and execution;
- identify and incubate new and existing products with the potential to be marketed globally;
- innovate and develop new products that are appealing to the Group's target consumers;
- acquire or enter into new licenses;
- expand its geographic presence to take advantage of opportunities in developed and emerging markets;
- continue to expand its network of distribution partners to increase market presence, brand recognition and sales;
- expand margins through sales growth, the development of higher margin products and supply chain integration and efficiency initiatives;
- effectively manage capital investments and working capital to improve the generation of cash flow; and
- execute any acquisitions quickly and efficiently and integrate businesses successfully.

There can be no assurance that the Group will successfully achieve any or all of the above initiatives in the manner or time period that it expects. Further, achieving these objectives will require investments which may result in short-term costs without generating any current net revenue and, therefore, may be dilutive to the Group's earnings, at least in the short term. In addition, the Group may decide to divest or discontinue certain products or streamline operations and incur other costs or special charges in doing so. The Group cannot give any assurance that it will realise, in full or in part, the anticipated strategic benefits it expects its strategy will achieve. The failure to realise those benefits could have a material adverse effect on the Group's business, financial condition and results of operations.

1.20 Integration and success of future acquisitions

Acquisitions of products are a part of the Group's growth strategy. There can be no assurance that in the future the Group will be able to source appropriate product acquisitions.

Following completion of the Acquisition, the Group may enter into acquisition agreements, joint ventures or strategic alliances in the future, which may require the Group to make potentially dilutive issuances of Ordinary Shares or the Group to incur debt, or both. The allocation of the price paid to acquire a business or product usually leads to the revaluation of its existing assets, as well as the identification and recognition of new intangible assets, which result in additional amortisation expenses or in the subsequent years, in charges related to the impairment of redundant or overvalued assets. Furthermore, acquisitions and joint ventures may also result in costly and disruptive restructurings. These events may have, a material effect on the Group's operating performance and financial situation.

Acquisitions involve numerous other risks relating to integration, including the failure to achieve the expected benefits and synergies, the diversion of management's attention from other business concerns and the loss of key employees. Joint ventures present the risk of conflicts of interest or strategy. Joint venture partners may also be unable to fulfil their obligations under the joint venture agreement or experience financial and other difficulties. If the Group is unable to manage all of these risks efficiently, it may be forced to incur extraordinary expenses or charges which may have an adverse effect on its financial situation.

1.21 Exchange rate fluctuations

The Group has operations in the United Kingdom and, following completion of the Acquisition, Italy. The Group presents its consolidated financial statements in Sterling and the Ordinary Shares will be quoted on AIM in Sterling. However, a significant proportion of the Group's revenue will be generated in euro and, therefore, it will be exposed to risks associated with changes in foreign currency exchange rates. Although exchange rate risk is mitigated to some extent by the Group's cost of goods being purchased in euro,

movements in exchange rates to translate foreign currencies, in particular the euro, into Sterling may have significant impact on the Group's results of operations, financial position and cash flow from year to year.

1.22 Anti-bribery and anti-corruption compliance

The Group is subject to strict anti-corruption and anti-bribery legislation in the United Kingdom, Italy and elsewhere. The Group has only recently established a programme for compliance with anti-corruption and anti-bribery legislation, and there can be no assurance that individual breaches will be prevented or detected in every instance. In addition, it is possible the breaches of relevant legislation that had occurred prior to the implementation of the Group's anti-corruption policy may be discovered in the future and could result in criminal sanctions being imposed on the Group. Should any prior breach be discovered, or if any breach occurs in the future, the Group may be subject to investigative or enforcement action or legal claims, and may incur fines, damages, costs, expenses or legal fees, which could have a material adverse effect on the Group's business, revenue, results of operations, financial condition or prospects.

1.23 Taxation

Any change in the Group's tax status or in taxation legislation could affect post tax returns to Shareholders and the Group's ability to provide returns to Shareholders. Statements in this document concerning the taxation of holders of Ordinary Shares are based on current UK tax law and practice, which is subject to change. The taxation of an investment in the Group depends on the individual circumstances of investors.

1.24 VCT and EIS eligibility

The EIS Placing Shares are to be issued to Placees regardless of whether Admission occurs. Consequently, in the event Admission does not occur, Placees subscribing for EIS Placing Shares may result in holding shares in a company that is unable to publicly trade its shares on the London Stock Exchange. The Company has received advance assurance from HM Revenue & Customs that it is a qualifying company for investment by VCTs and its shares should be eligible for investment under EIS. The Company, the Directors and the Proposed Director do not give any warranties or undertakings that the Company will remain a qualifying holding for investment by VCTs or under the EIS. Additional information on the VCT and EIS qualifying status is included in paragraph 19 of Part I. Circumstances may arise where the Directors and the Proposed Director believe that the interests of the Company are not best served by acting in a way that preserves VCT or EIS qualifying status and the Company cannot undertake to conduct its activities in a way designed to secure or preserve such qualifying status.

If the Company does not employ the proceeds of a VCT share issue for qualifying purposes within 24 months, the funds invested by the VCT would be apportioned pro rata and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holdings. The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company. If the Company does not employ the whole of the proceeds from EIS investors within 24 months, EIS tax relief will be withdrawn.

If the Company ceases to carry on the business outlined in this document or acquires or commences a business which is not insubstantial to the Company's activities and which is a non-qualifying trade for under the VCT or EIS legislation, this could prejudice the qualifying status of the Company (as referred to above) under the VCT and EIS Schemes. This situation will be monitored by the Directors and Proposed Director with a view to preserving the Company's qualifying status but this cannot be guaranteed.

Any company receiving aid through any Government State aid scheme, that would include from VCTs and under the EIS, individually or combined, that amounts to a value above the investment limit currently shown at section 292A(1) of the Income Tax Act 2007 (£5 million per annum) is at risk of the European Commission deeming the aid to be illegal, and bears the risk of sanctions imposed by the European Commission to recover that aid.

1.25 Economic conditions and current economic weakness

Any economic downturn either globally, regionally or locally in any country in which the Group operates may have an adverse effect on the demand for the Group's products. A more prolonged economic downturn may lead to an overall decline in the Group's sales, limiting the Group's ability to generate a profit and positive cash flow. The markets in which the Group offers its products are directly affected by many national and

international factors that are beyond the Group's control, such as political, economic, currency, social and other factors.

1.26 Legislation and compliance

This document has been prepared on the basis of current legislation, rules and practice and the Directors' and Proposed Director's interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any such change may have an adverse effect on the Group's business, revenue, results of operations, financial condition or prospects.

2. RISKS RELATING TO THE ACQUISITION

2.1 Completion is subject to a number of conditions which may not be satisfied or waived

Completion of the Acquisition is subject to the satisfaction (or waiver, where applicable) of a number of conditions, i.e. Admission taking place by 31 December 2014, the Vendors receiving at least €6 million (in the form of cash or cash proceeds or the Vendor Loan Note) and the Placing Agreement being entered into and becoming effective. Each party also has a number of termination rights under the Acquisition Agreement, including in the event of a material adverse change in the financial condition of the Company or Biokosmes, as applicable.

2.2 Integration challenges

The Group may encounter numerous integration challenges as a consequence of the Acquisition, including challenges which are not currently foreseeable. During the integration process, the Group's management and resources may be diverted away from the core business activities due to people being required to assist in the integration process. Furthermore, the Group may not be able to retain personnel with the appropriate skill set for the tasks associated with the integration programme. This integration process may take longer than expected, or difficulties relating to the integration, of which the Directors and Proposed Director are not yet aware, may arise. These difficulties may include the discovery of potential liabilities arising from Biokosmes' prior business activities and contractual commitments which were not apparent to the Group from its legal, commercial and financial due diligence. This could adversely affect the implementation of the Directors' and Proposed Director's plans for the Group which may adversely affect its business or financial condition.

2.3 Vendor Loan Note

If the Company does not repay the Vendor Loan Note in full when due, the Vendors have (as described in paragraph 10.2 of Part IX) an option to acquire between 51 per cent. and 100 per cent. of the equity capital of Biokosmes at a price, and which may significantly be below its full market value at the time.

The exercise of the option could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The option is not exercisable once the Vendor Loan Note has been repaid in full and the repurchase price which gives the Company a significant economic incentive to repay the Vendor Loan Note through the placing(s) of Consideration Shares and/or the use of available cash resources, including from earnings generated by the Group. Assuming the Vendor Loan Note does not become repayable early, the option would not be exercisable before July 2016 (or the earlier of publication of the Company's annual report and accounts for the year ended 31 December 2015).

3. RISKS RELATING TO THE ORDINARY SHARES

3.1 No prior market

Before Admission, there has been no market for the Ordinary Shares. The Placing Price has been agreed between the Company and Placees and may not be indicative of the market price for the Ordinary Shares following Admission. Although the Company has applied for the Ordinary Shares to be admitted to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop or, if developed, that it will be maintained following Admission, or that the Placing Price will not decline below the share price at Admission. If an active trading market is not developed or maintained, the liquidity and market price of the Ordinary Shares could be adversely affected.

3.2 Suitability of the Placing Shares as an investment

The Placing Shares may not be a suitable investment for all prospective investors. Before making an investment decision, prospective investors should consult an appropriate authorised independent adviser. There is a risk that the value of the Ordinary Shares will fluctuate and that Shareholders may receive less than their original investment.

Further, if the Company enters administration, the Shareholders will rank behind any other creditors of the Company and therefore any return for Shareholders will depend on whether the Company has sufficient assets to meet the prior entitlements of other creditors.

3.3 The Ordinary Shares will not be admitted to the Official List and the Company's share price may be volatile

The Ordinary Shares will be traded on AIM and will not be admitted to the Official List or admitted to trading on the London Stock Exchange's main market for listed securities. The Company currently has no plans to apply for listing of the Ordinary Shares on any securities market. The rules of AIM are less demanding than those of the Official List and an investment in Ordinary Shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in Ordinary Shares on AIM may have limited liquidity, making it more difficult for an investor to realise its investment than might be the case in respect of an investment in shares which are quoted on the London Stock Exchange's main market for listed securities. Investors should therefore be aware that the market price of the Ordinary Shares may be more volatile than the market prices of shares quoted on the London Stock Exchange's main market for listed securities and may not reflect the underlying value of the net assets of the Company. For these and other reasons, investors may not be able to sell at a price which permits them to recover their original investment.

3.4 The Company's ability to pay dividends in the future is not certain

Under the Company's Articles, it may only pay dividends out of distributable reserves. Although the Company has paid dividends in the past, there can be no assurance that the Company will have sufficient distributable reserves to pay dividends in accordance with its stated dividend policy. See paragraph 13 of Part I.

3.5 Further issuances of Ordinary Shares may be dilutive

As described in paragraph 10.2 of Part IX, the Company may arrange placing(s) of up to 1,393,207 Consideration Shares to fund repayment of some or all of the Vendor Loan Note or in certain circumstances the Vendors can require the conversion of the Vendor Loan Note into up to 1,393,207 Consideration Shares, in each case depending on the amount of the Vendor Loan Note outstanding. Any such placing(s) or conversion will dilute the proportionate ownership and voting interests in the Company but will reduce the amount owing by the Company under the Vendor Loan Note.

The Company may decide to offer additional shares in the future for capital raising or other purposes. Shareholders who do not take up or who are not eligible to take up such an offer will find their proportionate ownership and voting interests in the Company to be reduced. An additional offering could also have a material adverse effect on the market price of the Ordinary Shares as a whole.

PART III

THE PLACING

1. Terms and conditions of the Placing

The Placing comprises an offer by the Company of 4,954,579 new Ordinary Shares to raise gross proceeds of approximately £5.4 million. The new Ordinary Shares will represent 20.4 per cent. of the Enlarged Share Capital of the Company immediately following Admission.

On Admission, at the Placing Price, the Company will have a market capitalisation of approximately £26.4 million. The Placing is not underwritten.

The Placing is conditional upon:

- (i) the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission; and
- (ii) Admission becoming effective not later than 8.00 a.m. on 28 March 2014 (or such later time and/or date as Charles Stanley and the Company may agree in writing, being not later than 28 April 2014), save in respect of the EIS Placing Shares.

The EIS Placing Shares will be issued to Placees regardless of whether Admission occurs.

The Company has received advance assurance from HMRC that the new shares to be issued under the Placing will be eligible shares under the EIS legislation and will form qualifying holdings under the VCT legislation and that its proposed activities would be regarded as a qualifying activity for these purposes. HMRC has confirmed that EIS relief should be available after the issue of relevant certificates and upon a claim being made by a qualifying individual.

Pursuant to the Placing Agreement (which is described more fully in paragraph 10.3 of Part IX, Charles Stanley has agreed, subject to the fulfilment of certain conditions, to use reasonable endeavours to procure purchasers for the Placing Shares at the Placing Price.

2. Plan of distribution and allotment

Placees are required to remit their subscription monies to Charles Stanley by 8.00 a.m. on 28 March 2014. Subscription monies will be held by Charles Stanley pending Admission. It is anticipated that CREST accounts will be credited on the date of Admission and that definitive share certificates for the Ordinary Shares will be despatched to Placees by 4 April 2014.

3. Admission to trading and dealing arrangements

Application has been made for Admission in respect of the Ordinary Shares. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 28 March 2014.

No application is being made for the Ordinary Shares to be admitted to listing on the Official List of the London Stock Exchange or to be dealt in on any other exchange.

4. Lock-up and orderly market arrangements

Immediately following Admission, the Directors and Proposed Director will hold, in aggregate, 6,677,595 Ordinary Shares representing approximately 27.5 per cent. of the Enlarged Share Capital of the Company. The Company and Charles Stanley have entered into lock-up and orderly market deeds with certain Directors and the Proposed Director (the "Lock-up Parties") pursuant to which the Lock-up Parties have undertaken not to sell, transfer or dispose of any Ordinary Shares held by them, or in which they have an interest at Admission for a period of 12 months following Admission (the "Lock-Up Period"). These restrictions are subject to certain customary exceptions, including any sale or disposal following a general offer for the Company. Further orderly marketing arrangements apply for 12 months following the Lock-Up Period pursuant to which the Lock-up Parties are obliged to sell and Ordinary Shares through WG Partners.

5. Dilution

The number of Ordinary Shares in issue immediately following Admission (on a fully diluted basis) will be 28,056,581. On a fully diluted basis the Placing Shares will, upon Admission, represent 17.7 per cent. of the Enlarged Share Capital of the Company.

All Ordinary Shares issued pursuant to the Placing will be issued at the Placing Price. Allocation of the Ordinary Shares under the Placing will be determined by Charles Stanley after indications of interest from prospective investors have been received and after consulting the Company.

6. CREST

CREST is a paperless settlement system enabling securities to be transferred from one person's CREST account to another without the need for written instruments of transfer. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. An investor applying for Ordinary Shares in the Placing may, however, elect to receive Ordinary Shares in uncertificated form if such investor is a system-member (as defined in the Regulations) in relation to CREST.

7. Selling Restrictions

7.1 General

This document does not constitute an offer to sell, or the solicitation of an offer to purchase, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

Persons into whose possession this document comes should inform themselves about, and observe, any restrictions and legal or regulatory requirements in relation to the distribution of this document and their participation in the Placing. Any failure to comply with these requirements may constitute a violation of the laws of the relevant jurisdictions. The Ordinary Shares have not been and will not be registered under the laws of Australia, Canada, Japan or the United States. Accordingly, the Ordinary Shares may not be offered, sold or delivered in or into Australia, Canada, Japan or the United States unless offered, sold or delivered in accordance with an exemption from such registration.

7.2 European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Ordinary Shares may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during its last financial year; (2) a total balance sheet of more than €43,000,000, and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Charles Stanley for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Ordinary Shares shall result in a requirement for the publication by the Company or Charles Stanley of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as that expression may be varied in that Member State by any

measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2013/71/EC and includes any relevant implementing measure in each Relevant Member State.

7.3 United States

The Ordinary Shares have not been approved or disapproved by the SEC, any State Securities Commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed on or endorsed the merits of the offer or the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

This document does not constitute an offer of, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for publication or distribution in the United States. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “US Securities Act”), or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold or otherwise transferred, directly or indirectly, in or into the United States or for the account or benefit of citizens or residents of the United States, subject to certain exceptions determined by the Company in its sole discretion and pursuant to the applicable laws.

7.4 Canada, Australia and Japan

The relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of Canada, no document in relation to the Placing has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission, and no registration statement has been, or will be, filed with the Japanese Financial Services Agency in relation to the Placing or the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, Australia or Japan or offered or sold to a resident of Canada, Australia or Japan.

This document does not constitute a disclosure document under Chapter 6D of the Australian Corporations Act 2001 (“Corporations Act”) or a product disclosure statement under Chapter 7 of the Corporations Act and will not be lodged with the ASIC. If this document is received in Australia any offer pursuant to it is void and incapable of acceptance other than to the extent that it has been received by any person who falls within one or more of the following categories of investors (“Exempt Investors”): (a) a ‘sophisticated investor’ under section 708(8) (a) or (b) of the Corporations Act; (b) a ‘sophisticated investor’ under section 708(8) (c) or (d) of the Corporations Act who has provided an accountant’s certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act; (c) a ‘professional investor’ within the meaning of section 708(11) of the Corporations Act; or (d) investors who receive the offer through an Australian financial services licensee, where all of the criteria set out in section 708(10) of the Corporations Act have been satisfied. Ordinary Shares must not be offered for resale within Australia within 12 months of them being first sold except in circumstances where disclosure is not required under Part 6D.2 of the Corporations Act or unless a compliant disclosure document is prepared and lodged with the ASIC.

PART IV

SECTION I

ACCOUNTANT'S REPORT ON VENTURE LIFE GROUP PLC



The Directors and Proposed Director
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25 March 2014

Dear Sirs

Venture Life Group plc (“the Company”) and its subsidiaries (“the Group”)

We report on the financial information set out in Section II of Part IV of the Admission Document dated 25 March 2014 (“Admission Document”). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out at Note 1 to the financial information. This report is required by paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the 26 weeks ended 30 June 2013 and accordingly do not express an opinion thereon.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, or consenting to its inclusion in the Admission Document.

Responsibilities

The Directors and Proposed Director of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.



Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1 to the financial information and International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London EC4A 4AB.

PART IV

SECTION II

HISTORICAL FINANCIAL INFORMATION ON VENTURE LIFE GROUP PLC

Consolidated Statements of Comprehensive Income

	<i>Notes</i>	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Revenue		101	395	292
Cost of sales	7	<u>(69)</u>	<u>(194)</u>	<u>(173)</u>
Gross profit		32	201	119
Administrative expenses	8	<u>(240)</u>	<u>(619)</u>	<u>(906)</u>
Operating loss		(208)	(418)	(787)
Finance income		–	1	–
Finance costs		<u>(1)</u>	<u>–</u>	<u>(1)</u>
Loss before tax		(209)	(417)	(788)
Tax	11	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the year and total comprehensive loss for the year attributable to Shareholders		<u><u>(209)</u></u>	<u><u>(417)</u></u>	<u><u>(788)</u></u>

Consolidated Statements of Financial Position

		At	At	At
	Notes	31 December	31 December	31 December
		2010	2011	2012
		£'000	£'000	£'000
Assets				
Non-current assets				
Intangible assets	13	405	407	373
Property, plant and equipment	14	2	6	7
		<u>407</u>	<u>413</u>	<u>380</u>
Current assets				
Inventories	15	112	91	106
Trade and other receivables	16	14	151	122
Cash and cash equivalents	17	151	97	84
		<u>277</u>	<u>339</u>	<u>312</u>
Total assets		<u><u>684</u></u>	<u><u>752</u></u>	<u><u>692</u></u>
Liabilities				
Non-current liabilities				
Deferred licence provision	19	(196)	(193)	(142)
		<u>(196)</u>	<u>(193)</u>	<u>(142)</u>
Current liabilities				
Trade and other payables	18	(181)	(220)	(370)
Deferred licence provision	19	(95)	(27)	(53)
		<u>(276)</u>	<u>(247)</u>	<u>(423)</u>
Total Liabilities		<u><u>(472)</u></u>	<u><u>(440)</u></u>	<u><u>(565)</u></u>
Net Assets		<u><u>212</u></u>	<u><u>312</u></u>	<u><u>127</u></u>
Equity				
Share capital	23	1	1	1
Share premium account	23	454	976	1,507
Other reserve	24	50	50	50
Retained earnings		<u>(293)</u>	<u>(715)</u>	<u>(1,431)</u>
Total equity attributable to owners of the company		<u><u>212</u></u>	<u><u>312</u></u>	<u><u>127</u></u>

Consolidated Statements of Changes in Equity

	Share capital £'000	Share premium account £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2010	–	100	–	(84)	16
<i>Comprehensive income:</i>					
Total comprehensive loss for the year	–	–	–	(209)	(209)
<i>Transactions with Shareholders:</i>					
Issue of share capital	1	354	–	–	355
Adjustment arising from acquisition of subsidiary	–	–	50	–	50
Balance at 31 December 2010	<u>1</u>	<u>454</u>	<u>50</u>	<u>(293)</u>	<u>212</u>
<i>Comprehensive income:</i>					
Total comprehensive loss for the year	–	–	–	(417)	(417)
<i>Transactions with Shareholders:</i>					
Issue of share capital	–	522	–	–	522
Dividends payable	–	–	–	(5)	(5)
Balance at 31 December 2011	<u>1</u>	<u>976</u>	<u>50</u>	<u>(715)</u>	<u>312</u>
<i>Comprehensive income:</i>					
Total comprehensive loss for the year	–	–	–	(788)	(788)
<i>Transactions with Shareholders:</i>					
Issue of share capital	–	531	–	–	531
Share options charge	–	–	–	77	77
Dividends payable	–	–	–	(5)	(5)
Balance at 31 December 2012	<u>1</u>	<u>1,507</u>	<u>50</u>	<u>(1,431)</u>	<u>127</u>

Dividends per share:

2011: 3.755p

2012: 3.726p

Consolidated Statements of Cash Flows

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Cash flow from operating activities:			
Operating loss	(208)	(418)	(787)
Adjustments for:			
– Depreciation of plant, property and equipment	1	2	4
– Amortisation of intangible assets	15	44	52
– Finance cost	(1)	–	(1)
– Share based payment expense	–	–	77
	<hr/>	<hr/>	<hr/>
Operating cash flow before movements in working capital	(193)	(372)	(655)
Decrease/(increase) in deferred consideration	(54)	(71)	(25)
Decrease/(increase) in inventories	10	21	(15)
Decrease/(increase) in trade and other receivables	2	(137)	29
(Decrease)/increase in trade and other payables	(15)	79	50
	<hr/>	<hr/>	<hr/>
Net cash used in operating activities	(250)	(480)	(516)
Cash flow from investing activities:			
Interest received	–	1	–
Net cash on acquisition	50	–	–
Proceeds on disposal of intangible assets	–	–	1
Purchases of property, plant and equipment	(3)	(6)	(5)
Purchases of intangible assets	(46)	(45)	(19)
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	1	(50)	(23)
Cash flow from financing activities:			
Proceeds from issuance of ordinary shares	340	476	531
Advanced proceeds on issuance of shares	46	–	–
Dividends paid	–	–	(5)
	<hr/>	<hr/>	<hr/>
Net cash from financing activities	386	476	526
Net increase/(decrease) in cash and cash equivalents	137	(54)	(13)
Cash and cash equivalents at beginning of period	14	151	97
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>151</u>	<u>97</u>	<u>84</u>

Notes to the Consolidated Historical Financial Information

1. Basis of preparation

Venture Life Group plc (“the Company”) was incorporated on 12 December 2005 and is domiciled in the UK, with its registered office located at Venture House, 2 Arlington Square, Bracknell RG12 1WA. The Company is the holding company for four wholly-owned UK subsidiaries (together with the Company “the Group”).

The Group’s principal activities are the sale of healthcare products, and the sale of cosmetics.

The Group is ultimately controlled by the Directors who both directly and indirectly hold 77 per cent. of the voting rights in the Company.

This consolidated historical financial information (“Historical Financial Information”) has been prepared on a going concern basis under the historical cost convention, and is in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Boards (“IASB”) that are effective or issued and early adopted as at the time of preparing this Historical Financial Information and in accordance with the provisions of the Companies Act 2006.

The preparation of Historical Financial Information requires management to exercise its judgements in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

The Historical Financial Information in this Part does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

(a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

The IASB and IFRIC have issued the following standards, amendments and interpretations with effective dates as noted below:

<i>Standard</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 7, Financial Instruments: Offsetting Financial Assets and Financial Liabilities’	The amendments require entities to disclose information about the rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar agreement.	1 January 2013
IFRS 9, Financial Instruments	The standard is the first standard issued as part of a wider project to replace IAS 39. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The classification depends on the entity’s business model and the contractual cash flow characteristics of the instrument. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2015

<i>Standard</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 10, Consolidated financial statements	The standard's objective is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2014

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted – continued

<i>Standard</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 11, Joint arrangements	IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.	1 January 2014
IFRS 12, Disclosures of interests in other entities	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2014
IFRS 13, Fair value measurement	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.	1 January 2013
Amendment to IAS 19, Employee benefits	These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.	1 January 2013
IAS 27 (revised 2011), Separate financial statements	IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	1 January 2014
IAS 28 (revised 2011), Associates and joint ventures	IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	1 January 2014
IAS 32, Offsetting Financial Assets and Financial Liabilities	The amendments clarify existing application issues relating to the offsetting requirements.	1 January 2014

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

It is expected that none of the above standards, amendments and interpretations would have a material impact on this Historical Financial Information if applied.

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 Going concern

As part of its going concern review the Directors and the Proposed Director have followed the guidelines published by the Financial Reporting Council entitled “Going Concern and Liquidity Risk Guidance for UK Companies 2009”.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of this Historical Financial Information. In developing these forecasts the Directors have made assumptions based upon its view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that the Company and its Group have sufficient working capital to honour all of its obligations to creditors as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the Historical Financial Information.

2.2 Basis of consolidation

This Historical Financial Information includes the Company and all of its trading subsidiary undertakings. The results of subsidiaries acquired are consolidated from the date at which control passed.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

All subsidiary undertakings have year-end dates of 31 December.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All subsequent changes in the fair value of contingent consideration classed as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

2.4 Foreign currencies

(a) Functional and presentational currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial information is presented in UK sterling (£), which is the functional currency of the Company and the Group's presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulting from such transactions are recognised in the income statement.

Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

(b) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

2.6 Property, plant and equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses.

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

Office equipment	25-50% per annum, straight line
Fixtures and fittings	20-50% per annum, straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.7 Internally-generated development intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated development intangible asset arising from the Group's product development is recognised if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated development intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Capitalised development costs are amortised 20% per annum, straight line

2.8 Licences and trademarks intangible assets

Patents and trademarks are measured at purchase cost and are amortised on a straight-line basis over their estimated useful lives ranging from 5 –10 years.

2.9 Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10 Inventories

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

2.11 Financial Instruments

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

Financial assets

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Trade and other receivables are shown in the financial information as 'loans and receivables'.

(b) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown in the financial information as 'loans and receivables'.

Financial liabilities and equity

(c) *Trade and other payables*

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability. Trade and other payables are shown in the financial information as 'other financial liabilities'.

(d) *Deferred license provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(e) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

2.12 Leases

Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease, except where another more systematic basis is more representative of the time pattern in which in which economic benefits from the lease asset are consumed.

2.13 Current and deferred tax

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

(a) *Current tax*

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

(b) *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are

generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

2.14 Employee benefits

The Group makes contributions into the personal pensions of those employees with a personal pension. Contributions range from 5 per cent. to 30 per cent. The Group intends to set up a Group Personal Pension Scheme after Admission for those staff without a personal pension.

2.15 Share-based payments

The Group issues equity-settled share-based payments to certain employees and others under which the Group receives services as consideration for equity instruments (options) in the Group. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense in the Group's Statement of Comprehensive Income over the vesting period on a straight-line basis, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation is adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the options at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Options over the Company's shares granted to employees of subsidiaries are recognised as a capital contribution by the Company to the subsidiaries.

When the options are exercised the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.16 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors and the Proposed Director.

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk Management is carried out by management under policies approved by the Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating segments. The Directors provide principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, non-derivative financial instruments and investment of excess liquidity.

(a) *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(b) *Credit risk*

Credit risk is the financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash reserves. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

3.2 Capital risk management

The Group's capital structure is comprised entirely of Shareholders' equity.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions.

The Group funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of Shareholders equity. There are no externally imposed capital requirements.

Financing decisions are made by the Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

3.3 Fair value estimation of financial assets and liabilities

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

4. Critical accounting estimates and judgements

The preparation of this Historical Financial Information requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each statement of financial position date and the reported amounts of revenue during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting period are outlined below:

4.1 Recoverability of internally-generated intangible assets

In each of the years represented in this financial information, there is a considerable balance relating to non-current assets – patents and trademarks. The Group's accounting policy covering the potential impairment of intangible assets is covered in note 2.9 to this financial information.

An impairment review of the Group's patent and trademark balances is undertaken at each year end. This review involves the use of judgement to consider the future projected income streams that will result from the ownership of the aforementioned patents and trademarks. The expected future cash flows are modelled

and discounted over the expected life of the assets in order to test for impairment. In each of the years ended December, 2010, 2011 and 2012, no impairment charge was recognised as a result of these reviews.

4.2 Share based payment charge

During 2012, the Group issued a number of share options to certain employees. There were no performance conditions attached to the issue of these options, hence the Black Scholes model was used to calculate the appropriate charge for the year ended December 2012.

The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

The total charge recognised in the year to December 2012 is £77,000. Further information on share options can be found in note 25 to this financial information.

4.3 Provisions

During the year ended 31 December 2010, a number of intangible assets were purchased on a deferred consideration basis. The Directors have analysed the terms of each agreement and modelled the expected consideration that they believe will be payable in the future. This involves the use of judgements by the Directors on expected future revenue streams and the use of an appropriate discount rate.

5. Segmental Information

The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the CODM to allocate resources to the segments and to assess their performance.

The Directors and the Proposed Director consider the business from a line-of-service perspective and uses operating profit / (loss) as its profit measure. The operating profit of operating segments is prepared on the same basis as the Group's accounting operating profit.

5.1 Segment Revenue and Results

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

	<i>Sale of cosmetics £'000</i>	<i>Sale of healthcare products £'000</i>	<i>Eliminations £'000</i>	<i>Consolidated Group £'000</i>
Year ended 31 December 2012				
Revenue				
External sales	73	219	–	292
Inter-segment sales	–	–	–	–
Total revenue	<u>73</u>	<u>219</u>	<u>–</u>	<u>292</u>
Results				
Operating loss	(102)	(576)	–	(678)
Year ended 31 December 2011				
Revenue				
External sales	41	354	–	395
Inter-segment sales	–	–	–	–
Total revenue	<u>41</u>	<u>354</u>	<u>–</u>	<u>395</u>
Results				
Operating loss	(93)	(332)	–	(425)
Year ended 31 December 2010				
Revenue				
External sales	68	33	–	101
Inter-segment sales	–	–	–	–
Total revenue	<u>68</u>	<u>33</u>	<u>–</u>	<u>101</u>
Results				
Operating loss	(125)	(70)	–	(195)

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

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Operating loss	(195)	(425)	(678)
Central administrative costs	(13)	7	(109)
Finance Income	–	1	–
Finance Charges	(1)	–	(1)
Loss before tax	<u>(209)</u>	<u>(417)</u>	<u>(788)</u>

During the year ended 31 December 2012 the Group had four customers from each of which revenues generated were greater than 10 per cent. of total revenue. These customers respectively generated £183,000 of revenue in respect of sales of healthcare products and £37,000 of revenue in respect of sales of cosmetics.

During the year ended 31 December 2011 the Group had three customers from each of which revenues generated were greater than 10 per cent. of total revenue. These customers generated £267,000 of revenue in respect of sales of healthcare products.

During the year ended 31 December 2010 the Group had two customers from each of which revenues generated were greater than 10 per cent. of total revenue. These customers respectively generated £16,000 of revenue in respect of sales of healthcare products and £11,000 of revenue in respect of sales of cosmetics.

5.2 Segmental assets and liabilities

	At 31 December 2010 £'000	At 31 December 2011 £'000	At 31 December 2012 £'000
Assets			
Sales of healthcare products	466	599	503
Sales of cosmetics	173	153	121
Unallocated assets	46	1	68
	<u>685</u>	<u>753</u>	<u>692</u>
Liabilities			
Sales of healthcare products	330	417	516
Sales of cosmetics	28	8	33
Unallocated assets	115	16	16
	<u>473</u>	<u>441</u>	<u>565</u>

5.3 Other segmental information

	<i>Depreciation and amortisation £'000</i>	<i>Additions to non-current assets £'000</i>
Year ended 31 December 2010		
Sales of healthcare products	9	362
Sales of cosmetics	6	46
	<u>15</u>	<u>408</u>
Year ended 31 December 2011		
Sales of healthcare products	40	52
Sales of cosmetics	6	-
	<u>46</u>	<u>52</u>
Year ended 31 December 2012		
Sales of healthcare products	50	21
Sales of cosmetics	6	3
	<u>56</u>	<u>24</u>

No impairment losses have been incurred on any assets.

5.4 Geographical information

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

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Revenue			
UK	63	32	69
Europe (EEA)	33	219	136
US	5	–	1
Asia	–	135	3
Rest of world	–	9	83
Total revenue	<u>101</u>	<u>395</u>	<u>292</u>

6. Operating loss

Operating loss for the year has been arrived at after charging/(crediting):

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Depreciation of property, plant and equipment included in other operating expenditure	1	2	4
Amortisation of intangible assets included in other operating expenditure	15	44	52
Research and development costs	–	47	272
Operating lease rentals	10	17	27
Staff Costs (note 9)	–	280	419
Auditors' remuneration			
Fees for the audit of the Company	–	–	2
Fees for the audit of the Company's subsidiaries	–	–	6
Net (profit)/loss on foreign currency transactions	(13)	1	8
	<u>(13)</u>	<u>1</u>	<u>8</u>

7. Cost of sales

An analysis of cost of sales is shown in the table below.

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Inventory expensed in year	58	162	165
Royalties	11	32	8
	<u>69</u>	<u>194</u>	<u>173</u>

8. Administrative and other operating expenses

An analysis of administrative and other operating expenses is shown in the tables below.

Administrative expenses:

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Distribution costs	24	22	21
Salaries	–	280	419
Rent	10	17	27
Commission	–	70	19
Sales promotion	52	34	36
Consulting fees	78	–	–
Travelling and entertainment	35	55	52
Amortisation and depreciation	15	46	56
Research and development costs	–	47	220
Printing and stationary	5	9	10
Telephone	11	11	9
Auditors' remuneration	–	–	8
Other professional fees	20	9	9
Other expenses	(10)	19	20
	<u>240</u>	<u>619</u>	<u>906</u>

No fees were payable to the Group's auditor or its associates for the provision of any services other than audit in any of the years under review.

9. Staff Costs

The average numbers of staff including executive Directors employed by the Group during the year are as shown below.

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>No</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>No</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>No</i>
Sales and marketing	–	1	5
Directors	5	6	5
Other	–	1	2
	<u>5</u>	<u>8</u>	<u>12</u>

Aggregate staff remuneration comprises:

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Wages and salaries	–	245	283
Social security costs	–	25	27
Other pension costs	–	5	26
Other	–	5	6
Equity settled share-based payments	–	–	77
	<u>–</u>	<u>280</u>	<u>419</u>

The remuneration of the Directors, who are the key management personnel of the Group, is shown within note 26 – Related Parties.

10. Pension costs and other post-retirement benefits

The Group makes contributions into the personal pensions of those employees with a personal pension. Contributions range from 5 per cent. to 30 per cent. The Group intends to set up a Group Personal Pension Scheme after Admission for those staff without a personal pension. The pension charge represents contributions payable by the Group and amounted to £26,000 (2011: £4,500, 2010: nil).

11. Income tax expense

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Current tax:			
Current tax on profits for the year	–	–	–
Total current tax expense	–	–	–
Deferred tax:			
Origination and reversal of temporary differences	–	–	–
Total deferred tax expense	–	–	–
Total income tax expense	<u>–</u>	<u>–</u>	<u>–</u>

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

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Loss before tax	(209)	(417)	(788)
Loss before taxation multiplied by the small companies rate of corporation tax of 20% (2011: 20%, 2010: 20%)	(42)	(83)	(158)
Expenses not deductible for tax purposes	1	2	17
Change in unrecognised deferred tax asset	41	81	141
Income tax expense	<u>–</u>	<u>–</u>	<u>–</u>

The 2012 UK Budget (delivered on 21 March 2012) reduced the main rate of UK corporation tax by 1 per cent. to 24 per cent. with effect from 1 April 2012. Additionally, a further reduction in the corporation tax rate to 23 per cent. effective from 1 April 2013, was substantively enacted on 3 July 2012. Further reductions in the main tax rate to 21 per cent. from 1 April 2014 and 20 per cent. from 1 April 2015 were announced in the UK Government's 2012 Autumn Statement and the 2013 UK Budget respectively.

As at the balance sheet date, the Group has unused tax losses of £1,428,000 (2011: £705,000, 2010: £135,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses as it is not considered probable that there will be future taxable profits available.

12. Dividends

Amounts recognised as distributions to equity holders in the period:

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Final dividend	—	5	5

13. Intangible assets

	<i>Patents and trademarks £'000</i>
Cost or valuation:	
At 1 January 2010	15
Additions	405
At 31 December 2010	420
Additions	46
At 31 December 2011	466
Additions	19
Disposals	(1)
At 31 December 2012	484
Amortisation:	
At 1 January 2010	—
Charge for the year	15
At 31 December 2010	15
Charge for the year	44
At 31 December 2011	59
Charge for the year	52
At 31 December 2012	111
Carrying amount:	
At 31 December 2010	405
At 31 December 2011	407
At 31 December 2012	373

Included within patents and trademarks is £279,000 (2011: £315,000, 2010: £351,000) relating to a license agreement between Venture Life Limited and Permapharm AG entered into on 30 September 2010. As at 31 December 2012, this licence had a remaining amortisation period of 7 years. Included within the capitalised cost of this license is deferred consideration of £195,000 (2011: £220,000, 2010: £291,000), see note 19 for further details.

All other trademarks, licences and patents are amortised over their estimated useful lives, which is on average 5 years.

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

14. Property, plant and equipment

	<i>Fixtures and fittings £'000</i>	<i>Office equipment £'000</i>	<i>Total £'000</i>
Cost or valuation:			
At 1 January 2010	–	–	–
Additions	1	2	3
At 31 December 2010	1	2	3
Additions	–	6	6
At 31 December 2011	1	8	9
Additions	–	5	5
At 31 December 2012	1	13	14
Depreciation:			
At 1 January 2010	–	–	–
Charge for the year	–	1	1
At 31 December 2010	–	1	1
Charge for the year	–	2	2
At 31 December 2011	–	3	3
Charge for the year	1	3	4
At 31 December 2012	1	6	7
Carrying amount:			
At 31 December 2010	1	1	2
At 31 December 2011	1	5	6
At 31 December 2012	–	7	7

15. Inventories

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Inventories	112	91	106

All inventories relate to purchased finished goods.

16. Trade and other receivables

	<i>At 31 December 2010 £'000</i>	<i>At 31 December 2011 £'000</i>	<i>At 31 December 2012 £'000</i>
Trade receivables	11	130	67
Prepayments and accrued income	2	4	17
Other receivables	1	17	38
	14	151	122

Contractual payment terms with the Group's customers are typically 30 – 75 days.

As at 31 December 2012, no allowance had been made for overdue receivables (2011: nil; 2010: nil).

The following is an analysis of trade receivables that are past due but not impaired. These relate to a number of customers for whom there is no recent history of defaults. The aging analysis of these trade receivables is as follows:

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
31 to 60 days	–	9	1
60 to 90 days	–	1	2
90 to 120 days	–	1	–
> 120 days	–	–	1
Trade receivables – net	<u>–</u>	<u>11</u>	<u>4</u>

The Directors consider that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on the Group's credit risk management policies, refer to note 22(d).

No allowance has been made against the overdue receivables based on historic default experience.

The Group does not hold any collateral as security for its trade and other receivables.

The amount of trade and other receivables denominated in currencies other than pounds sterling are shown in note 22(c).

17. Cash and cash equivalents

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Cash and cash equivalents	<u>151</u>	<u>97</u>	<u>84</u>

All UK sterling denominated balances are held at National Westminster Bank (Moody's long term credit rating: A) and Barclays (Moody's long term credit rating: A) whilst the Euro-denominated balances are solely held at National Westminster Bank.

The Directors consider that the carrying value of cash and cash equivalents approximates their fair value. For details on the Group's credit risk management policies, refer to note 22(d).

The amount of cash and cash equivalents denominated in currencies other than pounds sterling are shown in note 22(c).

18. Trade and other payables

	At 31 December 2010 £'000	At 31 December 2011 £'000	At 31 December 2012 £'000
Trade payables	58	67	157
Accruals and deferred income	21	138	191
Social security and other taxes	–	4	11
Dividend payable	–	5	5
Loans from Directors (note 26)	57	4	4
Other payables	45	2	2
	<u>181</u>	<u>220</u>	<u>370</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 60-day terms.

The Directors consider that the carrying value of trade and other payables approximates their fair value.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the year.

The amount of trade and other payables denominated in currencies other than pounds sterling are shown in note 22(c).

19. Deferred license provisions

Provisions relating to deferred consideration on the purchase of intangibles was due as follows:

	At 31 December 2010 £'000	At 31 December 2011 £'000	At 31 December 2012 £'000
Non-Current	196	193	142
Current	95	27	53
	<u>291</u>	<u>220</u>	<u>195</u>

Movements in the deferred license provisions balance have occurred as follows:

	<i>Deferred License Provisions £'000</i>
At 1 January 2010	–
Additions	360
Payments	(54)
Foreign exchange movements	(15)
	<hr/>
At 31 December 2010	291
Payments	(65)
Foreign exchange movements	(6)
	<hr/>
At 31 December 2011	220
Payments	(21)
Foreign exchange movements	(4)
	<hr/>
At 31 December 2012	<u>195</u>

The deferred license provisions relate to the purchase of the intangible asset detailed below:

A license agreement between Venture Life Limited and Permapharm AG entered into on 30 September 2010 for the rights to certain Bioscalin products and their associated intellectual property. Venture Life Limited has capitalised all future costs attributable to the license agreement. As at 31 December 2012 the provision for deferred license payments is £195,000 (2011: £220,000, 2010: £291,000), see note 13 for further details.

20. Operating lease arrangements

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	<i>At 31 December 2010 £'000</i>	<i>At 31 December 2011 £'000</i>	<i>At 31 December 2012 £'000</i>
Operating leases which expire:			
Within one year	6	14	18
	<hr/>	<hr/>	<hr/>
	<u>6</u>	<u>14</u>	<u>18</u>

21. Contingent liabilities

Venture Life Limited entered into a manufacturing and license agreement with Biokosmes Srl on 4 August 2010 for the rights to certain pigmentation products. Under the agreement Venture Life Limited is required to pay a royalty calculated at a rate of €0.50 per unit sold with a maximum royalty payable under the agreement of €180,000. At year end total royalties paid amounted to £23,000 (2011: £21,000; 2010: £10,000) with a further £125,000 payable as at 31 December 2012 (2011: £129,000; 2010: £144,000) the timing of future royalty payments is uncertain and thus the liability for future royalties has not been recognised.

Venture Life Limited entered into a manufacturing and license agreement with Biokosmes Srl on 4 August 2010 for the rights to certain anti-ageing products. Under the agreement Venture Life Limited is required to pay a royalty calculated at a rate of €0.50 per unit sold with a maximum royalty payable under the agreement of €300,000. At year end total royalties paid amounted to £33,000 (2011: £29,000; 2010: £10,000) with a further £214,000 payable as at 31 December 2012 (2011: £222,000; 2010: £247,000) the timing of future royalty payments is uncertain and thus the liability for future royalties has not been recognised.

22. Financial instruments

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this Historical Financial Information.

a. Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises are as follows,

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Deferred license provisions

Details of financial instruments by category are set out below:

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Financial assets			
<i>Loans and receivables:</i>			
Trade and other receivables (excluding pre-payments)	12	147	105
Cash and cash equivalents	151	97	84
	<u>163</u>	<u>244</u>	<u>189</u>
Financial liabilities			
<i>Other financial liabilities:</i>			
Trade and other payables (excluding deferred revenue)	181	220	283
Deferred license provisions	291	220	195
	<u>472</u>	<u>440</u>	<u>478</u>

Disclosures in respect of the Group's financial risks are set out below:

b. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk of foreign exchange fluctuations, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's policies for financial risk management are outlined in note 3.

c. Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk on sales, purchases, and translation of assets and liabilities that are in a currency other than the functional currency of its operating units.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities in Euros and Swiss Francs are shown below in the Group's functional currency, (£).

	<i>US\$</i> £'000	<i>SFr</i> £'000	<i>Euro</i> £'000	<i>Total</i> £'000
At 31 December 2010				
<i>Assets</i>				
Trade and other receivables	–	9	2	11
Cash and cash equivalents	–	–	–	–
	–	9	2	11
<i>Liabilities</i>				
Deferred license provisions	–	–	336	336
Trade and other payables	–	15	2	17
	–	15	338	353
Net position	–	(6)	(336)	(342)
At 31 December 2011				
<i>Assets</i>				
Trade and other receivables	–	25	99	124
Cash and cash equivalents	–	–	–	–
	–	25	99	124
<i>Liabilities</i>				
Deferred license provisions	–	–	220	220
Trade and other payables	–	15	16	31
	–	15	236	251
Net position	–	10	(137)	(127)
At 31 December 2012				
<i>Assets</i>				
Trade and other receivables	–	52	14	66
Cash and cash equivalents	–	–	1	1
	–	52	15	67
<i>Liabilities</i>				
Deferred license provisions	–	–	195	195
Trade and other payables	16	21	186	223
	16	21	381	418
Net position	(16)	31	(366)	(351)

The following table details the Group's sensitivity to a 10 per cent. increase and decrease in the foreign currencies used by the group against Sterling. 10 per cent. is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent. weakening or strengthening of the Euro against Sterling.

	<i>£ currency impact strengthening £'000</i>	<i>£ currency impact weakening £'000</i>
At 31 December 2010		
Assets	(1)	1
Liabilities	(70)	70
At 31 December 2011		
Assets	(12)	12
Liabilities	(60)	60
At 31 December 2012		
Assets	(7)	7
Liabilities	(76)	76

d. Credit risk

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

An allowance for impairment is made when there is an identified loss event, which based on previous experience, is evidence in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. At each reporting date, the Group had a significant concentration of cash held on deposit with certain banks in the United Kingdom. At December 2012, the concentration of credit risk held with these banks was £84,000 (2011: £97,000, 2010: £152,000).

The Group considers its credit risk by counter party and geography.

At 31 December 2012, the Group was also owed £52,000 (2011: £114,000, 2010: £nil) from two (2011: three, 2010: nil) of its major customers, the balance being shown under trade receivables.

No impairment was made against any of the above amounts at any of the statement of financial position dates.

The carrying amount of financial assets recorded in the historical financial information represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. In the Director's opinion there have been no impairments of financial assets in the periods in this financial information.

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

e. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its

liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

The Directors manage liquidity risk by regularly reviewing the Group's cash requirements by reference to short term cash flow forecasts and medium term working capital projections prepared by management.

f. Maturity of financial assets and liabilities

All of the Group's financial assets and financial liabilities at each reporting date are either payable or receivable within one year with the exception of the deferred license provisions as shown in note 19.

g. Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to Shareholders. The Group is funded solely by equity comprising issued capital. The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital and retained profits. The Group has no externally imposed capital requirements.

23. Share capital and Share premium

Share capital

All shares are authorised issued and fully paid.

	<i>Ordinary shares of £0.01 each No.</i>	<i>Ordinary shares £</i>
At 1 January 2010	10,000	100
Share issue	103,075	1,031
At 31 December 2010	113,075	1,131
Share issue	20,067	201
At 31 December 2011	133,142	1,332
Share issue	11,798	118
At 31 December 2012	144,940	1,450

The Group has one class of ordinary shares which carry no fixed income.

Share premium

Share premium

	<i>£'000</i>
At 1 January 2010	100
Share issue	354
At 31 December 2010	454
Share issue	522
At 31 December 2011	976
Share issue	531
At 31 December 2012	1,507

Year to 31 December 2010:

During the year the following share issues were undertaken:

On 30 September 2010, 4,200 ordinary shares of £0.01 each were issued at £3.55 per share giving a total consideration of £15,000. The total share premium arising on issue was £15,000. These shares were issued as part consideration for the acquisition of intangible assets.

On 31 October 2010, 13,820 ordinary shares of £0.01 each were issued at £17.38 per share giving a total consideration of £240,000. The total share premium arising on issue was £240,000. Of the 13,820 shares 4,190 were issued to Dr M Flynn, 3,655 were to Mr J Randall, 3,083 were to Mr A Ahearne and 2,892 were to Mr A Sinclair.

On 31 October 2010, 11,111 ordinary shares of £0.01 each were issued at £9.00 per share giving a total consideration of £100,000. The total share premium arising on issue was £100,000. Of the 11,111 shares 10,511 were issued to Mr A Ahearne and his family.

Year to 31 December 2011:

During the year the following share issue was undertaken:

On 8 February 2011, 20,067 ordinary shares of £0.01 each were issued at £26.00 per share giving a total consideration of £522,000. The total share premium arising on issue was £522,000. Of the 20,067 shares 1,923 were issued to Mr A Sinclair.

Year to 31 December 2012:

During the year the following share issues were undertaken:

On 5 April 2012, 2,399 ordinary shares of £0.01 each were issued at £45.00 per share giving a total consideration of £108,000. The total share premium arising on issue was £108,000. Of the 2,399 shares 1,111 were issued to Mr A Sinclair.

On 3 July 2012, 3,811 ordinary shares of £0.01 each were issued at £45.00 per share giving a total consideration of £171,000. The total share premium arising on issue was £171,000. Of the 3,811 shares 1,111 were issued to Mr A Sinclair.

On 9 August 2012, 1,807 ordinary shares of £0.01 each were issued at £45.00 per share giving a total consideration of £81,000. The total share premium arising on issue was £81,000.

On 23 October 2012, 448 ordinary shares of £0.01 each were issued at £45.00 per share giving a total consideration of £20,000. The total share premium arising on issue was £20,000.

On 10 November 2012, 2,222 ordinary shares of £0.01 each were issued at £45.00 per share giving a total consideration of £100,000. The total share premium arising on issue was £100,000. All of the 2,222 shares were issued to Mr A Sinclair.

On 20 December 2012, 1,111 ordinary shares of £0.01 each were issued at £45.00 per share giving a total consideration of £50,000. The total share premium arising on issue was £50,000. All of the 1,111 shares were issued to Mr A Sinclair.

Summary of shares issued to directors

	2010	2011	2012
J A P Randall	40,905	–	–
Dr M J Flynn	29,209	–	–
M A Ahearne	14,194	–	–
A J Sinclair	2,892	1,923	5,555
Ms S M Collins	11,675	–	–
Total	<u>98,875</u>	<u>1,923</u>	<u>5,555</u>

The figures in this table include the shares issued for cash as detailed above and the shares issued on acquisition of Venture Life Limited as detailed in note 24.

24. Business Combinations

On 1 September 2010 the Company acquired 100 per cent. of the issued share capital of Venture Life Limited. The consideration given for this acquisition was the issue of shares in the Company.

The amounts recognised in respect of identifiable assets acquired and liabilities assumed are as set out in the table below:

	£'000
Financial assets	50
Identifiable intangible assets	398
Financial liabilities	(398)
Total identifiable assets	<u>50</u>
Merger reserve recognised	<u>50</u>

On 1 September 2010, 73,944 ordinary shares of £0.01 each were issued at £3.55 per share giving a total consideration of £263,000. The total share premium arising on issue was £262,000. These shares were issued as consideration for the purchase of Venture Life Limited. Of the 73,944 shares 25,019 were issued to Dr M Flynn and his family, 37,250 to Mr J Randall and 11,675 to Ms S Collins.

There was no cash outflow arising on the acquisition.

25. Share based payments

The Group issues equity-settled share based payments to certain employees under which the Group receives services as consideration for equity instruments (options) in the Group. Options are exercisable at £45 per share.

In the year ended 31 December 2012, options over 15,164 ordinary shares of £0.01 each of the Company were granted. None of these options have been exercised by 31 December 2012 and no options expired during the period. As at 31 December 2012 none of the options were exercisable and the weighted average remaining contractual life of the options was 9 to 10 years. There were no options in existence in either of the years ending 31 December 2010 or 2011.

The estimated fair value of the options granted in 2012 was £184,000. The fair value of £184,000 was calculated by using the Black-Scholes model whose inputs were as follows:

Weighted average share price	£45
Weighted average exercise price	£45
Expected volatility	55%
Expected life	1 – 3 years
Risk-free rate	0.5%
Expected dividend yields	0.1%

Expected volatility was determined by calculating the historical volatility of similar companies share prices over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised a total expense of £77,000 related to equity-settled share based payment transactions in 2012.

26. Related party transactions

The following transactions were carried out with related parties:

(a) Director emoluments

The following amounts were paid to the executive Directors and non executive Directors:

	At 31 December 2010 £'000	At 31 December 2011 £'000	At 31 December 2012 £'000
Aggregate emoluments	–	125	168
Commission	–	69	19
Other payments to service companies	71	31	131
Share based payments to be included	–	–	72
	<u>71</u>	<u>225</u>	<u>390</u>

Remuneration and benefits paid to the highest paid Director totalled £110,000 (2011: £125,000 2010: £Nil).

(b) Other transactions with Directors

	£'000
At 1 January 2010	(84)
Funds advanced by Directors	(363)
Funds converted to shares and issued to Directors	<u>390</u>
Balance as at 31 December 2010	3
	(57)
Funds withdrawn by Directors	
Funds converted to shares and issued to Directors	<u>50</u>
Balance as at 31 December 2011 and 31 December 2012	<u>(4)</u>

Further details on the shares issued to Directors is contained in notes 23 and 24.

Loans advanced from Directors are not interest bearing and are repayable on demand.

Total dividends paid to Directors in the year ending 31 December 2012 were £3,000 (2011: £3,000, 2010: £nil).

(c) Transactions with other related parties

Services purchased from Avantis UK Limited totalled £150,000 (2011: £100,000; 2010: £5,000). At 31 December 2012, the Group owed Avantis UK Limited £41,000 (2011: £29,000; 2010: £5,000). Control of Avantis UK Limited is held by a director of the Company.

Services purchased from Loughcrot Limited totalled £nil (2011: £nil; 2010: £66,000). At 31 December 2012, the Group owed Loughcrot Limited £nil (2011: £nil; 2010: £17,000). Control of Loughcrot Limited is held by a director of the Company.

Services purchased from The Digital Bandit totalled £3,000 (2011: £nil; 2010: £nil). At 31 December 2012, the Group owed The Digital Bandit £1,000 (2011: £nil; 2010: £nil). Control of The Digital Bandit is held by a Shareholder and relative of a Director of the Company.

Services purchased from Bigberry Digital Ltd totalled £nil (2011: £nil; 2010: £1,000). At 31 December 2012, the Group owed Bigberry Digital Ltd £nil (2011: £nil; 2010: £nil). Control of Bigberry Digital Ltd is held by a Shareholder and relative of a director of the Company.

Services purchased from Dr M Flynn, a director of the Group, for consultancy services totalled £18,000 (2011: £nil; 2010: £1,000). At 31 December 2012, the Group owed Dr M J Flynn £5,000 (2011: £nil; 2010: £nil).

27. Subsidiaries

The Company had investments in the following subsidiary undertakings as at 31 December 2012:

<i>Subsidiary</i>	<i>Country of Incorporation and Operation</i>	<i>Proportion of Voting Interest %</i>	<i>Activity</i>
Venture Life Limited	UK	100	Sale of a range of healthcare products
Lubatti Limited	UK	100	Sale of a range of cosmetic skin care products
Tracey Malone Originals Limited	UK	100	IP holder of products distributed by Lubatti Limited

28. Subsequent events

On 26 February 2013, 1,666 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £75,000. The total share premium arising on issue was £75,000. All of the 1,666 shares were issued to Mr A Sinclair.

On 26 March 2013, 2,022 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £91,000. The total share premium arising on issue was £91,000.

On 30 April 2013, 19,053 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £857,000. The total share premium arising on issue was £857,000. Of the 19,053 shares 1,334 were issued to Dr M Flynn and his family, 444 were to Mr A Ahearne and 5,555 to Mr A Sinclair.

On 29 July 2013, there was a bonus issue of Ordinary Shares giving the Shareholders at the time of the issue a further 29 shares for each ordinary share that they held.

On 6 August 2013, 1,561 Ordinary Shares of £0.01 each were issued at £3.23 per share giving a total consideration of £5,000. The total share premium arising on issue was £5,000.

Post 31 December 2012, options over 750 Ordinary Shares of £0.01 each of the Company were granted. None of these options can be exercised until the end of the first financial year following grant date.

On 31 July 2013 the Company registered as a public company and so had a change of name to VLL Healthcare Plc.

On 3 September 2013 the Company changed its name from VLL Healthcare Plc to Venture Life Group plc.

On 10 September 2013, 37,865 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £122,000.

On 10 October 2013, 13,929 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £45,000.

On 5 November 2013, 4,644 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £15,000.

On 5 November 2013, the Company issued share options over 807,780 Ordinary Shares in the Company. 774,780 share options were issued to Directors of the Company. Further details of the Share Option Schemes are set out in paragraph 4 of Part IX.

On 20 November 2013, the Company entered into an agreement in relation to the introduction of the Group to certain Chinese companies. Under this agreement, £100 will be paid to Vantage Link Limited which has agreed to subscribe for 10,000 Ordinary Shares of £0.01 each (as adjusted following any sub-division or reorganisation) in the share capital of the Company prior to Admission, with the issue of such shares being conditional on Admission.

On 28 November 2013, the Company entered into a conditional Acquisition Agreement, as detailed in paragraph 10.2 of Part IX, to acquire the entire ordinary share capital of Biokosmes Srl, conditional upon Admission.

Consideration payable for Biokosmes Srl initially comprises cash of €4.2m (approximately £3.5m), the issue of 1.36m new shares of the Company, and the issue of a convertible loan note of €2.0m (approximately £1.67m). Further details of the convertible loan note can be found in paragraph 10.2 of Part IX.

On 16 December 2013 shareholders approved the consolidation and sub-division of the Company's issued share capital, as detailed in paragraph 2.4 of Part IX. Consequently, the Company's issued share capital of 5,088,429 ordinary £0.01 shares was consolidated and sub-divided into 16,961,430 ordinary £0.003 shares.

On 23 December 2013, the Company purchased Biokosmes' 33.56 per cent. shareholding in G2S Cosmetics, for total consideration of £31,000 (€37,500), as detailed in paragraph 10.8 of Part IX.

PART V

UNAUDITED INTERIM FINANCIAL INFORMATION ON VENTURE LIFE GROUP PLC

Condensed Consolidated Statement of Comprehensive Income

		<i>Unaudited Six months ended 30 June 2012 £'000</i>	<i>Unaudited Six months ended 30 June 2013 £'000</i>
Revenue	3	115	274
Cost of sales		(86)	(184)
Gross profit		29	90
Distribution costs		–	–
Administrative expenses		(443)	(501)
Other operating expenses		–	–
Operating loss		(414)	(411)
Finance income		–	–
Finance costs		–	(6)
Loss before tax		(414)	(417)
Tax		–	–
Loss for the year and total comprehensive loss for the year attributable to Shareholders		<u>(414)</u>	<u>(417)</u>

Condensed Consolidated Statement of Financial Position

		<i>Audited</i> 31 December 2012 £'000	<i>Unaudited</i> 30 June 2013 £'000
Assets			
Non-current assets			
Intangible assets	4	373	361
Property, plant and equipment		7	6
		<u>380</u>	<u>367</u>
Current assets			
Inventories		106	87
Trade and other receivables		122	149
Unpaid share capital		–	25
Cash and cash equivalents		84	1,069
		<u>312</u>	<u>1,330</u>
Total assets		<u><u>692</u></u>	<u><u>1,697</u></u>
Liabilities			
Non-current liabilities			
Deferred license provision	5	(142)	(137)
Convertible loan note	6	–	(290)
		<u>(142)</u>	<u>(427)</u>
Current liabilities			
Trade and other payables		(370)	(348)
Deferred license provision	5	(53)	(66)
Convertible loan note	6	–	(43)
		<u>(423)</u>	<u>457</u>
Total Liabilities		<u><u>(565)</u></u>	<u><u>884</u></u>
Net Assets		<u><u>127</u></u>	<u><u>813</u></u>
Equity			
Share capital	7	1	2
Share premium account	7	1,507	2,530
Other reserve		50	50
Convertible loan reserve	6	–	38
Retained losses		(1,431)	(1,807)
Total equity attributable to owners of the company		<u><u>127</u></u>	<u><u>813</u></u>

Condensed Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Other reserve £'000	Convertible Loan reserve £'000	Retained earnings £'000	Total equity £'000
Audited balance at 1 January 2012	1	976	50	–	(715)	312
<i>Comprehensive income:</i>						
Loss for the year	–	–	–	–	(788)	(788)
<i>Transactions with Shareholders:</i>						
Issue of share capital	–	531	–	–	–	531
Share options charge	–	–	–	–	77	77
Dividends payable	–	–	–	–	(5)	(5)
Audited balance at 31 December 2012	1	1,507	50	–	(1,431)	127
<i>Comprehensive income:</i>						
Loss for the period	–	–	–	–	(417)	(417)
<i>Transactions with Shareholders:</i>						
Issue of share capital	1	1,023	–	–	–	1,024
Issue of convertible loan notes	–	–	–	38	–	38
Share options charge	–	–	–	–	41	41
Unaudited balance at 30 June 2013	2	2,530	50	38	(1,807)	813

Condensed Consolidated Statement of Cash Flows

	<i>Unaudited Six months ended 30 June 2012 £'000</i>	<i>Unaudited Six months ended 30 June 2013 £'000</i>
Cash flow from operating activities:		
Operating loss	(414)	(411)
Adjustments for:		
– Depreciation of plant, property and equipment	2	2
– Amortisation of intangible assets	27	27
– Share based payment expense	–	41
	<hr/>	<hr/>
Operating cash flow before movements in working capital	(385)	(341)
Decrease/(increase) in deferred consideration	(15)	9
Decrease in inventories	20	20
Decrease/(increase) in trade and other receivables	131	(28)
Increase/(decrease) in trade and other payables	89	(16)
Net cash used in operating activities	(160)	(356)
Cash flow from investing activities:		
Proceeds on disposal of intangible assets	–	–
Purchases of property, plant and equipment	(1)	(1)
Purchases of intangible assets	(16)	(15)
	<hr/>	<hr/>
Net cash used in investing activities	(17)	(16)
Cash flow from financing activities:		
Proceeds from issue of loan notes	–	365
Proceeds from issuance of ordinary shares	279	998
Dividends paid	(5)	(6)
	<hr/>	<hr/>
Net cash from financing activities	274	1,357
Net increase in cash and cash equivalents	97	985
Cash and cash equivalents at beginning of period	97	84
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>194</u>	<u>1,069</u>

Notes to the Interim Financial Information

1. Basis of preparation

The Company is domiciled and incorporated in United Kingdom with its registered office located at Venture House, 2 Arlington Square, Bracknell RG12 1WA.

This condensed consolidated half-yearly financial information for the half-year ended 30 June 2013 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union as if the Company were listed on a market regulated under EU law. The half-yearly condensed consolidated financial report should be read in conjunction with the historical financial information of Venture Life Group plc for the three years ended 31 December 2012 as set out in Section II of Part IV, which have been prepared in accordance with IFRSs as adopted by the European Union.

2. Accounting policies

Key accounting policies and new accounting policies adopted in the period are set out below.

(a) Key Accounting policies

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue is therefore recognised when the goods have been shipped to the customer or when the customer collects the goods from the warehouse.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangements.

(b) New accounting policies in the period

Compound Financial Instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to their initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition, except on conversion or expiry.

(c) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2013

The IASB and IFRIC have issued the following standards and interpretations with effective dates as noted below:

<i>Standard</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 10, Consolidated financial statements	The standard's objective is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2014
IAS 27, Consolidated and separate financial statements	The standard outlines when an entity must consolidate another entity, how to account for a change in ownership interest, how to prepare separate financial statements, and related disclosures. Consolidation is based on the concept of 'control' and changes in ownership interests while control is maintained are accounted for as transactions between owners as owners in equity.	1 January 2014

(d) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2013 continued

IFRS 13, Fair value measurement	The standard's objective is to define fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.	1 January 2014
IFRS 11, Joint arrangements	IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.	1 January 2014
IFRS 12, Disclosures of interests in other entities	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2014
IAS 28 (revised 2011), Associates and joint ventures	IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	1 January 2014

(e) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

<i>Standard</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 9, Financial Instruments	The standard is the first standard issued as part of a wider project to replace IAS 39. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2015
IAS 32, Offsetting Financial Assets and Financial Liabilities	The amendments clarify existing application issues relating to the offsetting requirements.	1 January 2014

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on Venture Life Group Plc.

None of the above standards, amendments and interpretations would have an impact on this Interim Financial Information if applied.

3. 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 of operating segments is prepared on the same basis as the Group's accounting operating profit.

3.1 Segment Revenue and Results

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

	<i>Sales of cosmetics £'000</i>	<i>Sales of healthcare products £'000</i>	<i>Eliminations £'000</i>	<i>Consolidated Group £'000</i>
Six months to 30 June 2013				
Revenue				
External sales	18	256	–	274
Inter-segment sales	–	–	–	–
Total revenue	<u>18</u>	<u>256</u>	<u>–</u>	<u>274</u>
Results				
Operating loss	<u>(37)</u>	<u>(360)</u>	<u>–</u>	<u>(397)</u>
Six months to 30 June 2012				
Revenue				
External sales	52	63	–	115
Inter-segment sales	–	–	–	–
Total revenue	<u>52</u>	<u>63</u>	<u>–</u>	<u>115</u>
Results				
Operating loss	<u>(68)</u>	<u>(344)</u>	<u>–</u>	<u>(412)</u>

Inter-segment sales are charged at prevailing market prices.

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

	<i>Unaudited Six months ended 30 June 2012 £'000</i>	<i>Unaudited Six months ended 30 June 2013 £'000</i>
Operating loss	(412)	(397)
Central administrative costs	(2)	(14)
Finance Charges	–	(6)
Loss before tax	<u>(414)</u>	<u>(417)</u>

4. Intangible assets

	<i>Patents and trademarks £'000</i>	<i>Total £'000</i>
Cost or valuation:		
Audited At 1 January 2012	466	466
Additions	19	19
Disposals	(1)	(1)
Audited At 31 December 2012	484	484
Additions	15	15
Unaudited At 30 June 2013	499	499
Amortisation:		
Audited At 1 January 2012	59	59
Charge for the year	52	52
Audited At 31 December 2012	111	111
Charge for the period	27	27
Unaudited At 30 June 2013	138	138
Carrying amount:		
Audited At 31 December 2012	<u>373</u>	<u>373</u>
Unaudited At 30 June 2013	<u>361</u>	<u>361</u>

Included within patents and trademarks is £261,000 (2012: £279,000) relating to a license agreement between Venture Life Limited and Permapharm AG entered into on 30 September 2010. As at 30 June 2013, this licence had a remaining amortisation period of 6.5 years. Included within the capitalised cost of this license is deferred consideration of £203,000 (2012: £195,000). See note 5 for further details.

5. Deferred license provisions

Provisions include deferred purchase consideration due as follows:

	<i>Audited</i> At 31 December 2012 £'000	<i>Unaudited</i> At 30 June 2013 £'000
Non Current	142	137
Current	53	66
	<u>195</u>	<u>203</u>

Movements in the provision balance have occurred as follows:

	<i>Provision</i> £'000
At 1 January 2012	220
Payments	(21)
Foreign exchange movements	(4)
Audited At 31 December 2012	<u>195</u>
Payments	(-)
Foreign exchange movements	8
Unaudited At 30 June 2013	<u>203</u>

The deferred license provisions relate to the purchase of the intangible asset detailed below:

A license agreement between Venture Life Limited and Permapharm AG entered into on 30 September 2010 for the rights to certain Bioscalin products and their associated intellectual property. Venture Life Limited have capitalised all future costs attributable to the license agreement. As at 30 June 2013 the provision for deferred license payments are £203,000 (2012: £195,000). See note 4 for further details.

6. Convertible loan note

The convertible loan notes were issued on 30 April 2013. The notes are convertible into Ordinary Shares of the Company at any time between 31 December 2013 and the notes settlement date.

If the notes have not been converted, they will be redeemed on 30 April 2016 at par. Interest of 7.5 per cent. will be paid quarterly up until that settlement date.

The net proceeds received from the issue of the convertible loan note have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company, as follows:

	£'000
Proceeds of issue of convertible loan notes	365
Equity component	(38)
Liability component at date of issue	<u>327</u>
Interest charged	6
Liability component at 30 June 2013	<u>333</u>

The equity component of £38,000 has been credited to convertible loan note reserve.

The interest expensed for the year is calculated by applying an effective interest rate of 12 per cent. to the liability component for the two month period since the loan notes were issued. The liability component is measured at amortised cost.

7. Share capital and Share premium

	<i>Ordinary shares of £0.01 each No.</i>	<i>Ordinary shares £</i>
Share capital		
At 1 January 2012	133,142	1,332
Share issue	11,798	118
Audited At 31 December 2012	144,940	1,450
Share issue	22,740	227
Unaudited At 30 June 2013	167,680	1,677
		<i>Share premium £'000</i>
Share premium		
At 1 January 2012		976
Share issue		531
Audited At 31 December 2012		1,507
Share issue		1,023
Unaudited At 30 June 2013		2,530

Year to 31 December 2012

During the year the following share issues were undertaken:

On 5 April 2012, 2,399 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £108,000. The total share premium arising on issue was £108,000.

On 3 July 2012, 3,811 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £171,000. The total share premium arising on issue was £171,000.

On 9 August 2012, 1,807 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £81,000. The total share premium arising on issue was £81,000.

On 23 October 2012, 448 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £20,000. The total share premium arising on issue was £20,000.

On 10 November 2012, 2,222 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £100,000. The total share premium arising on issue was £100,000.

On 20 December 2012, 1,111 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £50,000. The total share premium arising on issue was £50,000.

Six months to 30 June 2013

During the period the following share issues were undertaken:

On 26 February 2013, 1,666 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £75,000. The total share premium arising on issue was £75,000.

On 26 March 2013, 2,022 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £91,000. The total share premium arising on issue was £91,000.

On 30 April 2013, 19,053 Ordinary Shares of £0.01 each were issued at £45.00 per share giving a total consideration of £857,000. The total share premium arising on issue was £857,000.

8. Related party transactions

The following transactions were carried out with related parties:

(a) Director emoluments

The following amounts were paid to the executive Directors and Non-Executive Directors,

	<i>Unaudited</i> At 30 June 2012 £'000	<i>Unaudited</i> At 30 June 2013 £'000
Aggregate emoluments	68	89
Share based payments to be included	–	35
	<u>68</u>	<u>124</u>

Remuneration and benefits paid to the highest paid Director totalled £110,000 (2011: £125,000 2010: £Nil).

(b) Other transactions with Directors

In the period ending 30 June 2013 a total of £4,000 (2012: £3,000) of funds was advanced by Directors.

Total dividends paid to Directors in the period ending 30 June 2013 were £nil (2012: £Nil).

Loans advanced from Directors are not interest bearing and are repayable on demand.

(c) Transactions with other related parties

Services purchased from Avantis UK Limited totalled £65,000 (2012: £74,000) At 30 June 2013, the Group owed Avantis UK Limited £3,000 (2012: £19,000) Control of Avantis UK Limited is held by a director of the Company.

Services purchased from The Digital Bandit totalled £240 (2012: £2,000). At 30 June 2013, the Group owed The Digital Bandit £Nil (2012: £1,000). Control of The Digital Bandit is held by a Shareholder and relative of a director of the Company.

Services purchased from Dr M Flynn, a director of the Group, for consultancy services totalled £11,000 (2012: £8,000). At 30 June 2013, the Group owed Dr M Flynn £2,000 (2012: £8,000).

9. Subsequent events

On 29 July 2013, there was a bonus issue of Ordinary Shares giving the Shareholders at the time of the issue a further 29 shares for each ordinary share that they held.

On 6 August 2013, 1,561 Ordinary Shares of £0.01 each were issued at £3.23 per share giving a total consideration of £5,000. The total share premium arising on issue was £5,000.

On 10 September 2013, 37,865 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £122,000.

On 10 October 2013, 13,929 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £45,000.

On 5 November 2013, 4,644 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £15,000.

On 5 November 2013, the Company issued share options over 807,780 Ordinary Shares in the Company. 774,780 share options were issued to Directors of the Company. Further details of the Share Option Schemes are set out in paragraph 4 of Part IX.

On 20 November 2013, the Company entered into an agreement in relation to the introduction of the Group to certain Chinese companies. Under this agreement, £100 will be paid to Vantage Link Limited which has agreed to subscribe for 10,000 Ordinary Shares of £0.01 each (as adjusted following any sub-division or reorganisation) in the share capital of the Company prior to Admission, with the issue of such shares being conditional on Admission.

On 28 November 2013, the Company entered into a conditional Acquisition Agreement, as detailed in paragraph 10.2 of Part IX, to acquire the entire ordinary share capital of Biokosmes Srl, conditional upon Admission.

Consideration payable for Biokosmes Srl initially comprises cash of €4.2m (approximately £3.5m), the issue of 1.36m new shares of the Company, and the issue of a convertible loan note of €2.0m (approximately £1.67m). Further details of the convertible loan note can be found in paragraph 10.2 of Part IX.

On 16 December 2013 shareholders approved the consolidation and sub-division of the Company's issued share capital, as detailed in paragraph 2.4 of Part IX. Consequently, the Company's issued share capital of 5,088,429 ordinary £0.01 shares was consolidated and sub-divided into 16,961,430 ordinary £0.003 shares.

On 23 December 2013, the Company purchased Biokosmes' 33.56 per cent. shareholding in G2S Cosmetics, for total consideration of £31,000 (€37,500), as detailed in paragraph 10.8 of Part IX.

PART VI
SECTION I
ACCOUNTANT'S REPORT ON BIKOSMES SRL



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25 March 2014

Dear Sirs

Biokosmes S.r.l (“Biokosmes”)
Venture Life Group plc (the “Company”)

We report on the financial information of Biokosmes set out in Section II of Part VI of the Admission Document dated 25 March 2014 (“Admission Document”). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out at Note 1 to the financial information. This report is required by paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the 26 weeks ended 30 June 2013 and accordingly do not express an opinion thereon.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, or consenting to its inclusion in the Admission Document.

Responsibilities

The Directors and Proposed Director of the Company are responsible for preparing the financial information of Biokosmes in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.



We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Basis for Qualified Opinion on financial information

With respect to inventory having carrying amounts of £1,149,000 at 31 December 2010, £1,162,000 at 31 December 2011 and £1,422,000 at 31 December 2012 the audit evidence available to us was limited because Biokosmes did not perform physical inventory counts as at 31 December 2010, 31 December 2011 and 31 December 2012 and we were also unable to observe counting of the physical inventory or assess the condition of the inventory since such dates were prior to our appointment as reporting accountant to the Company. Owing to the nature of Biokosmes' records, we were unable to obtain sufficient appropriate audit evidence regarding the inventory by using other audit procedures.

Qualified Opinion on financial information

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion on financial information paragraph, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Biokosmes as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1 to the financial information and International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London, EC4A 4AB

PART VI

SECTION II

HISTORICAL FINANCIAL INFORMATION ON BOKOSMES SRL

Statements of Comprehensive Income

	<i>Notes</i>	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Revenue	6	7,384	7,265	7,601
Cost of sales	7	<u>(5,648)</u>	<u>(5,617)</u>	<u>(6,048)</u>
Gross profit		1,736	1,648	1,553
Administrative expenses	8	(1,419)	(1,734)	(1,651)
Other income	11	80	170	240
Exceptional income	9	85	977	158
Exceptional expenses	10	<u>–</u>	<u>–</u>	<u>(1,132)</u>
Operating profit/(loss)		482	1,061	(832)
Finance income	13	15	8	–
Finance costs	12	<u>(89)</u>	<u>(102)</u>	<u>(106)</u>
Profit/(loss) before tax		408	967	(938)
Tax	15	<u>(160)</u>	<u>(385)</u>	<u>90</u>
Profit/(loss) for the year from continuing operations		<u>248</u>	<u>582</u>	<u>(848)</u>
Other comprehensive income				
Exchange difference on translation		<u>(5)</u>	<u>(28)</u>	<u>(27)</u>
Total comprehensive income/(loss) for the year attributable to the owners of the Company		<u>243</u>	<u>554</u>	<u>(875)</u>

Statements of Financial Position

		At 31 December 2010 £'000	At 31 December 2011 £'000	At 31 December 2012 £'000
Assets				
Non-current assets				
Intangible assets	18	287	590	762
Property, plant and equipment	19	1,153	1,055	920
Investments	17	347	878	5
		<u>1,787</u>	<u>2,523</u>	<u>1,687</u>
Current assets				
Inventories	20	1,149	1,162	1,422
Trade and other receivables	21	2,629	1,961	3,425
Assets classified as held for sale	16	–	–	82
Income tax receivable		44	–	103
Cash and bank balances	23	709	201	330
		<u>4,531</u>	<u>3,324</u>	<u>5,362</u>
Total assets		<u><u>6,318</u></u>	<u><u>5,847</u></u>	<u><u>7,049</u></u>
Liabilities				
Non-current liabilities				
Borrowings	25	(353)	(485)	(903)
Obligations under finance leases	26	(50)	(35)	(20)
Provisions	27	(341)	(404)	(456)
Deferred tax liability	22	(33)	(286)	(157)
		<u>(777)</u>	<u>(1,210)</u>	<u>(1,536)</u>
Current liabilities				
Trade and other payables	24	(3,023)	(2,523)	(3,280)
Income tax liability		(9)	(20)	–
Borrowings	25	(2,142)	(1,188)	(2,203)
Obligations under finance leases	26	(30)	(15)	(14)
		<u>(5,204)</u>	<u>(3,746)</u>	<u>(5,497)</u>
Total Liabilities		<u><u>(5,981)</u></u>	<u><u>(4,956)</u></u>	<u><u>(7,033)</u></u>
Net Assets		<u><u>337</u></u>	<u><u>891</u></u>	<u><u>16</u></u>
Equity				
Share capital	30	90	90	90
Legal reserve	31	18	18	18
Other reserves		53	53	53
Foreign currency translation reserve		(2)	(30)	(57)
Retained earnings		178	760	(88)
		<u>178</u>	<u>760</u>	<u>(88)</u>
Total equity attributable to the owners of the Company		<u><u>337</u></u>	<u><u>891</u></u>	<u><u>16</u></u>

Statements of changes in equity

	<i>Share capital £'000</i>	<i>Legal reserve £'000</i>	<i>Other reserves £'000</i>	<i>Foreign currency translation reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
Balance at 1 January 2010	90	18	53	3	(70)	94
Profit for the year	–	–	–	–	248	248
Other comprehensive loss for the year	–	–	–	(5)	–	(5)
Total comprehensive income for the year	–	–	–	(5)	248	243
Balance at 31 December 2010	<u>90</u>	<u>18</u>	<u>53</u>	<u>(2)</u>	<u>178</u>	<u>337</u>
Profit for the year	–	–	–	–	582	582
Other comprehensive loss for the year	–	–	–	(28)	–	(28)
Total comprehensive income for the year	–	–	–	(28)	582	554
Balance at 31 December 2011	<u>90</u>	<u>18</u>	<u>53</u>	<u>(30)</u>	<u>760</u>	<u>891</u>
Loss for the year	–	–	–	–	(848)	(848)
Other comprehensive loss for the year	–	–	–	(27)	–	(27)
Total comprehensive loss for the year	–	–	–	(27)	(848)	(875)
Balance at 31 December 2012	<u>90</u>	<u>18</u>	<u>53</u>	<u>(57)</u>	<u>(88)</u>	<u>16</u>

Statements of cash flows

	Year ended 31 December Notes	Year ended 31 December 2011 £'000	Year ended 31 December 2012 £'000
Cash flow from operating activities:			
Operating profit/(loss)		482	1,061
Adjustments for:			(832)
– Depreciation of plant, property and equipment	19	179	185
– Impairment of plant, property and equipment	19	18	–
– Loss on disposal of plant, property and equipment	8	3	–
– Amortisation of intangible assets	18	36	116
– Impairment of available-for-sale investment	10	–	–
– Foreign exchange loss/(gain)	8	5	4
		<u>723</u>	<u>1,366</u>
Operating cash flow before movements in working capital		723	349
Increase in inventories		(220)	(39)
(Increase)/decrease in trade and other receivables		(608)	436
Increase/(decrease) in trade and other payables		527	(375)
		<u>422</u>	<u>1,388</u>
Cash generated from/(used in) operating activities		422	(515)
Income tax paid		(109)	(66)
		<u>313</u>	<u>1,322</u>
Net cash generated from/(used in) operating activities		313	(725)
Cash flow from investing activities:			
Interest received		15	8
Proceeds on disposal of investments		191	347
Purchase of investments		–	(723)
Purchase of asset held for sale		–	–
Purchases of property, plant and equipment		(747)	(112)
Purchases of intangible assets		(324)	(437)
		<u>(865)</u>	<u>(917)</u>
Net cash used in investing activities		(865)	(917)
Cash flow from financing activities:			
Interest paid		(89)	(102)
Repayment of obligations under finance leases		(62)	(30)
Proceeds from bank loan		363	281
Repayment of bank loan		(147)	(151)
Repayment of loan from related parties	32	(143)	(307)
Movement on invoice discounting		610	(561)
		<u>532</u>	<u>(870)</u>
Net cash generated from/(used in) financing activities		532	(870)
Net (decrease)/increase in cash and cash equivalents		(20)	(465)
Cash and cash equivalents at beginning of year		682	653
Exchange gains on cash and cash equivalents		24	9
Other translation differences		(33)	4
		<u>653</u>	<u>201</u>
Cash and cash equivalents at end of year		653	269

Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances included in current assets in the statement of financial position and bank overdrafts included in borrowings in current liabilities in the statement of financial position as follows:

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Cash and bank balances	709	201	330
Bank overdrafts	(56)	–	(61)
	<u>653</u>	<u>201</u>	<u>269</u>

Notes to the Historical Financial Information

1. Basis of preparation

Biokosmes Srl (“Biokosmes”) is domiciled and incorporated in Italy and its registered office is Milano (MI), Via Besana, 10.

This historical financial information (“Historical Financial Information”) has been prepared on a going concern basis under the historical cost convention, and is in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Boards (“IASB”) that are effective or issued and early adopted as at the time of preparing this Historical Financial Information and in accordance with the provisions of the Companies Act 2006.

The preparation of Historical Financial Information requires management to exercise its judgements in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

The Historical Financial Information in this Part does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

(a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

The IASB and IFRIC have issued the following standards and interpretations with effective dates as noted below:

<i>Standard</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 1, Government Loans	The amendments provide relief to first-time adopters of IFRSs by allowing prospective application of IFRS 9 or IAS 39 and paragraph 10A of IAS 20 to government loans outstanding at the transition to IFRS.	1 January 2013
IFRS 7, Financial Instruments: Offsetting Financial Assets and Financial Liabilities’	The amendments require entities to disclose information about the rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar agreement.	1 January 2013
IFRS 9, Financial Instruments	The standard is the first standard issued as part of a wider project to replace IAS 39. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The classification depends on the entity’s business model and the contractual cash flow characteristics of the instrument. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2015
IFRS 10, Consolidated financial statements	The standard’s objective is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2014

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted – continued

<i>Standard</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 11, Joint arrangements	IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.	1 January 2014
IFRS 12, Disclosures of interests in other entities	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2014
IFRS 13, Fair value measurement	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.	1 January 2014
Amendment to IAS 19, Employee benefits	These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.	1 January 2013
IAS 27 (revised 2011), Separate financial statements	IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	1 January 2013
IAS 28 (revised 2011), Associates and joint ventures	IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	1 January 2014
IAS 32, Offsetting Financial Assets and Financial Liabilities	The amendments clarify existing application issues relating to the offsetting requirements.	1 January 2014

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on Biokosmes.

It is expected that none of the above interpretations would have an impact on this Historical Financial Information if applied.

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 Going concern

As part of its going concern review the Directors and the Proposed Director have followed the guidelines published by the Financial Reporting Council entitled “Going Concern and Liquidity Risk Guidance for UK Companies 2009”.

The Directors and the Proposed Director have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of approval of this Historical Financial Information. In developing these forecasts the Directors and Proposed Director have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors and Proposed Director are confident that Biokosmes has sufficient working capital to honour all of its obligations to creditors as and when they fall due.

Accordingly, the Directors and the Proposed Director have adopted the going concern basis in preparing the Historical Financial Information.

2.2 Foreign currencies

(a) Functional and presentation currency

The currency of the primary economic environment in which Biokosmes operates ('the functional currency') is the Euro (€). The Historical Financial Information is presented in UK Sterling (£) which is the 'presentational currency'.

The assets and liabilities of Biokosmes are translated from the functional currency to the presentation currency at the closing rate at the end of each reporting period. The statement of comprehensive income is translated at exchange rates at the dates of the transactions or at the average rate if that approximates the actual rates. All resulting exchange differences are recognised in other comprehensive income.

The closing exchange rate used at each year ends was as follows:

31 December 2010	31 December 2011	31 December 2012
Euro = 0.857 GBP;	Euro = 0.838 GBP;	Euro = 0.817 GBP.

The average exchange rates used during the year were as follows:

31 December 2010	31 December 2011	31 December 2012
Euro = 0.858 GBP;	Euro = 0.868 GBP;	Euro = 0.811 GBP.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulting from such transactions are recognised in the statement of comprehensive income.

Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Biokosmes' activities. Revenue is shown net of value added tax, returns, rebates and discounts.

(a) Sale of goods

Revenue from the sale of goods is recognised when Biokosmes has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue is therefore recognised when the goods have been shipped to the customer or when the customer collects the goods from the warehouse.

(b) Sale of laboratory services

Revenue from the sale of laboratory services is recognised by reference to the stage of completion of the contract to provide services.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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

Plant and machinery	10%-12% per annum, straight line
Solar panels	9% per annum, straight line
Office Equipment	25%-50% per annum, straight line
Fixtures and fittings	20%-50% per annum, straight line
Motor vehicles	20%-25% per annum, straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses.

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

Computer software and website	50% per annum, straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.6 Internally-generated development intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated development intangible asset arising from Biokosmes' product development is recognised if, and only if, Biokosmes can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Prior to the production of the Historical Financial Information internally-generated development costs arising from Biokosmes' product development were expensed through the statement of comprehensive income, in accordance with Italian GAAP principles.

Internally-generated development intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Development costs	20% per annum, straight line
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2.7 Assets classified as held for sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale

which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.8 Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 Inventories

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

2.10 Financial Instruments

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

Financial assets

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Trade and other receivables are shown in the Historical Financial Information as 'loans and receivables'.

(b) Available-for-sale (AFS) financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. The Available-for-sale financial assets are stated at fair value

with any gains and losses arising from changes in fair value being recognised in other comprehensive income and accumulated in the available for sale reserve, with the exception of impairment losses and foreign exchange gains and losses on monetary assets which are recognised directly in the statement of comprehensive income.

Where the AFS financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available for sale revaluation reserve is reclassified to other comprehensive income. Increases in the fair value after impairment are recognised directly in other comprehensive income.

Biokosmes assesses at each reporting date whether there is objective evidence that an AFS asset or group of AFS assets is impaired. In the case of equity investments, the objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

The AFS financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(c) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, bank overdrafts, demand deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Cash and cash equivalents form part of 'loans and receivables' financial assets.

Financial liabilities and equity

(a) *Trade and other payables*

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

(b) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(c) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of Biokosmes after deducting all of its liabilities. Equity instruments issued by Biokosmes are recorded at the proceeds received, net of direct issue costs.

2.11 Leases

Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease, except where another more systematic basis is more representative of the time pattern in which in which economic benefits from the lease asset are consumed.

Finance Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as assets of Biokosmes at the lower of their fair value or the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the Statement of Comprehensive Income.

2.12 Current and deferred tax

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

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Biokosmes' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the dates of the Statement of Financial Position.

(b) Deferred tax

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

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

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

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

2.13 Employee benefits

Under IAS 19 Employee Benefits, provisions for employee severance liabilities under the *Trattamento di Fine Rapporto* (TFR) scheme, which are accounted for pursuant to specific statutory rules under Italian GAAP, are considered defined benefit obligations. As a result, they are calculated using the "Projected Unit Credit Method".

The length of service has been taken as the average employment period for the employees, being 7 years. Italian inflation rates are used to calculate the salary inflation as set out in the TFR regulations as 75 per cent. of Inflation plus 1.5 per cent.

In doing so, management estimate the number of years of service which will accrue benefits for each employee and make judgements about the effects of cost inflation and discount rates.

2.14 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Biokosmes' directors.

2.15 Provisions

Provisions are recognised when Biokosmes has a present obligation (legal or constructive) as a result of a past event, and it is probable that Biokosmes will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Financial Risk Management

3.1 Financial risk factors

Biokosmes' activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Biokosmes' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Biokosmes' financial performance.

Risk Management is carried out by management under policies approved by the Directors and the Proposed Director. Management identifies and evaluates financial risks in close co-operation with Biokosmes' operating units. The Directors and the Proposed Director provide principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(b) Credit risk

Credit risk is the financial loss to Biokosmes if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from Biokosmes' cash and cash equivalents and receivables balances.

(c) Liquidity risk

Liquidity risk is the risk that Biokosmes will not be able to meet its financial obligations as they fall due. This risk relates to Biokosmes' prudent liquidity risk management and implies maintaining sufficient cash reserves. Management monitors rolling forecasts of Biokosmes' liquidity and cash and cash equivalents on the basis of expected cash flow.

3.2 Capital risk management

Biokosmes' capital structure is comprised of shareholders' equity and borrowings.

Biokosmes' objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of Biokosmes is managed and adjusted to reflect changes in economic conditions.

Biokosmes funds its expenditures on commitments from existing cash and cash equivalent balances. There are no externally imposed capital requirements.

Financing decisions are made by the Directors and the Proposed Director based on forecasts of the expected timing and level of capital and operating expenditure required to meet Biokosmes' commitments and development plans.

The Directors and the Proposed Director review the capital structure of Biokosmes and the related capital risks periodically by way of reviewing the gearing ratio. The gearing ratios throughout the Review Period are shown in note 29.

3.3 Fair value estimation of financial assets and liabilities

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

4. Critical accounting estimates and judgements

The preparation of this Historical Financial Information requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each statement of financial position date and the reported amounts of revenue during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting period are outlined below:

4.1 Employee benefits

Under IFRS, employee severance indemnities (TFR), which are accounted for pursuant to specific statutory rules under Italian GAAP, are considered defined benefit obligations pursuant to IAS 19 Employee Benefits. As a result, they are recalculated using the "Projected Unit Credit Method" under IFRS. Biokosmes also grants employees and former employees various forms of benefits (retirement incentives, compensation, bonuses) under past or current supplemental company or individual agreements that are qualified as defined benefit pension plans, just like other long term benefits.

4.2 Inventory valuation and obsolescence

The cost of inventories requires a number of assumptions to be made in relation to the absorption of directly attributable overheads in relation to the internal costs in preparing cosmetic products for commercial use. These assumptions are based primarily on management's estimates of employee utilisation and direct overheads.

In valuing inventory, management are required to make assumptions in relation to the future commercial use of each product. This includes consideration of both the current business pipeline and management's best estimates of future customer requirements.

Management review inventory usage reports and carry out physical examinations of inventory on a periodic basis to determine whether any items should be disposed of and adjustments are made for any inventories which are considered to be obsolete.

4.3 Impairment of Available-for-sale investment

During 2011 Biokosmes purchased 16.96 per cent. of the ordinary shares of G2S Cosmetics, a cosmetics company domiciled in France for £850,000. During 2012 management took the view that the value of the investment in G2S was fully impaired due to G2S Cosmetics being unable to reach fundraising targets.

5. Segmental Information

Biokosmes complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of Biokosmes that are regularly reviewed by the CODM to allocate resources to the segments and to assess their performance.

In the opinion of the Directors and the Proposed Director, the operations of Biokosmes comprise one class of business, being the production of cosmetics.

During the year ended 31 December 2012 Biokosmes had two customers from each of which revenues generated were greater than 10 per cent. of total revenue. These customers generated £923,000 and £1,124,000 of revenue respectively.

During the year ended 31 December 2011 Biokosmes had two customers from each of which revenues generated were greater than 10 per cent. of total revenue. These customers generated £1,350,000 and £1,295,000 of revenue respectively.

During the year ended 31 December 2010 Biokosmes had two customers from each of which revenues generated were greater than 10 per cent. of total revenue. These customers generated £1,039,000 and £1,180,000 of revenue respectively.

Geographical information

Segment net assets

All non-current assets are located in Italy.

Biokosmes' revenue from external customers by geographical location of customer is detailed below:

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Revenue			
Italy	4,028	3,615	3,825
Switzerland	1,270	945	558
Germany	168	441	926
France	45	507	24
Portugal	14	–	–
Spain	–	–	78
Sweden	–	–	30
UK	860	1,377	1,335
Cyprus	–	–	12
China	223	157	208
United Arab Emirates	16	17	31
Morocco	18	22	21
USA	742	184	553
Total revenue	<u>7,384</u>	<u>7,265</u>	<u>7,601</u>

6. Revenue

An analysis of revenue is shown in the table below.

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Sale of products	7,126	6,840	7,296
Sales of laboratory services	206	244	232
Recharge of costs to customers	52	181	73
	<u>7,384</u>	<u>7,265</u>	<u>7,601</u>

7. Cost of sales

An analysis of cost of sales is shown in the table below.

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Staff costs (note 14)	1,085	1,192	1,121
Depreciation of property, plant and equipment:			
– assets held under finance leases	65	35	18
– owned assets	80	116	128
Inventory movement	(167)	50	10
Packaging costs	291	369	397
Production costs	173	171	293
Raw materials	3,400	3,132	3,645
Rentals under operating leases	403	416	390
Consultancy fees	275	82	–
Warehouse costs	41	46	27
Other expenses	2	8	19
	<u>5,648</u>	<u>5,617</u>	<u>6,048</u>

8. Administrative expenses

An analysis of administrative expenses is shown in the tables below.

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Staff costs (note 14)	390	667	479
Amortisation of intangible assets	36	116	177
Depreciation of property, plant and equipment:			
– owned assets	34	34	40
Impairment of property, plant and equipment	18	–	–
Loss on disposal of property, plant and equipment	3	–	–
Rentals under operating leases	59	60	56
Consultancy fees	–	6	–
General overheads	480	503	534
Other expenses	13	32	19
Research and development costs	61	70	87
Sales promotion	320	242	265
Foreign exchange loss/(gain)	5	4	(6)
	<u>1,419</u>	<u>1,734</u>	<u>1,651</u>

9. Exceptional income

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Agreement termination fee	–	977	–
Waiving of loan from related party (note 32)	85	–	–
Volleyball sponsorship written back	–	–	158
	<u>85</u>	<u>977</u>	<u>158</u>

During 2011 a fee was paid by one of Biokosmes' customers to terminate certain exclusivity conditions with Biokosmes to allow the customer to manufacture products with other suppliers.

During the periods covered by the Historical Financial Information, Biokosmes sponsored a volleyball team through two entities, Parabiago Volley and New Parabiago Volley. During 2012 the two entities entered into voluntary liquidation and the remaining sponsorship amount payable of £158,000 was written back to the statement of comprehensive income as exceptional income. Biokosmes was issued letters from the two entities stating that the sponsorship amounts were forgiven.

10. Exceptional expenses

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Compensation for loss of office	–	–	308
Impairment of available-for-sale investment	–	–	824
	<u>–</u>	<u>–</u>	<u>1,132</u>

During 2011 Biokosmes purchased 16.96 per cent. of the ordinary shares of G2S Cosmetics, a cosmetics company domiciled in France for £850,000. During 2012 management took the view that the value of the investment in G2S Cosmetics was fully impaired due to G2S Cosmetics being unable to reach fundraising targets and an impairment charge of £824,000, net of exchange rate movements, has been recognised in the statement of comprehensive income within exceptional expenses.

During 2012 compensation for loss of office was paid out to two employees in addition to statutory severance pay.

11. Other Income

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Solar panel income	–	54	75
Write back of liability	–	–	77
Other Income	80	116	88
	<u>80</u>	<u>170</u>	<u>240</u>

The write back of the liability of £77,000 during 2012 relates to a prior period and has therefore been included in other income rather than offset against the expense in the period it was incurred.

12. Finance costs

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Interest on obligations under finance leases	4	4	2
Bank interest	37	39	36
Interest on bank loans	6	16	25
Interest on late supplier payments	9	9	9
Bank charges	31	32	29
Interest on loan from related party (note 32)	2	2	5
	<u>89</u>	<u>102</u>	<u>106</u>

13. Finance income

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Bank interest received	–	3	–
Bond interest received	15	5	–
	<u>15</u>	<u>8</u>	<u>–</u>

14. Staff Costs

The average numbers of staff including the company director (Gianluca Braguti) ("Company Director") employed by Biokosmes during the three years are as shown below.

	<i>Year ended 31 December 2010 No</i>	<i>Year ended 31 December 2011 No</i>	<i>Year ended 31 December 2012 No</i>
Company Director	1	1	1
Production	34	34	36
Quality control and regulatory	4	5	5
Sales	1	2	2
R&D	4	4	5
Administrative	8	10	10
	<u>52</u>	<u>56</u>	<u>59</u>

Their aggregate remuneration comprises:

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Wages and salaries	1,324	1,700	1,460
Social security costs	352	445	355
Other pension costs	19	20	6
	<u>1,695</u>	<u>2,165</u>	<u>1,821</u>

The remuneration of the Company Director, who is also the key management personnel of Biokosmes, is shown within note 32.

The split of staff costs included in costs of sales and administrative expenses within the statement of comprehensive income is shown in notes 7 and 8.

During 2012 staff costs of £221,000 (2011: £306,000, 2010: £220,000) were capitalised as part of the intangible asset development costs (note 18).

15. Income tax expense

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Current tax:			
IRAP (Italy)	62	73	66
IRES (Italy)	28	48	22
IRES tax reimbursement	–	–	(55)
Total current tax	<u>90</u>	<u>121</u>	<u>33</u>
Deferred tax:			
IRES (Italy)	<u>70</u>	<u>264</u>	<u>(123)</u>
Total deferred tax expense/(credit)	<u>70</u>	<u>264</u>	<u>(123)</u>
Total income tax expense/(credit)	<u><u>160</u></u>	<u><u>385</u></u>	<u><u>(90)</u></u>

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

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Profit/(loss) before tax	408	967	(938)
Profit/(loss) before taxation multiplied by the IRES rate of corporation tax of 27.5% (2011: 27.5%, 2010: 27.5%)	112	266	(258)
Tax effect of expenses not deductible for tax purposes	18	19	24
Tax effect of non taxable income	(48)	(26)	(54)
Tax effect of IFRS adjustments	(52)	(206)	322
Movement in recognised deferred tax asset	70	264	(123)
IRES tax reimbursement	–	–	(55)
Other differences	<u>(2)</u>	<u>(3)</u>	<u>(12)</u>
Current and deferred income tax recognised in the financial statements, excluding IRAP	<u>98</u>	<u>312</u>	<u>(156)</u>
IRAP (current and deferred)	<u>62</u>	<u>73</u>	<u>66</u>
Current and deferred income tax/(credit) recognised in the financial statements	<u><u>160</u></u>	<u><u>385</u></u>	<u><u>(90)</u></u>

Since the IRAP (an Italian local tax) taxable basis differs from income before taxes, it is excluded from the reconciliation above. Theoretical income taxes are determined by applying only the tax rate in effect in Italy (IRES – 27.5 per cent. in 2012, 2011 and 2010) to profit/(loss) before tax.

16. Assets classified as held for sale

During 2012 Biokosmes acquired the brand "SIX Cosmetique" from the company G2S Cosmetics for a purchase price of £82,000 (€100,000). The brand acquisition was made to develop the brand with the aim of selling the brand to another company for a profit within one year. In October 2013 the brand was sold for £123,000 (€150,000).

17. Investments

	<i>At</i>	<i>At</i>	<i>At</i>
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2010</i>	<i>2011</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Available for sale investments carried at fair value:			
Shares in unlisted entities	5	855	5
Held to maturity investments carried at amortised cost:			
Bonds	342	–	–
Bills of exchange	–	23	–
	<u>347</u>	<u>878</u>	<u>5</u>

During 2011 Biokosmes purchased 16.96 per cent. of the ordinary shares of G2S Cosmetics, a cosmetics company domiciled in France for £850,000. During 2012 management took the view that the value of the investment in G2S Cosmetics should be fully impaired due to G2S Cosmetics being unable to reach fundraising targets and an impairment charge of £824,000, net of exchange rate movements, has been recognised in profit or loss (note 10).

During 2013 Biokosmes increased its shareholding in G2S Cosmetics by 16.6 per cent. to 33.56 per cent. for a purchase price of £17,000 (€20,000). Biokosmes also holds an 18 per cent. non-controlling interest in Novo Galeno Srl valued at £5,000. These shares are not held for trading and accordingly classified as available for sale.

18. Intangible assets

	<i>Development costs £'000</i>	<i>Computer software and website £'000</i>	<i>Total £'000</i>
Cost:			
At 1 January 2010	–	36	36
Additions	315	9	324
Exchange differences	–	(1)	(1)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	315	44	359
Additions	425	12	437
Disposals	–	(5)	(5)
Exchange differences	(23)	(1)	(24)
	<hr/>	<hr/>	<hr/>
At 31 December 2011	717	50	767
Additions	357	2	359
Exchange differences	(12)	(1)	(13)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	1,062	51	1,113
Accumulated amortisation:			
At 1 January 2010	–	(36)	(36)
Charge for the year	(32)	(4)	(36)
Exchange differences	–	–	–
	<hr/>	<hr/>	<hr/>
At 31 December 2010	(32)	(40)	(72)
Charge for the year	(106)	(10)	(116)
Disposals	–	5	5
Exchange differences	3	3	6
	<hr/>	<hr/>	<hr/>
At 31 December 2011	(135)	(42)	(177)
Charge for the year	(169)	(8)	(177)
Exchange differences	2	1	3
	<hr/>	<hr/>	<hr/>
At 31 December 2012	(302)	(49)	(351)
Carrying amount:			
At 31 December 2010	<hr/> <hr/> 283	<hr/> <hr/> 4	<hr/> <hr/> 287
At 31 December 2011	<hr/> <hr/> 582	<hr/> <hr/> 8	<hr/> <hr/> 590
At 31 December 2012	<hr/> <hr/> 760	<hr/> <hr/> 2	<hr/> <hr/> 762

All development costs which relate to product formulation are internally generated and are amortised over their useful lives which is considered to be five years.

19. Property, plant and equipment

	<i>Plant and machinery £'000</i>	<i>Equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Solar Panels £'000</i>	<i>Total £'000</i>
Cost:						
At 1 January 2010	1,007	657	80	257	–	2,001
Additions	62	105	21	7	605	800
Disposals	(2)	(3)	(2)	–	–	(7)
Exchange differences	(44)	(32)	(4)	(12)	(1)	(93)
At 31 December 2010	1,023	727	95	252	604	2,701
Additions	56	28	41	16	–	141
Disposals	(6)	(4)	(9)	–	(17)	(36)
Exchange differences	(28)	(17)	(2)	(6)	(12)	(65)
At 31 December 2011	1,045	734	125	262	575	2,741
Additions	65	12	–	–	–	77
Exchange differences	(25)	(17)	(3)	(6)	(14)	(65)
At 31 December 2012	1,085	729	122	256	561	2,753
Depreciation:						
At 1 January 2010	(613)	(529)	(69)	(212)	–	(1,423)
Charge for the year	(76)	(82)	(9)	(12)	–	(179)
Impairment loss	–	–	(18)	–	–	(18)
Disposals	–	–	6	–	–	6
Exchange differences	30	26	–	10	–	66
At 31 December 2010	(659)	(585)	(90)	(214)	–	(1,548)
Charge for the year	(77)	(63)	(1)	(12)	(32)	(185)
Disposals	–	7	1	–	7	15
Exchange differences	17	9	1	5	–	32
At 31 December 2011	(719)	(632)	(89)	(221)	(25)	(1,686)
Charge for the year	(74)	(41)	(11)	(10)	(50)	(186)
Exchange differences	17	15	2	5	–	39
At 31 December 2012	(776)	(658)	(98)	(226)	(75)	(1,833)
Carrying amount:						
At 31 December 2010	364	142	5	38	604	1,153
At 31 December 2011	326	102	36	41	550	1,055
At 31 December 2012	309	71	24	30	486	920

The split of depreciation included in costs of sales and administrative expenses within profit or loss is shown in notes 7 and 8.

The net book value of Biokosmes' equipment includes £34,932 (2011: £51,081, 2010: £82,468) in respect of assets held under finance lease contracts.

All property, plant and equipment are depreciated over their estimated useful lives which are considered to range from 2 to 11 years depending on the categorisation of the asset.

20. Inventories

	<i>Year ended 31 December 2010 £'000</i>	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>
Finished goods	256	185	327
Raw materials and packaging	760	763	998
Work-in-progress	133	214	97
	<u>1,149</u>	<u>1,162</u>	<u>1,422</u>

21. Trade and other receivables

	<i>At 31 December 2010 £'000</i>	<i>At 31 December 2011 £'000</i>	<i>At 31 December 2012 £'000</i>
Trade receivables	2,475	2,076	3,494
Allowance for doubtful debts	(189)	(215)	(219)
Prepayments and accrued income	42	63	81
Other receivables	214	32	45
Other taxes	87	5	24
	<u>2,629</u>	<u>1,961</u>	<u>3,425</u>

Contractual payment terms with Biokosmes' customers are typically 60 days.

As at 31 December 2012 £73,000 (2011: £17,000, 2010: £17,000) of trade receivables were past due but not impaired. No allowance has been made against the overdue receivables based on historical default experience.

The movement in allowance for doubtful debts is as follows:

	<i>At 31 December 2010 £'000</i>	<i>At 31 December 2011 £'000</i>	<i>At 31 December 2012 £'000</i>
Balance at 1 January	14	189	215
Provision for doubtful debt	175	31	9
Exchange differences	–	(5)	(5)
Balance at 31 December	<u>189</u>	<u>215</u>	<u>219</u>

Included in the allowance for doubtful debts as at 31 December 2012 are individually impaired trade receivables with a balance of £35,000 (2011: £nil, 2010: £nil) due from companies which have been placed in liquidation.

The Directors and the Proposed Director consider that the carrying value of trade and other receivables represents their fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. In determining the recoverability of trade receivables Biokosmes considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on Biokosmes' credit risk management policies, refer to note 29.

Biokosmes does not hold any collateral as security for its trade and other receivables.

The amount of trade and other receivables denominated in currencies other than Euros are shown in note 29 to this Historical Financial Information.

Transfer of financial assets

During the period covered by the Historic Financial Information, Biokosmes discounted trade receivables to a number of banks. The discounted amount depends on the credit quality of the customer and varied between 80 per cent. and 100 per cent. The maximum discounting facility available across the banks as at 31 December 2012 was €4.34 million.

If the trade receivables are not paid at maturity, the bank has the right to request Biokosmes to pay the unsettled balance i.e. full recourse. Accordingly, Biokosmes continues to recognise the full carrying amount of the receivable and has recognised the cash received on the transfer as a secured borrowing within bank loans.

At 31 December 2012, the carrying amount of the short-term receivables that have been transferred but have not been derecognised amounted to £1,970,000 (2011: £1,034,000, 2010: £1,617,000).

22. Deferred tax liability

The following are the major deferred tax liabilities recognised by Biokosmes and movements thereon.

Deferred tax (assets)/liabilities arising from

	<i>Other temporary differences £'000</i>
Balance at 1 January 2010	(37)
Charge to the statement of other comprehensive (note 15)	70
Balance at 31 December 2010	33
Charge to the statement of comprehensive income (note 15)	264
Exchange differences	(11)
Balance at 31 December 2011	286
Credit to the statement of comprehensive income (note 15)	(123)
Exchange differences	(6)
Balance at 31 December 2012	157

Deferred taxation arises from the origination and reversal of temporary differences between reporting under Italian GAAP, for the purposes of Italian tax reporting, and IFRS for the purposes of this Historical Financial Information.

23. Cash and bank

	<i>At 31 December 2010 £'000</i>	<i>At 31 December 2011 £'000</i>	<i>At 31 December 2012 £'000</i>
Cash and bank balances	709	201	330

The Directors and the Proposed Director consider that the carrying value of cash and bank approximates their fair value. For details on Biokosmes' credit risk management policies, refer to note 29.

The amount of cash and bank denominated in currencies other than Euros are shown in note 29 to this Historical Financial Information.

24. Trade and other payables

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Trade payables	2,272	1,839	2,287
Accruals and deferred income	429	317	633
Social security and other taxes	145	156	168
Other payables	177	211	192
	<u>3,023</u>	<u>2,523</u>	<u>3,280</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 60 day terms.

The Directors and the Proposed Director consider that the carrying value of trade and other payables approximates their fair value.

The amount of trade and other payables denominated in currencies other than Euros are shown in note 29 to this Historical Financial Information.

Interest charged by suppliers as a result of late payment of invoices during the year is disclosed in note 12.

25. Borrowings

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Unsecured			
Bank overdrafts	56	–	61
Bank loans	496	612	1,075
Loans from related parties (note 32)	326	23	–
	<u>878</u>	<u>635</u>	<u>1,136</u>
Secured			
Bank loans – invoice discounting (note 21)	1,617	1,038	1,970
	<u>1,617</u>	<u>1,038</u>	<u>1,970</u>
	<u>2,495</u>	<u>1,673</u>	<u>3,106</u>
	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Total borrowings			
Amount due for settlement within 12 months	2,142	1,188	2,203
Amount due for settlement after 12 months	353	485	903
	<u>2,495</u>	<u>1,673</u>	<u>3,106</u>

Bank overdrafts are repayable on demand.

Biokosmes has the following principal bank loans:

- (i) A loan of €705,000 which was taken out on 11 November 2010 until 31 May 2018 and carries an interest rate of 1.25 per cent. above EURibor;
- (ii) A loan of €625,000 which was taken out on 4 May 2012 until 31 May 2019 and carries an interest rate of 1.45 per cent. above EURibor. The amount undrawn on this loan as at 31 December was €187,500;
- (iii) A loan of €300,000 which was taken out on 31 May 2012 until 31 October 2015 and carries an interest rate of 4.5 per cent. above EURibor;
- (iv) A loan of €250,000 which was taken out on 31 May 2008 and was repaid on 30 April 2011. The loan carried an interest rate of 0.85 per cent. above EURibor.

The bank loans do not contain covenants and are denominated in Euros. The carrying value of the bank loans approximates to their fair value.

26. Obligations under finance leases

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Gross finance lease liabilities – minimum lease payments:			
No later than 1 year	33	16	16
Later than 1 year and no later than 5 years	54	38	21
Later than 5 years	2	–	–
	<u>89</u>	<u>54</u>	<u>37</u>
Future finance charges on finance lease liabilities	(8)	(5)	(2)
Present value of finance lease liabilities	<u><u>81</u></u>	<u><u>49</u></u>	<u><u>35</u></u>

The present value of finance lease liabilities is as follows:

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
No later than 1 year	30	15	14
Later than 1 year and no later than 5 years	49	35	20
Later than 5 years	1	–	–
	<u>80</u>	<u>50</u>	<u>34</u>

It is Biokosmes' policy to lease certain of its equipment used in the normal course of business under finance leases.

All finance lease obligations are denominated in Euros.

27. Provisions

Movements in the provision balance have occurred as follows:

	<i>Employee severance indemnity £'000</i>	<i>Director severance indemnity £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
At 1 January 2010	234	94	17	345
Additions net of tax	34	–	–	34
Utilisation	(22)	–	–	(22)
Foreign exchange movements	(11)	(5)	–	(16)
At 31 December 2010	235	89	17	341
Additions net of tax	60	15	–	75
Utilisation	(2)	–	–	(2)
Foreign exchange movements	(7)	(2)	(1)	(10)
At 31 December 2011	286	102	16	404
Additions net of tax	42	27	–	69
Utilisation	(8)	–	–	(8)
Foreign exchange movements	(7)	(1)	(1)	(9)
At 31 December 2012	313	128	15	456

28. Operating lease arrangements

At the statement of financial position date, Biokosmes had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	<i>At 31 December 2010 £'000</i>	<i>At 31 December 2011 £'000</i>	<i>At 31 December 2012 £'000</i>
Operating leases which expire:			
Within one year	469	461	459
In the second to fifth years inclusive	1,434	1,411	1,377
After five years	1,924	1,412	918
	<u>3,827</u>	<u>3,284</u>	<u>2,754</u>

Operating lease payments represent rentals payable by Biokosmes for its office and warehouse premises.

29. Financial instruments

Biokosmes is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of Biokosmes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this Historical Financial Information.

Principal financial instruments

The principal financial instruments used by Biokosmes from which financial instrument risk arises are as follows,

- Trade and other receivables
- Cash and cash equivalents
- Available for sale financial assets
- Trade and other payables

- Borrowings
- Finance leases

Details of financial instruments by category are set out below:

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Financial assets			
<i>Loans and receivables:</i>			
Trade and other receivables (excluding prepayments)	2,588	1,943	3,385
Cash and bank balances	709	201	330
Investments – available for sale	347	878	5
	<u>3,556</u>	<u>3,017</u>	<u>3,695</u>
Financial liabilities			
<i>Other financial liabilities:</i>			
Trade and other payables excluding deferred payments	2,954	2,523	3,280
Obligations under finance leases	80	50	34
Borrowings	2,495	1,673	3,106
	<u>5,392</u>	<u>4,111</u>	<u>6,252</u>

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Available for sale financial assets			
Level 3 – Shares in unlisted entities	<u>5</u>	<u>855</u>	<u>5</u>

Following the impairment of the investment in G2S Cosmetics during 2012 (note 10) the investment is held at cost less impairment as at 31 December 2012 and is no longer held at fair value.

Financial risk management

Disclosures in respect of Biokosmes' financial risks are set out below:

Biokosmes' activities expose it to a variety of financial risks: market risk of foreign exchange fluctuations, credit risk and liquidity risk. Biokosmes' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Biokosmes' financial performance. Biokosmes' policies for financial risk management are outlined in note 3 to this Historical Financial Information.

Market risk

Foreign exchange risk

Biokosmes is exposed to foreign exchange risk on sales, purchases, and translation of assets and liabilities that are in a currency other than the functional currency (Euros).

The carrying amount of Biokosmes' foreign currency (non Euro) denominated monetary assets and liabilities are shown below:

	<i>US \$</i> <i>£'000</i>
At 31 December 2010	
<i>Assets</i>	
Trade and other receivables	87
Cash and cash equivalents	227
	<hr/> 314
<i>Liabilities</i>	
Trade and other payables	(111)
	<hr/> (111)
Net position	<hr/> <hr/> 203
	 <i>US \$</i> <i>£'000</i>
At 31 December 2011	
<i>Assets</i>	
Trade and other receivables	64
Cash and cash equivalents	2
	<hr/> 66
<i>Liabilities</i>	
Trade and other payables	(20)
	<hr/> (20)
Net position	<hr/> <hr/> 46
	 <i>US \$</i> <i>£'000</i>
At 31 December 2012	
<i>Assets</i>	
Trade and other receivables	99
Cash and cash equivalents	14
	<hr/> 113
<i>Liabilities</i>	
Trade and other payables	(106)
	<hr/> (106)
Net position	<hr/> <hr/> 7

The Directors and the Proposed Director consider Biokosmes' exposure to the movements in foreign exchange rate to be minimal at the end of each reporting date and consequently has not disclosed sensitivity analysis.

Credit risk

Credit risk is the risk of financial loss to Biokosmes if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Biokosmes' receivables from customers and deposits with financial institutions. Biokosmes' exposure to credit risk is influenced mainly by the

individual characteristics of each customer. Biokosmes has an established credit policy under which each new customer is analysed for creditworthiness before Biokosmes' standard payment and delivery terms and conditions are offered. Biokosmes' review includes external ratings, and in some cases bank references.

During the period covered by the Historical Financial Information, Biokosmes invoice discounted trade receivables to a number of banks. The discounted amount depends on the credit quality of the customer and varied between 80 per cent. and 100 per cent.

An allowance for impairment is made when there is an identified loss event, which based on previous experience, is evidence in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

Biokosmes gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. At each reporting date, Biokosmes had a significant concentration of cash held on deposit with certain banks. At 31 December 2012, the concentration of credit risk held with these banks was £167,000 with Deutsche Bank, (2011: £76,000 with Deutsche Bank, 2010: £255,000 with Banca Nazionale Del Lavoro, £228,000 with Banco Popolare and £222,000 with BPM Treasury). The banks have credit ratings ranging from BB- to A (Standard & Poor's long term credit rating).

Biokosmes considers its credit risk by counter party and geography.

At 31 December 2012, Biokosmes was also owed £1,081,000 (2011: £388,000, 2010: £nil) from two (2011: one, 2010: nil) of its major customers.

No impairment was made against any of the above amounts at any of the statement of financial position dates.

The carrying amount of financial assets recorded in the financial information represents Biokosmes' maximum exposure to credit risk without taking into account the value of any collateral obtained.

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

Liquidity risk

Liquidity risk is the risk that Biokosmes will not be able to meet its financial obligations as they fall due. Biokosmes' approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to Biokosmes' reputation.

The Directors and the Proposed Director manage liquidity risk by regularly reviewing cash requirements by reference to short term cash flow forecasts and medium term working capital projections prepared by management.

The table below analyses Biokosmes' non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	<i>Less than 1 year £'000</i>	<i>Between 1 and 5 years £'000</i>	<i>Over 5 years £'000</i>
At 31 December 2010			
Borrowings	2,142	265	138
Obligations under finance leases	30	53	2
Trade and other payables	3,023	–	–
Total	<u>5,195</u>	<u>318</u>	<u>140</u>
At 31 December 2011			
Borrowings	1,188	385	129
Obligations under finance leases	15	38	–
Trade and other payables	2,523	–	–
Total	<u>3,726</u>	<u>423</u>	<u>129</u>
At 31 December 2012			
Borrowings	2,203	781	159
Obligations under finance leases	14	21	–
Trade and other payables	3,280	–	–
Total	<u>5,497</u>	<u>802</u>	<u>159</u>

Interest rate risk

Biokosmes' interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose Biokosmes to cash flow interest rate risk. Biokosmes analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios Biokosmes' exposure to expected variable interest rate fluctuations is insignificant.

The Directors and the Proposed Director consider Biokosmes' interest rate charge on bank loans to be immaterial at the end of each reporting date (note 12) and consequently has not disclosed sensitivity analysis.

Capital management

Biokosmes manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, Biokosmes monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and finance lease obligations (including 'current and non-current' as shown in the statement of financial position less cash at bank). Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	<i>At 31 December 2010 £'000</i>	<i>At 31 December 2011 £'000</i>	<i>At 31 December 2012 £'000</i>
Total borrowings	2,575	1,723	3,140
Less: cash and bank (note 23)	709	201	330
Net debt	1,866	1,522	2,810
Total equity	337	891	16
Gearing ratio	<u>85%</u>	<u>63%</u>	<u>99%</u>

Biokosmes has no externally imposed capital requirements.

30. Share capital

	£'000
At 1 January 2010 and at 31 December 2012	<u>90</u>

The nominal value of the share capital was €100,000 at all year ends.

31. Legal reserve

	£'000
At 1 January 2010 and at 31 December 2012	<u>18</u>

Biokosmes maintained a reserve equal to 20 per cent. of the share capital of the company (€20,000), as required by Italian law at each year end.

32. Related party transactions

The following transactions were carried out with related parties:

Director emoluments

The Company Director employed during the three year period was Gianluca Braguti.

	<i>At</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2011</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2012</i> <i>£'000</i>
Aggregate emoluments	–	106	180
Provision for Director severance indemnity (note 27)	<u>89</u>	<u>102</u>	<u>128</u>

Transactions with the Company Director

During 2008 Biokosmes purchased a 40 per cent. shareholding in Bio Kolor Italy Srl from the Company Director, Gianluca Braguti. As at 31 December 2010 Biokosmes owed an amount of £288,000 (2011; £nil. 2012: £nil) to the Company Director for the purchase of the shares. The amount was repaid during 2011.

At 31 December 2012 an amount of £nil (2011: £38,000, 2010: £23,000) was owed to Lucia Parati, the parent of the Company Director, Gianluca Braguti. During 2012 interest of £5,000 (2011: £2,300, 2010: £2,500) was paid in respect of the loan. During 2010 Lucia Parati (the lender) waived a loan amount of £85,000 to Biokosmes. The amount waived is included in exceptional income in the statement of comprehensive income.

During 2012 Biokosmes made sales of £349,000 (2011: £225,000, 2010: £nil) to BMG Pharma Srl, a company in which Gianluca Braguti holds a 15 per cent. shareholding. The amount owed from BMG Pharma Srl as at 31 December 2012 was £62,000 (2011: £5,000, 2010: £nil).

During 2010 a second hand motor vehicle owned by Gianluca Braguti, the Company Director was sold to Biokosmes for £20,000. The carrying value of this vehicle was subsequently impaired to nil.

During 2012 rental amounts of £424,000 (2011: £436,000, 2010: £446,000) were paid to Biokosmes Imm.re Srl a company owned and controlled by Gianluca Braguti. As at 31 December 2012 an amount of £701,000 (2011: £350,000, 2010: £287,000) was owed to Biokosmes Imm.re Srl.

During 2012 Biokosmes incurred costs of £52,000 (2011: £2,000, 2010: £5,000) to Biogenico Srl, a company owned 43 per cent. by Gianluca Braguti and in which Gianluca Braguti is the only director. Biokosmes made sales of £28,000 (2011: £40,000, 2010, £26,000) to Biogenico Srl. At 31 December 2012 Biokosmes was owed an amount of £23,000 (2011: £1,000, 2010: £29,000) and owed an amount of £56,000 (2011: £nil, £4,000) to Biogenico Srl.

During 2012 Biokosmes incurred costs of £nil (2011: £14,000, 2010: £nil) to Di Kosmes Srl, a company owned 66 per cent. by Gianluca Braguti and in which Gianluca Braguti is a director. Biokosmes also made sales of £nil (2011: £56,000, 2010: £10,000) to Di Kosmes Srl. At 31 December 2012 Biokosmes was owed

an amount of £38,000 (2011: £87,000, 2010: £37,000) and owed an amount of £3,000 (2011: £nil, £nil) to Di Kosmes Srl.

During 2012 Biokosmes made sales of £256,000 (2011: £51,000, 2010: £nil) to Delife Pharma S.r.l, a company in which Gianluca Braguti holds a 15 per cent. shareholding. Gianluca Braguti is also a director of Delife Pharma S.r.l. During 2012 Biokosmes incurred costs of £45,000 (2011: £2,000, 2010: £nil) to Delife Pharma S.r.l. At 31 December 2012 no amount were due from Delife Pharma S.r.l (2011: £58,000, 2010: £nil). At 31 December 2012 £30,000 (2011: £58,000, 2010: £nil) was due from Delife Pharma S.r.l.

During 2012 Biokosmes purchased materials and consumables totalling £76,000 (2011: £80,000, 2010: £100,000) from A.Erre & Co. S.r.l. Gianluca Braguti holds a 10 per cent. shareholding in A.Erre & Co. S.r.l, and is also a director of A.Erre & Co. S.r.l. The amount owed to A.Erre & Co. S.r.l, as at 31 December 2012 was £20,000 (2011: £28,000, 2010: £26,000).

During 2012 rental amounts of £9,000 (2011: £9,000, 2010: £9,000) were paid to Imm.re Cremasca Di Parati Lucia a company owned and controlled by Gianluca Braguti's mother and in which Gianluca Braguti holds a 15 per cent. share. As at 31 December 2012 £42,000 was owed to Imm.re Cremasca Di Parati Lucia (2011: £39,000, 2010: £42,000).

During 2012 Biokosmes made sales of £136 (2011: £514, 2010: £618) to Farmacia San Francesco Snc, which is owned by Gianluca Braguti's brother. At 31 December 2012 no amounts were due from Farmacia San Francesco Snc (2011: £nil, 2010: £nil).

Transactions with other related parties

Biokosmes holds a small non-controlling interest in Novo Galeno Srl. As at 31 December 2012 Biokosmes was owed an amount of £13,000 (2011: £13,000, 2010: £13,000) from Novo Galeno Srl.

During 2012 Biokosmes acquired the brand "SIX Cosmetique" from the company G2S Cosmetics for a purchase price of €100,000 and stock worth €400,000. As at 31 December 2012 Biokosmes held a 16.96 per cent. shareholding in G2S Cosmetics (2011: 16.96 per cent., 2010: nil) and this shareholding was increased by 16.6 per cent. to 33.56 per cent. during 2013 for a purchase price of €20,000. The brand acquisition was made to develop the brand with the aim of selling the brand to another company for a profit. In October 2013 the brand was sold for €150,000.

At 31 December 2010 Biokosmes had made an advance payment of €210,000 towards the purchase of shares in G2S Cosmetics which took place during 2011.

During 2012 Biokosmes made sales of £24,000 (2011: £523,000, 2010: £30,000) to G2S Cosmetics and was owed an amount of £nil (2011: £389,000, 2010: £30,000).

33. Ultimate controlling party

The ultimate controlling party during the three years to 31 December 2012 was the Company Director by virtue of his shareholding.

34. Subsequent events

On 28 November 2013, Biokosmes entered into a conditional Acquisition Agreement, as detailed in paragraph 10.2 of Part IX, whereby Venture Life is to acquire the entire ordinary share capital of Biokosmes, conditional upon Admission.

Consideration payable for Biokosmes Srl initially comprises cash of €4.2m (approximately £3.5m), the issue of 1.36m new shares of Venture Life and the issue of a convertible loan note of €2.0m (approximately £1.67m). Further details of the convertible loan note can be found in paragraph 10.2 of Part IX.

During the first half of 2013, Biokosmes increased its shareholding in G2S Cosmetics from 17 per cent. to 33.56 per cent. for total consideration of £17,000 (€20,000), and in view of continued losses incurred by G2S Cosmetics, Biokosmes subsequently impaired the value of this shareholding to £nil. On 23 December 2013, Biokosmes sold its entire 33.56 per cent. shareholding in G2S Cosmetics to Venture Life for total consideration of £31,000 (€37,500), as detailed in paragraph 10.8 of Part IX.

PART VII

UNAUDITED INTERIM FINANCIAL INFORMATION ON BOKOSMES SRL

Condensed Statement of Comprehensive Income

	<i>Unaudited Six months ended 30 June 2012 £'000</i>	<i>Unaudited Six months ended 30 June 2013 £'000</i>
Revenue	3,630	5,951
Cost of sales	(2,647)	(3,545)
Gross profit	983	2,406
Administrative expenses	(987)	(1,244)
Other income	139	84
Exceptional expense	4 (901)	(17)
Operating (loss)/profit	(766)	1,229
Finance costs	(48)	(50)
(Loss)/profit before tax	(814)	1,179
Tax	(8)	(478)
(Loss)/profit for the period	(822)	701
Other comprehensive income		
Exchange difference on translation	(17)	5
Total comprehensive (loss)/income for the period	(839)	706

Condensed Statement of Financial Position

		<i>Audited</i>	<i>Unaudited</i>
		<i>31 December</i>	<i>30 June</i>
	<i>Notes</i>	<i>2012</i>	<i>2013</i>
		<i>£'000</i>	<i>£'000</i>
Assets			
Non-current assets			
Intangible assets	6	762	775
Property, plant and equipment	7	920	919
Investments	5	5	137
		<u>1,687</u>	<u>1,831</u>
Current assets			
Inventories		1,422	1,631
Trade and other receivables		3,425	3,242
Assets classified as held for sale		82	85
Income tax receivable		103	–
Cash and bank balances		330	687
		<u>5,362</u>	<u>5,645</u>
Total assets		<u><u>7,049</u></u>	<u><u>7,476</u></u>
Liabilities			
Non-current liabilities			
Borrowings	8	(903)	(901)
Obligations under finance leases		(20)	(14)
Provisions		(456)	(421)
Deferred tax liability		(157)	(162)
		<u>(1,536)</u>	<u>(1,498)</u>
Current liabilities			
Trade and other payables		(3,280)	(3,636)
Income tax liability		–	(373)
Borrowings	8	(2,203)	(1,232)
Obligations under finance leases		(14)	(15)
		<u>(5,497)</u>	<u>(5,256)</u>
Total Liabilities		<u><u>(7,033)</u></u>	<u><u>(6,754)</u></u>
Net Assets		<u><u>16</u></u>	<u><u>722</u></u>
Equity			
Share capital	9	90	90
Legal reserve		18	18
Other reserves		53	53
Foreign currency translation reserve		(57)	(52)
Retained earnings		(88)	613
Total equity		<u><u>16</u></u>	<u><u>722</u></u>

Condensed Statement of Changes in Equity

	<i>Share capital £'000</i>	<i>Legal reserve £'000</i>	<i>Other reserves £'000</i>	<i>Foreign currency translation reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
Audited balance at 31 December 2011	90	18	53	(30)	760	891
Loss for the year	–	–	–	–	(848)	(848)
Other comprehensive loss for the year	–	–	–	(27)	–	(27)
Total comprehensive loss for the year	–	–	–	(27)	(848)	(875)
Audited balance at 31 December 2012	90	18	53	(57)	(88)	16
Profit for the period	–	–	–	–	701	701
Other comprehensive loss for the period	–	–	–	5	–	5
Total comprehensive income for the period	–	–	–	5	701	706
Unaudited balance at 30 June 2013	90	18	53	(52)	613	722

Condensed Statement of Cash Flows

		<i>Unaudited Six months ended 30 June 2012 £'000</i>	<i>Unaudited Six months ended 30 June 2013 £'000</i>
Cash flow from operating activities:			
Operating (loss)/profit		(766)	1,229
Adjustments for:			
– Depreciation of plant, property and equipment	7	106	112
– Amortisation of intangible assets	6	85	123
– Impairment of available-for-sale investment	4	835	17
– Foreign exchange gain		(7)	(7)
		<hr/>	<hr/>
Operating cash flow before movements in working capital		253	1,474
Decrease/(increase) in inventories		40	(142)
(Increase)/decrease in trade and other receivables		(1,167)	327
Increase in trade and other payables		480	153
		<hr/>	<hr/>
Cash (used in)/generated from operating activities		(394)	1,812
Income tax paid		(15)	–
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(409)	1,812
		<hr/>	<hr/>
Cash flow from investing activities:			
Proceeds on disposal of investments		20	–
Purchase of available for sale investments		–	(17)
Purchase of held to maturity investments		–	(132)
Purchases of property, plant and equipment		(125)	(68)
Purchases of intangible assets		(150)	(98)
		<hr/>	<hr/>
Net cash used in investing activities		(255)	(315)
		<hr/>	<hr/>
Cash flow from financing activities:			
Interest paid		(48)	(50)
Repayment of obligations under finance leases		(7)	(7)
Proceeds from bank loan		607	–
Repayment of bank loan		(79)	(89)
Repayment of loan from related parties	10	(20)	–
Movement on invoice discounting		271	(959)
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		724	(1,105)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		60	392
Cash and cash equivalents at beginning of period		201	269
Exchange gains on cash and cash equivalents		8	16
Other translation differences		(10)	8
		<hr/>	<hr/>
Cash and cash equivalents at end of period		<u>259</u>	<u>685</u>

Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances shown in current assets in the statement of financial position and bank overdrafts shown in borrowings within current liabilities in the statement of financial position. The amounts were as follows:

	<i>Unaudited</i> 30 June 2012 £'000	<i>Unaudited</i> 30 June 2013 £'000
Cash and bank balances	285	687
Bank overdrafts	(26)	(2)
	<u>259</u>	<u>685</u>

Notes to the Interim Financial Statements

1. Basis of preparation

Biokosmes is domiciled and incorporated in Italy with its registered office located at Milano (MI), Via Besana, 10.

This condensed half-yearly financial information for the half-year ended 30 June 2013 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed financial report should be read in conjunction with the historical financial information for Biokosmes Srl for the three years ended 31 December 2012 as set out at Section II of Part VI, which have been prepared in accordance with IFRSs as adopted by the European Union.

2. Accounting policies

The key accounting policies in the period are set out below.

(a) Key accounting policies

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Biokosmes' activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Revenue from the sale of goods is recognised when Biokosmes has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue is therefore recognised when the goods have been shipped to the customer or when the customer collects the goods from the warehouse.

Revenue from the sale of laboratory services is recognised by reference to the stage of completion of the contract to provide services.

Internally-generated development intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated development intangible asset arising from Biokosmes' product development is recognised if and only if Biokosmes can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated development intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Development costs 20% per annum, straight line

(b) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2013

The IASB and IFRIC have issued the following standards and interpretations with effective dates as noted below:

<i>Standard</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 10, Consolidated financial statements	The standard's objective is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2014
IAS 27, Consolidated and separate financial statements	The standard outlines when an entity must consolidate another entity, how to account for a change in ownership interest, how to prepare separate financial statements, and related disclosures. Consolidation is based on the concept of 'control' and changes in ownership interests while control is maintained are accounted for as transactions between owners as owners in equity.	1 January 2014
IFRS 13, Fair value measurement	The standard's objective is to define fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.	1 January 2014
IFRS 11, Joint arrangements	IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.	1 January 2014
IFRS 12, Disclosures of interests in other entities	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2014
IAS 28 (revised 2011), Associates and joint ventures	IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	1 January 2014

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

<i>Standard</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 9, Financial Instruments	The standard is the first standard issued as part of a wider project to replace IAS 39. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2015
IAS 32, Offsetting Financial Assets and Financial Liabilities	The amendments clarify existing application issues relating to the offsetting requirements.	1 January 2014

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on Biokosmes.

None of the above interpretations would have an impact on this Interim Financial Information if applied.

3. Segmental Information

Biokosmes complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of Biokosmes that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance.

In the opinion of the Directors and the Proposed Director, the operations of Biokosmes comprise one class of business, being the production of cosmetics.

4. Exceptional expense

	<i>Unaudited Six months ended 30 June 2012 £'000</i>	<i>Unaudited Six months ended 30 June 2013 £'000</i>
Compensation for loss of office	66	–
Impairment of available-for-sale investment	835	17
	<u>901</u>	<u>17</u>

During 2011 Biokosmes purchased 16.96 per cent. of the ordinary shares of G2S Cosmetics, a cosmetics company domiciled in France for £850,000. During 2012 management took the view that the value of the investment in G2S was fully impaired due to G2S Cosmetics being unable to reach fundraising targets and an impairment charge of £835,000 (£824,000 based on exchange rates as at 31 December 2012) has been recognised in the statement of comprehensive income.

During the period ended 30 June 2013 Biokosmes increased its holding in G2S Cosmetics by 16.6 per cent. for a consideration of £17,000 (€20,000). This investment did not lead to an improvement in G2S Cosmetics and so a further impairment charge of £17,000 has been recognised in the statement of comprehensive income for the period ended 30 June 2013.

During 2012 compensation for loss of office was paid out to two employees in addition to statutory severance pay.

5. Investments

	<i>Held to maturity investments carried at amortised cost £'000</i>	<i>Available for sale investments carried at fair value £'000</i>	<i>Total Investments £'000</i>
Audited at 1 January 2012	23	855	878
Loss on valuation of shares in unlisted entities	–	(824)	(824)
Disposal of Bill of Exchange	(23)	–	(23)
Exchange differences	–	(26)	(26)
	<hr/>	<hr/>	<hr/>
Audited at 31 December 2012	–	5	5
Additions of shares in unlisted entities	–	17	17
Loss on valuation of shares in unlisted entities	–	(17)	(17)
Addition to Bill of Exchange	132	–	132
	<hr/>	<hr/>	<hr/>
Unaudited at 30 June 2013	<u>132</u>	<u>5</u>	<u>137</u>

As at 31 December 2012 Biokosmes held a 16.96 per cent. shareholding in G2S Cosmetics, a cosmetics company domiciled in France. During the 6 month period ending 30 June 2013 Biokosmes increased their shareholding in G2S Cosmetics by 16.6 per cent. to 33.56 per cent. for a purchase price of £17,000 (€20,000).

During the year ending 31 December 2012 and the 6 month period ending 30 June 2013 management took the view that the value of the investment in G2S Cosmetics should be fully impaired due to G2S Cosmetics being unable to reach fundraising targets. An impairment charge for the period of £17,000 has been recognised in the statement of comprehensive income within exceptional expenses (note 4).

Biokosmes also holds an 18 per cent. non-controlling interest in Novo Galeno Srl valued at £5,000.

6. Intangible assets

	<i>Development costs £'000</i>	<i>Computer software £'000</i>	<i>Total £'000</i>
Cost :			
Audited at 1 January 2012	717	50	767
Additions	357	2	359
Exchange differences	(12)	(1)	(13)
	<hr/>	<hr/>	<hr/>
Audited at 31 December 2012	1,062	51	1,113
Additions	93	5	98
Exchange differences	50	3	53
	<hr/>	<hr/>	<hr/>
Unaudited at 30 June 2013	1,205	59	1,264
Accumulated amortisation:			
Audited at 1 January 2012	(135)	(42)	(177)
Charge for the year	(169)	(8)	(177)
Exchange differences	2	1	3
	<hr/>	<hr/>	<hr/>
Audited at 31 December 2012	(302)	(49)	(351)
Charge for the period	(120)	(3)	(123)
Exchange differences	(15)	–	(15)
	<hr/>	<hr/>	<hr/>
Unaudited at 30 June 2013	(437)	(52)	(491)
Carrying amount:			
Audited at 31 December 2012	760	2	762
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Unaudited at 30 June 2013	768	7	775
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All development costs which relate to product formulation are internally generated and are amortised over their useful lives, considered to be five years.

7. Property, plant and equipment

	<i>Plant and machinery £'000</i>	<i>Equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Photovoltaic £'000</i>	<i>Total £'000</i>
Cost:						
Audited at 1 January 2012	1,046	734	125	262	575	2,742
Additions	65	12	–	–	–	77
Exchange differences	(26)	(17)	(3)	(6)	(14)	(66)
Audited at 31 December 2012	1,085	729	122	256	561	2,753
Additions	42	13	13	–	–	68
Exchange differences	51	33	6	11	25	126
Unaudited at 30 June 2013	1,178	775	141	267	586	2,947
Accumulated depreciation:						
Audited at 1 January 2012	(719)	(632)	(89)	(221)	(25)	(1,686)
Charge for the year	(74)	(41)	(11)	(10)	(50)	(186)
Exchange differences	17	15	2	5	–	39
Audited at 31 December 2012	(776)	(658)	(98)	(226)	(75)	(1,833)
Charge for the period	(41)	(31)	(6)	(6)	(28)	(112)
Exchange differences	(35)	(30)	(4)	(10)	(4)	(83)
Unaudited at 30 June 2013	(852)	(719)	(108)	(242)	(107)	(2,028)
Carrying amount:						
Audited at 31 December 2012	<u>309</u>	<u>71</u>	<u>24</u>	<u>30</u>	<u>486</u>	<u>920</u>
Unaudited at 30 June 2013	<u>326</u>	<u>56</u>	<u>33</u>	<u>25</u>	<u>479</u>	<u>919</u>

All property, plant and equipment are depreciated over their estimated useful lives which are considered to range from 2 to 11 years depending on the categorisation of the asset.

8. Borrowings

	<i>Audited 31 December 2012 £'000</i>	<i>Unaudited 30 June 2013 £'000</i>
Unsecured		
Bank overdrafts	60	2
Bank loans	<u>1,076</u>	<u>1,036</u>
	<u>1,136</u>	<u>1,038</u>
Secured		
Bank loans – invoice discounting	<u>1,970</u>	<u>1,095</u>
	<u>1,970</u>	<u>1,095</u>
	<u>3,106</u>	<u>2,133</u>

	<i>Audited</i> 31 December 2012 £'000	<i>Unaudited</i> 30 June 2013 £'000
Total borrowings		
Amount due for settlement within 12 months	2,203	1,232
Amount due for settlement after 12 months	903	901
	<u>3,106</u>	<u>2,133</u>

Bank overdrafts are repayable on demand.

Biokosmes has the following principal bank loans:

- (i) A loan of €705,000 which was taken out on 11 November 2010 until 31 May 2018 and carries an interest rate of 1.25 per cent. above EURibor;
- (ii) A loan of €625,000 which was taken out on 4 May 2012 until 31 May 2019 and carries an interest rate of 1.45 per cent. above EURibor. The amount undrawn on this loan as at 31 December was €187,500.
- (iii) A loan of €300,000 which was taken out on 31 May 2012 until 31 October 2015 and carries an interest rate of 4.5 per cent. above EURibor.

The bank loans do not contain covenants and the carrying value of the bank loans approximates to their fair value.

9. Share capital

	<i>Nominal value</i> £'000
At 1 January 2012 (audited) and at 30 June 2013 (unaudited)	<u>90</u>

The nominal value of the share capital was €100,000 at all year ends.

10. Related party transactions

The following transactions were carried out with related parties:

Director emoluments

	<i>Unaudited</i> Six months ended 30 June 2012 £'000	<i>Unaudited</i> Six months ended 30 June 2013 £'000
Aggregate emoluments	<u>53</u>	<u>95</u>

The provision for the Company Director's severance indemnity as at 30 June 2013 was £132,000 (2012: £127,000).

Transactions with Director

During the period ending 30 June 2012 interest of £1,000 was paid in respect of a loan from Lucia Parati, the parent of the Company Director, Gianluca Braguti. At 30 June 2013 an amount of £nil (31 December 2012: £nil) was owed to Lucia Parati.

During the period ending 30 June 2013 Biokosmes made sales of £154,000 (2012: £188,000) to BMG Pharma Srl, a company in which Gianluca Braguti holds a 15 per cent. shareholding. As at 30 June 2013 an amount of £424 was owed to BMG Pharma following the issue of a credit note (2012: amount owed from BMG Pharma of £36,000).

During the period ending 30 June 2013 rental amounts of £223,000 (2012: £214,000) were paid to Biokosmes Imm.re Srl a company owned and controlled by Gianluca Braguti. As at 30 June 2013 an amount of £824,000 (2012: £325,000) was owed to Biokosmes Imm.re Srl.

During the period ending 30 June 2013 Biokosmes incurred costs of £51,000 (2012: £11,000) to Biogenico Srl, a company owned 43 per cent. by Gianluca Braguti and in which Gianluca Braguti is the only director. Biokosmes also received revenue of £10,000 (2012: £19,000). At 30 June 2013 Biokosmes was owed an amount of £34,000 (2012: £13,000) and owed an amount of £91,000 (2012: £13,000) to Biogenico Srl.

At 30 June 2013 Biokosmes was owed an amount of £40,000 (2012: £21,000) and owed an amount of £nil (2012: £22,000) to Di Kosmes Srl a company owned 66 per cent. by Gianluca Braguti and in which Ludovico Braguti is a Director.

During period ending 30 June 2013 Biokosmes made sales of £27,000 (2012: £189,000) to Delife Pharma S.r.l, a company in which Gianluca Braguti holds a 15 per cent. shareholding. Gianluca Braguti is also a director of Delife Pharma S.r.l. During the period ending 30 June 2013 Biokosmes also incurred costs of £nil (2012: £46,000) to Delife Pharma S.r.l.

During period ending 30 June 2013 Biokosmes purchased materials and consumables totalling £31,000 (2012: £43,000) from A.Erre & Co. S.r.l. Gianluca Braguti holds a 10 per cent. shareholding in A.Erre & Co. S.r.l, and is also a director. The amount owed to A.Erre & Co. S.r.l, at 30 June 2013 was £21,000 (2013: £21,000).

During period ending 30 June 2013 rental amounts of £11,000 (2012: £9,000) were paid to Immobiliare Cremasca Di Parati Lucia e c. S.a.S., a company owned and controlled by Gianluca Braguti's mother and in which Gianluca Braguti holds a 15 per cent. share. At 30 June 2013 an amount of £56,000 was owing to Immobiliare Cremasca Di Parati Lucia e c. S.a.S. (2012: £43,000).

Transactions with other related parties

Biokosmes holds a small non-controlling interest in Novo Galeno Srl. As at 30 June 2013 Biokosmes was owed an amount of £13,000 (2012: £13,000) from Novo Galeno Srl.

During 2012 Biokosmes acquired the brand "SIX Cosmetique" from G2S Cosmetics for a purchase price of €100,000 and stock worth €400,000. The acquisition was made to develop the brand with the aim of selling to another company for a profit. In October 2013 the brand was sold for €150,000. During the period ending 30 June 2013 Biokosmes acquired a further 20 per cent. shareholding in G2S Cosmetics for consideration of €20,000 taking the total shareholding to 36.96 per cent. (2012: 16.96 per cent.).

During the period ending 30 June 2013 Biokosmes made sales of £nil (30 June 2012: £25,000 to G2S Cosmetics and was owed an amount of £nil (2012: £389,000).

11. Subsequent events

On 28 November 2013, Biokosmes entered into a conditional Acquisition Agreement, as detailed in paragraph 10.2 of Part IX, whereby Venture Life is to acquire the entire ordinary share capital of Biokosmes, conditional upon Admission.

Consideration payable for Biokosmes Srl initially comprises cash of €4.2m (approximately £3.5m), the issue of 1.36m new shares of Venture Life and the issue of a convertible loan note of €2.0m (approximately £1.67m). Further details of the convertible loan note can be found in paragraph 10.2 of Part IX.

On 23 December 2013, Biokosmes sold its entire 33.56 per cent. shareholding in G2S Cosmetics to Venture Life for total consideration of £31,000 (€37,500), as detailed in paragraph 10.8 of Part IX.

PART VIII

SECTION I

ACCOUNTANT'S REPORT ON PRO FORMA FINANCIAL INFORMATION



The Directors and Proposed Director
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25 March 2014

Dear Sirs

Venture Life Group Plc (“the Company”) and its subsidiaries (“the Group”)

We report on the pro forma financial information (the “Pro forma Financial Information”) set out in Section II of Part VIII of the Admission Document dated 25 March 2014 (“Admission Document”), which has been prepared on the basis described in the notes to the Pro forma Financial Information, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 30 June 2013. This report is has been prepared in accordance with the requirements of paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

This report is made solely for the purposes of paragraph 20.2 of Annex I of the Prospectus Rules as if applied by part (a) of Schedule Two to the AIM Rules. Our audit work has been undertaken so that we might state those matters we are required to state in an accountants’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than a person as and to the extent provided by paragraph 20.2 of Annex I of the Prospectus Rules as if applied by part (a) of Schedule Two to the AIM Rules, for our audit work, for this report, or for the opinions we have formed or consenting to its inclusion in the Admission Document.

Responsibilities

It is the responsibility of the Directors and Proposed Director of Company to prepare the Pro forma Financial Information in accordance with paragraph 20.2 of Annex I of the Prospectus Rules as if applied by part (a) of Schedule Two to the AIM Rules.



It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Rules as if applied by part (a) of Schedule Two to the AIM Rules, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors and Proposed Director of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as if applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London EC4A 4AB.

PART VIII

SECTION II

PRO FORMA FINANCIAL INFORMATION

Set out below is an unaudited pro-forma statement of net assets of the Group, which has been prepared by the Directors and Proposed Director on the basis of the notes set out below, to show the effects of the Placing and the acquisition of Biokosmes S.r.l on the net assets of the Group as at 30 June 2013, as if these transactions had occurred on that date.

It is the sole responsibility of the Directors and Proposed Director to prepare the pro-forma statement of net assets. The pro-forma statement of net assets has been prepared by the Directors and Proposed Director for illustrative purposes only and, because it addresses a hypothetical situation, does not represent the Group's actual financial position either prior to or following the Placing and acquisition.

	<i>Company net assets as at 30 June 2013 (Note 1) £'000</i>	<i>Biokosmes net assets as at 30 June 2013 (Note 2) £'000</i>	<i>Placing (Note 3) £'000</i>	<i>Convertible loan notes (Note 4) £'000</i>	<i>Acquisition of Biokosmes (Note 5) £'000</i>	<i>Pro-forma net assets of the Enlarged Group £'000</i>
Assets						
<i>Non-current assets</i>						
Intangible assets	361	775	–	–	–	1,136
Property, plant and equipment	6	919	–	–	–	925
Investments	–	137	–	–	–	137
	<u>367</u>	<u>1,831</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,198</u>
<i>Current assets</i>						
Inventories	87	1,631	–	–	–	1,718
Trade and other receivables	149	3,242	–	–	(96)	3,295
Unpaid share capital	25	–	–	–	–	25
Assets available for sale	–	85	–	–	–	85
Cash and cash equivalents	1,069	687	4,200	–	(3,500)	2,456
	<u>1,330</u>	<u>5,645</u>	<u>4,200</u>	<u>–</u>	<u>(3,596)</u>	<u>7,579</u>
Liabilities						
<i>Current liabilities</i>						
Trade and other payables	348	3,636	–	–	(96)	3,888
Income tax liability	–	373	–	–	–	373
Deferred licence provision	66	–	–	–	–	66
Convertible loan note	43	–	–	(43)	–	–
Bank loans and leases	–	1,247	–	–	–	1,247
	<u>457</u>	<u>5,256</u>	<u>–</u>	<u>(43)</u>	<u>(96)</u>	<u>5,574</u>
Net current assets	873	389	4,200	43	(3,500)	2,005
Non-current liabilities						
Bank loans and leases	–	915	–	–	–	915
Deferred licence provision	137	–	–	–	–	137
Other provisions	–	421	–	–	–	421
Convertible loan notes	290	–	–	(290)	1,667	1,667
Deferred tax	–	162	–	–	–	162
	<u>427</u>	<u>1,498</u>	<u>–</u>	<u>(290)</u>	<u>1,667</u>	<u>3,302</u>
Net assets	<u>813</u>	<u>722</u>	<u>4,200</u>	<u>333</u>	<u>(5,167)</u>	<u>901</u>

Notes:

1. The net asset figures of the Company have been extracted without material adjustment from the unaudited interim accounts as at 30 June 2013 as set out in Part V.
2. The net asset figures of Biokosmes S.r.l have been extracted without material adjustment from the unaudited interim accounts as at 30 June 2013 as set out in Part VII.
3. The gross proceeds of the Placing are expected to be £5.4 million from the issue of 4,954,579 ordinary shares at 109p per share. The proceeds of the Placing is stated after deducting the following costs related to Admission:

	£'000
Gross proceeds	5,400
Less costs	(1,200)
Net proceeds	<u>4,200</u>

4. The Company has issued a total of £375,000 of convertible loan notes. As at 30 June 2013, it had issued £365,000 of convertible loan notes, with a further £10,000 issued after 30 June 2013. Under the terms of the convertible loan note, outstanding loan notes automatically convert to shares in the Company on Admission. The value of these loan notes is recognised under IFRS at £333,000 at 30 June 2013.
5. Owing to an existing trading relationship between the Company and Biokosmes, as at 30 June 2013 VLG recognised Biokosmes as a creditor in respect of trade payables of £96,000 and Biokosmes recognised the Company as a debtor in respect of trade receivables of £96,000. This amount is accordingly reversed out of the respective balance sheets.

The acquisition of Biokosmes S.r.l is conditional on the Company's successful placing and subsequent Admission. The adjustment of £3.5 million shows the consideration payable on Admission to the vendors of Biokosmes S.r.l, being €4.2m converted at a €/£ exchange rate of 1.20. No adjustment has been made for any goodwill that may arise on acquisition.

The balance of the consideration, €1.8 million (£1.5 million at a €/£ exchange rate of 1.20), is payable by way of a convertible loan note being issued to the vendors of Biokosmes. The terms of this loan note are set out at paragraph 10.2 of Part IX.

The acquisition of Biokosmes S.r.l is conditional on the Company's successful placing and subsequent Admission. The adjustment of £3.5m shows the consideration payable on Admission to the vendors of Biokosmes S.r.l, being €4.2m converted at a €/£ exchange rate of 1.20/1. No adjustment has been made for any goodwill that may arise on acquisition.

The balance of the consideration, €2m (£1.67m at a €/£ exchange rate of 1.20/1), is payable by way of a convertible loan note being issued to the vendors of Biokosmes. The terms of this loan note are set out at paragraph 10.2 of Part IX.

No account has been taken of any movement in the net assets of the Company or Biokosmes S.r.l since 30 June 2013, nor of any other event save as disclosed above.

PART IX

ADDITIONAL INFORMATION

1. Incorporation, registered office and website

- 1.1 The Company was incorporated in England and Wales on 12 December 2005 as a private company with limited liability under the Companies Act 1985, with the name of Casedune Limited and with registered number 05651130. On 2 February 2006, the Company changed its name to Flint Pharma Limited, on 20 March 2009 to Avaderm Limited and on 3 November 2010 to VLL Healthcare Limited. On 31 July 2013 the Company re-registered as a public limited company with the name of VLL Healthcare plc. On 3 September 2013, the Company changed its name to Venture Life Group plc.
- 1.2 The Company's registered office and head office is at Venture House, Arlington Square, Bracknell, Berkshire RG12 1WA and the telephone number is 01344 742870. It is domiciled in England. The principal legislation under which the Company operates and under which the Ordinary Shares have been or will be created is the Companies Act 2006 and the regulations made thereunder.
- 1.3 The Company's corporate website, at which the information required by Rule 26 of the AIM Rules can be found, is www.venture-life.com.
- 1.4 The Company is the holding company of the Group and has the following significant subsidiary undertakings. Each of these companies is beneficially wholly owned by a member of the Group and the issued share capital is fully paid. Except where expressly stated, the registered office of each of these companies is Venture House, Arlington Square, Bracknell, Berkshire RG12 1WA.

<i>Name and Registered Office</i>	<i>Country of incorporation</i>	<i>% of issued share capital held directly or indirectly by the Company</i>	<i>Principal activity</i>
Venture Life Limited	England & Wales	100%	Development and marketing of healthcare products
Tracey Malone Limited	England & Wales	100%	Licence holding company
Lubatti Limited	England & Wales	100%	Retail and wholesale cosmetics sales
Biokosmes Srl, Via Besana, No. 10, 20122 Milan, Italy	Italy	100% (following, and conditional on, Admission)	Manufacturing of liquids, creams, gels
G2S Cosmetics SA 13 Rue Salomon de Rothschild 92150 Suresnes, France	France	33.56%	Development and marketing of cosmetics products

2. Share capital

- 2.1 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 Ordinary Shares of £1.00 each, one of which was issued fully paid.
- 2.2 Since incorporation, the following changes have been made to the authorised and issued share capital of the Company:

On 31 August 2008, the authorised share capital of the Company was split into shares of £0.01 each.

On 2 September 2008, 7,400 Ordinary Shares of £0.01 each were allotted at par.

On 23 March 2008, 2,500 Ordinary Shares of £0.01 each were allotted for £40 per Ordinary Share credited as fully paid for a total consideration of £100,000.

On 1 September 2010, 73,944 Ordinary Shares of £0.01 each were allotted for £3.55 per Ordinary Share credited as fully paid for a total consideration of £262,501.00.

On 30 September 2010, 4,200 Ordinary Shares of £0.01 each were allotted for £3.55 per Ordinary Share credited as fully paid for a total consideration of £14,910.00.

On 31 October 2010, 11,111 Ordinary Shares of £0.01 each were allotted for £9.00 per Ordinary Share credited as fully paid for a total consideration of £100,000.

On 31 October 2010, 13,820 Ordinary Shares of £0.01 each were allotted for £17.3829 per Ordinary Share credited as fully paid for a total consideration of £240,231.00.

On 8 February 2011, 20,067 Ordinary Shares of £0.01 each were allotted for £26.00 per Ordinary Share credited as fully paid for a total consideration of £521,744.00.

On 5 April 2012, 2,399 Ordinary Shares of £0.01 each were allotted for £45.01 per Ordinary Share credited as fully paid for a total consideration of £107,971.00.

On 3 July 2012, 3,811 Ordinary Shares of £0.01 each were allotted for £45.00 per Ordinary Share credited as fully paid for a total consideration of £171,500.00.

On 9 August 2012, 1,807 Ordinary Shares of £0.01 each were allotted for £45.00 per Ordinary Share credited as fully paid for a total consideration of £81,315.00.

On 20 October 2012, 488 Ordinary Shares of £0.01 each were allotted for £45.00 per Ordinary Share credited as fully paid for a total consideration of £20,120.00.

On 20 November 2012, 2,222 Ordinary Shares of £0.01 each were allotted for £45.00 per Ordinary Share credited as fully paid for a total consideration of £100,000.

On 20 December 2012, 1,111 Ordinary Shares of £0.01 each were allotted for £45.00 per Ordinary Share credited as fully paid for a total consideration of £49,995.00.

On 26 February 2013, 1,666 Ordinary Shares of £0.01 each were allotted for £45.00 per Ordinary Share credited as fully paid for a total consideration of £75,000.

On 26 March 2013, 2,022 Ordinary Shares of £0.01 each were allotted for £45.00 per Ordinary Share credited as fully paid for a total consideration of £91,020.00.

On 30 April 2013, 19,053 Ordinary Shares of £0.01 each were allotted for £45.00 per Ordinary Share credited as fully paid for a total consideration of £857,490.00.

On 29 July 2013, 4,862,749 Ordinary Shares of £0.01 each were issued as a bonus issue.

On 6 August 2013, 1,561 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £5,044.00.

On 10 September 2013, 37,865 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £122,306.78.

On 10 October 2013, 13,929 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £45,000.08.

On 5 November 2013, 4,644 Ordinary Shares of £0.01 each were allotted for £3.23 per Ordinary Share credited as fully paid for a total consideration of £15,000.12.

- 2.3 The Shareholders approved the consolidation and subdivision of the Ordinary Shares on 16 December 2013. As at the date of this document, the issued share capital of the Company is £50,884.29 divided into 16,961,430 Ordinary Shares of £0.003.

2.4 The Group has entered into an agreement pursuant to which Dr Huaizeng Peng, through Vantage Link Limited will initially be allotted 33,333 Ordinary Shares prior to Admission (the “Vantage Link Shares”) (and potentially up to a further 33,333). The Group has also entered into an agreement whereby PermaPharm AG will be allotted 125,000 Ordinary Shares prior to Admission (the “PermaPharm Shares”). The Company has agreed to issue 10,193 new Ordinary Shares to Cybex Ventures Limited (the “Cybex Shares”) as consideration for certain services provided to the Company by Cybex Ventures Limited during 2013. The new Ordinary Shares will be issued shortly before Admission. In addition, the Company has £375,000 7.5 per cent. convertible unsecured loan notes outstanding. These loan notes will be converted into 821,421 Ordinary Shares (the “Founder Loan Note Conversion Shares”) prior to Admission.

By resolution passed at a general meeting of the Company held on 16 December 2013 it was resolved that:

- (A) the 5,088,429 Ordinary Shares of £0.01 each in the issued share capital of the Company be consolidated and sub-divided into 16,961,430 Ordinary Shares of £0.003 (“Sub-divided Shares”), such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the existing 5,088,429 Ordinary Shares of £0.01 each in the capital of the Company as set out in the Articles for the time being;
- (B) as a result of this consolidation and sub-division, Shareholders holding a number of shares not divisible by 3 will be entitled to fractions of consolidated and sub-divided shares.
- (C) fractional entitlements to Sub-divided Shares are dealt with in the following way:
 - (i) Shareholders who will have fractional entitlement to a Sub-divided Share will not be issued with any fraction of a Sub-divided Share;
 - (ii) instead, all these fractional entitlements to Sub-divided Shares will be aggregated with other such fractional entitlements and sub-divided into new ordinary shares; and
 - (iii) the new Ordinary Shares arising from the aggregated fractional entitlements to Sub-divided Shares will be donated to a charity nominated by the Directors;
- (D) the Directors were generally and unconditionally authorised, in accordance with section 551 of the Act, to allot Ordinary Shares and grant rights to subscribe for or convert any security into Ordinary Shares (together “relevant securities”) provided that this power is limited to:
 - (i) the allotment of 125,000 Ordinary Shares of £0.003 (as proportionately adjusted in accordance with any consolidation and sub-division of the Company’s share capital) under the terms of the agreement between the Company and PermaPharm AG (as amended from time to time);
 - (ii) the allotment of 821,421 Ordinary Shares of £0.003 (as proportionately adjusted in accordance with any consolidation and sub-division of the Company’s share capital) under the terms of the Company’s loan note instrument dated 30 April 2013 (as amended from time to time) in relation to the issue of £375,000, 7.5 per cent. convertible unsecured loan notes;
 - (iii) conditional on Admission, the allotment of up to 66,666 Ordinary Shares of £0.003 (as proportionately adjusted in accordance with any consolidation and sub-division of the Company’s share capital) under the terms of the agreement dated 20 November 2013 between the Company and Dr. Huaizeng Peng (as amended from time to time);
 - (iv) the allotment of up to a maximum of 11,944,166 Ordinary Shares of £0.003 (as proportionately adjusted in accordance with any consolidation and sub-division of the Company’s share capital) under the terms of the Acquisition Agreement (as amended from time to time);
 - (v) the allotments of relevant securities up to an aggregate nominal amount of £15,000 (or such other nominal amount as corresponds to ordinary shares at the placing price in connection with Admission with a total value of £3,839,116) pursuant to the placing but before admission of the Company’s shares to trading on AIM and up to an aggregate nominal amount of £60,000 pursuant to the placing and such Admission; and
 - (vi) the allotment of relevant securities otherwise than under paragraphs (i)-(v) of this Ordinary Resolution above up to such aggregate nominal amount as corresponds to one-third of the Enlarged Share Capital of the Company immediately following Admission,

and provided further that this authority, unless previously revoked or varied or renewed, will expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is earlier) save that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or variation, and the Directors may allot relevant securities in pursuance of any such offer or agreement as if such authority had not expired;

- (E) without prejudice and in substitution for any previous authority (save to the extent already exercised), the Directors be empowered in accordance with section 570 the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by resolution (A) above as if section 561(1) of the Act did not apply to such allotment provided that this power is limited to:
- (i) the allotment of equity securities pursuant to the Placing; and
 - (ii) the allotment of equity securities otherwise than pursuant to sub-paragraph (i) of this paragraph (B) up to an aggregate nominal amount of five per cent. of the Enlarged Share Capital of the Company immediately following Admission (excluding the issue of Ordinary Shares to any non-employees or non-former employees of the Company on exercise of their share options),

and provided further that this authority, unless previously revoked or varied or renewed, will expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is earlier) save that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or variation, and the Directors may allot relevant securities in pursuance of any such offer or agreement as if such authority had not expired; and

- 2.5 Immediately, following the Placing and Admission, the issued share capital of the Company will be £72,792.42 divided into 24,264,141 Ordinary Shares of £0.003 each.
- 2.6 Save in respect of the Placing, none of the Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.
- 2.7 The Ordinary Shares are in registered form, freely transferable, and are capable of being held in certificated or uncertificated form and will be admitted to CREST with effect from Admission.
- 2.8 Save as disclosed in paragraphs 2.4, 4 and 10.2 of this Part IX there are no acquisition rights or obligations over authorised but unissued share capital of the Company and there is no undertaking to increase the share capital.

3. Articles of Association

- 3.1 Section 31 of the Act provides that the objects of a company are unrestricted unless any restrictions are set out in the Articles. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.
- 3.2 The Articles contain, among other matters, provisions to the following effect:

(a) *Voting rights (Article 27)*

Subject to any rights or restrictions attached to any shares, and any restrictions on voting referred to under paragraph (b) below, on a show of hands every Shareholder who is present in person at a general meeting of the Company (which includes a person present as the duly authorised representative of a corporate member acting in that capacity) shall have one vote and a duly appointed proxy shall have one vote (unless appointed by more than one Shareholder and has been instructed to vote both for and against a resolution, in which case the proxy has one vote for and one vote against the resolution) and on a poll every Shareholder who is present in person, by proxy or by corporate representative, shall have one vote for every Ordinary Share held by him. A Shareholder may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the appointing member. A proxy need not be a member of the Company.

(b) *Variation of Rights (Article 7)*

Subject to the Act and whether or not the Company is being wound up, the rights attaching to any class of shares may be varied or abrogated either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. These conditions are not more stringent than required by law.

(c) *Transfer of Shares (Article 18)*

A member may transfer all or any of his shares:

- (i) in the case of certificated shares by transfer in writing in the usual or common form or in any other form which the Board may approve; and
- (ii) in the case of uncertificated shares through CREST in accordance with and subject to the CREST Regulations and the requirements of CREST and in accordance with any arrangements made by the Board.

The instrument of transfer of a certificated share must be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register.

The Board may, in its absolute discretion, decline to register a transfer of a share in certificated form which is not fully paid or on which the Company has a lien, but such discretion may not be exercised to prevent dealings in listed shares or those admitted to AIM from taking place on an open and proper basis.

Save as provided above and subject to paragraph (e), the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share, the number of joint holders does not exceed four and, in the case of a certificated share, it is accompanied by the share certificate and any other evidence of title reasonably required by the Board and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

(d) *Dividends (Article 46)*

No dividend shall be paid otherwise than out of profits available for that purpose in accordance with the provisions of the Act.

Subject to the Act, the Company may by ordinary resolution declare dividends not exceeding an amount recommended by the Board.

The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company. The Board may also pay any dividends on any class of shares payable at a fixed rate on dates determined by the Board whenever the financial position of the Company justifies payment.

Unless, and to the extent that, the rights attaching to, or the terms of issue of, any shares provide otherwise, all dividends must be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes, no amount paid up in advance of calls upon the Shareholders shall be treated as paid up on the shares.

Any dividend unclaimed for a period of 12 years from the date on which the dividend became payable shall be forfeited and revert to the Company.

(e) *Suspension of rights (Article 17)*

If a member or any other person appearing to be interested in shares of the Company has been served with a notice under section 793 of the Act (a "793 Notice") and has not within the period specified in the 793 Notice, which shall not be less than 14 days from service or deemed service of the notice (or such further period as the Board may in its discretion allow), supplied to the

Company the information required by the 793 Notice in respect of any shares (the “Relevant Shares”) the Board may by notice in writing impose all or any of the sanctions set out in the Articles on the registered holder of the Relevant Shares (the “Relevant Member”). Such sanctions include (i) if the Relevant Shares represent 0.25 per cent. or more of the issued shares of any class (calculated on the basis that treasury shares are ignored), that (a) the Relevant Member shall have no right to attend or vote at any general meeting, (b) the Relevant Member shall have no right to receive any dividend and/or (c) the Board may decline to register any transfer of Relevant Shares other than a transfer through a recognised investment exchange or an overseas exchange or acceptance of a takeover offer or (ii) in any other case, that the Relevant Member shall have no right to attend or vote at a general meeting.

(f) *Return of Capital (Article 56)*

On a winding up liquidator may, with the authority of a special resolution and subject to any sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any assets and may determine how the division shall be carried out between the members or different classes of members.

A liquidator may, with the authority of a special resolution and subject to any sanction required by the Act, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any assets and may determine how the division shall be carried out between the members or different classes of members.

(g) *Pre-emption rights (Article 8)*

The Articles generally and unconditionally authorise the Directors to allot new shares. There is no cap on the number of shares that may be allotted pre-emptively but a non pre-emptive issue must not be more than the aggregate amount resolved by the Shareholders from time to time.

There are no rights of pre-emption under the Articles of the Company in respect of transfers of issued Ordinary Shares.

However, in certain circumstances, the Company’s Shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company’s Shareholders.

(h) *Borrowing Powers (Article 41)*

Subject to the paragraph below and to the Act, the Board may exercise all the powers of the Company (i) to borrow money, (ii) to indemnify and guarantee, (iii) to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company, (iv) to create and issue debentures and other securities and (v) to give security whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board must restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (so far as the exercise of such rights or powers can control in relation to subsidiary undertakings) that the aggregate principal amount outstanding of all borrowings of the Group (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not, without the previous sanction of an ordinary resolution of the Company, at any time exceed an amount equal to two times the Adjusted Capital and Reserves, as defined in the Articles.

(i) *General meetings (Articles 22 and 23)*

An annual general meeting must be held each year, at such times and places as the Board shall appoint, and must not be more than fifteen months apart. An annual general meeting shall be called by not less than 21 clear days' written notice. All other general meetings may be called when the Board thinks fit (or when requisitioned to do so by the Shareholders). Such meetings shall be, subject to the Act, called by not less than 14 clear days' written notice.

(j) *Directors (Articles 29 – 37)*

Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be fewer than two in number.

At every annual general meeting of the Company at least one third of the Directors shall retire from office and each retiring director may offer himself for reappointment by the Shareholders. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not offer themselves for re-election.

The remuneration of the Directors for their services as such (excluding any remuneration applicable to any employment or executive office) is determined by the Board but must not exceed in aggregate the sum of £250,000 per annum or such greater sum as the Company may fix by ordinary resolution.

Any Director who is appointed to an executive office is entitled to such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and either in addition to or in lieu of his remuneration as a Director.

Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) or may receive such other benefits as the Board may determine.

Each Director may also be paid all reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director.

A Director shall not be counted in the quorum or vote on any resolution of the Board in respect of any matter in which he is directly or indirectly interested or which concerns his own appointment (including the terms thereof) or removal (and if he does vote, his vote will not be counted). Subject to the provisions of the Act and the Articles, this prohibition does not apply to the following matters:

- (i) a matter where his interest cannot reasonably be regarded as likely to give rise to a conflict of interest;
- (ii) a matter to the extent that it has been authorised under the Articles;
- (iii) a matter where the interest arises only from one or more of the following;
 - (a) any guarantee, security or indemnity to such Director in respect of money lent, or obligations undertaken, by him for the benefit of the Company or any of its subsidiary undertakings;
 - (b) any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings in respect of which such Director has himself given an indemnity or that he has guaranteed or secured in whole or in part;
 - (c) any subscription by such Director for shares, debentures or other securities of the Company or any of its subsidiary undertakings issued or to be issued pursuant to any offer or invitation to members or debenture holders of the Company or any class thereof or to the public or any section thereof, or any underwriting or sub-underwriting by such Director of any such shares, debentures or other securities;

- (d) such Director is interested by virtue only of his interest in shares or debentures or other securities of the Company;
- (e) any matter or situation concerning any other company (not being a company in which such Director owns one per cent. or more within the meaning of the Articles) in which he is interested, directly or indirectly, whether as an officer, shareholder, creditor or otherwise howsoever;
- (f) the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme or share option scheme, share incentive scheme or profit sharing scheme that relates both to Directors and employees of the Company or of any of its subsidiary undertakings and that does not provide any Director as such any privilege or advantage not generally provided to the employees to whom such scheme or fund relates; or which has been approved by HM Revenue and Customs for tax purposes;
- (g) any insurance which the Company is empowered, pursuant to the Articles, to purchase and/or maintain for, or for the benefit of, any Directors of the Company, or any group of persons consisting of or including Directors of the Company; and
- (h) (save in relation to any matter concerning or directly affecting his own participation therein) the adoption or modification of any other share option or share incentive scheme of the Company.

4. Share Option Schemes and Share Plans

4.1 Venture Life Group plc Enterprise Management Incentive Scheme

The Venture Life Group plc Enterprise Management Incentive Scheme (the “EMI Option Scheme”) will be administered by the Board. It is intended that options (“Qualifying Options”) may be granted under the EMI Option Scheme which satisfy HMRC’s requirements, and enjoy tax-advantaged status, under Schedule 5 (Enterprise Management Incentives) of the Income Tax (Earnings and Pensions) Act 2003 (“Schedule 5”).

The main features of the EMI Option Scheme are:

Eligibility

Directors or employees of any Group Company who devote at least 25 hours a week (or, if less, at least 75 per cent. of their working time) to the Group are eligible to participate in the EMI Option Scheme.

Grants of options

The Board determines to whom options are granted, the number of Ordinary Shares under an option, the vesting conditions (if any) of an option, and the exercise date(s) of an option. The option agreement documenting the grant of an option must be in substantially the form set out in a schedule to the rules of the EMI Option Scheme.

No option may be granted when the grant is prohibited by, or would be a breach of, any law, regulation, the Articles, the Model Code (or any other rule with similar purpose and effect) or the AIM Rules.

Option exercise price

The option exercise price (whether or not the Ordinary Shares are listed on any investment exchange) is the amount determined by the Board.

The Board has determined that the option exercise price when the Ordinary Shares are listed on any investment exchange is an amount equal to or above the closing market quotation for the Ordinary Shares on the dealing day before the date on which an option is granted.

The Board has determined that the option exercise price when the Ordinary Shares are not listed on any investment exchange will be set at or above a valuation for Ordinary Shares agreed with HMRC.

Variation of share capital

In the event of any variation of the share capital of the Company, the option exercise price of any options granted and/or the number of Ordinary Shares subject to any such option, shall be adjusted in such manner as the Board considers to be appropriate, provided that the Auditors have confirmed the adjustment is fair and reasonable and HMRC has given its prior approval.

Vesting of options

No option may be exercised unless the participant has been in employment with a Group Company since the date of grant. When granting an option, the Board has discretion to determine the vesting conditions (if any) and exercise date(s) applicable to an option.

For options granted after Admission, normally one third of a participant's option becomes exercisable on the first anniversary of the date of grant of the option, the next third on the second anniversary thereafter and the final third on the third anniversary thereafter.

Rights and restrictions

An option granted under the EMI Option Scheme is not transferable and generally may not be exercised earlier than the exercise date(s) determined by the Board (except in the circumstances referred to below) and no later than ten years after the date of grant.

Following the death of an option holder, an option is exercisable to the extent vested by the option holder's personal representatives within one year following death.

If a participant gives or receives notice of termination of employment with a Group Company, such participant's options shall normally lapse and cease to be exercisable. The Board may, either prior to or within three months of cessation of employment, in its absolute discretion, permit exercise of all or part of their option, whether or not vested.

In the event of a takeover of the Company, the Board must normally pass a resolution to permit all vested and unvested options to become exercisable within a limited period (in certain circumstances the option may be granted on terms that all vested and unvested options become automatically exercisable within a limited period). Options are exercisable (whether or not vested) within a limited period on a Court sanctioning a compromise or arrangement of the Company or on the voluntary winding-up of the Company. Options will lapse if not so exercised.

Allotment of Ordinary Shares

The shares allotted under the EMI Option Scheme will rank *pari passu* with the Company's issued Ordinary Shares save that any allotment made after the earlier of the date of announcement of a proposed dividend or other distribution and the record date of a proposed dividend or other distribution will be made upon terms that the Ordinary Shares so allotted are not entitled to participate therein.

EMI Option Scheme limits

The aggregate market value of Ordinary Shares subject to Qualifying Options granted to any option holder, when added to the aggregate market value of Ordinary Shares subject to Qualifying Options granted to such individual within the preceding three years, shall not exceed £250,000 (or such other limit prescribed for the purposes of Schedule 5).

The aggregate market value of Ordinary Shares subject to Qualifying Options may not exceed £3,000,000 (or such other limit prescribed for the purposes of Schedule 5).

Options may be granted in excess of the limits referred to above but the excess options will not count as Qualifying Options.

The aggregate number of Ordinary Shares issued or remaining issuable under the EMI Option Scheme on (and including) any date of grant, together with the number of Ordinary Shares issued or remaining

issuable under options or share awards granted under any other employees' share scheme adopted by the Company, may not exceed ten per cent. of the number of Ordinary Shares in issue immediately prior to such date of grant. In calculating the ten per cent. limit, Ordinary Shares allocated prior to Admission under any Company employees' share scheme (including the EMI Option Scheme and the Unapproved Option Scheme (as defined below)), and any Ordinary Shares underlying options or rights which lapse, shall be discounted.

Alteration

The Board may alter the EMI Option Scheme in any respect except that:

- (a) all alterations must be made with the written agreement of the option holder;
- (b) no alteration shall be made to Qualifying Options which contravenes Schedule 5; and
- (c) (apart from minor amendments to benefit the administration of the EMI Option Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants or the Group or to correct typographical or other minor errors) no alteration will be made without the previous sanction of the Company in general meeting which would be an alteration to the advantage of eligible employees and participants in respect of eligibility for participation, individual limits on participation, overall limits on issue or transfer of Ordinary Shares and adjustments that may be made in the event of any variation of capital.

The Board may alter any performance condition without Shareholder approval if an event occurs which causes the Board reasonably to consider that such alteration is appropriate and not materially less difficult to satisfy than the previous performance condition.

Benefits

Benefits under the EMI Option Scheme are not pensionable.

4.2 *Venture Life Group plc Unapproved Share Option Scheme*

The Venture Life Group plc Unapproved Share Option Scheme (the "Unapproved Option Scheme") will be administered by the Board.

The main features of the Unapproved Option Scheme are in all respects the same as those of the EMI Option Scheme save that:

Eligibility

All Directors or employees of any Group Company are eligible to participate in the Unapproved Option Scheme.

Variation of share capital

In the event of any variation of the share capital of the Company, prior HMRC approval is not required for any adjustment to the option exercise price of any options granted and/or the number of Ordinary Shares subject to any such option.

Unapproved Option Scheme limits

There are no monetary limits on the market value of Ordinary Shares granted to any option holder under the Unapproved Option Scheme.

4.3 *Options to be granted to Non-Executive Directors*

The Company also intends to grant options over Ordinary Shares to Non-Executive Directors. Such options shall be granted at the recommendation of the Board outside of the Unapproved Option Scheme, but on the same terms (applying mutatis mutandis) as for options granted under the Unapproved Option Scheme.

The number of Ordinary Shares subject to options granted to Non-Executive Directors shall be taken into account in determining the ten per cent. limit described under the heading "EMI Option Scheme limits" in paragraph 4.1 above.

5. Directors' and Proposed Director's and other interests

- 5.1 The interests of each Director and Proposed Director, including the interests of their spouse, civil partner, any infant child and any other person whose interests in shares the Director or Proposed Director is taken to be interested in pursuant to Part 22 of the Act, all of which, unless otherwise stated, are beneficial, in the issued share capital of the Company and the existence of which is known to, or could with reasonable diligence be ascertained by, the Director or Proposed Director, (a) as at the date of this document and (b) as they are expected to be immediately following Admission, are as follows:

Name	As at date of this document			Immediately following Admission		
	No. of Ordinary Shares	No. of Ordinary Shares under option	% issued share capital (fully diluted)	No. of Ordinary shares	No. of Ordinary Shares under option	% issued share capital (fully diluted)
Jerry Randall ¹	3,764,833	1,351,220	24.7	3,912,129	1,351,220	18.8
Sharon Collins	1,317,500	1,351,220	12.9	1,384,166	1,351,220	9.7
James Hunter	None	600,000	2.9	36,697	600,000	2.3
John Lucas	None	200,000	1.0	None	200,000	0.7
Gianluca Braguti ²	None	None	None	1,344,603	None	4.8
Lynn Drummond	None	None	None	None	None	None
John Sylvester	None	None	None	None	None	None

Note:

1. Includes Ordinary Shares held by Mr Randall's dependants.

2. Gianluca Braguti is prospectively interested in up to 5,912,953 additional Ordinary Shares under the terms of the Acquisition Agreement and up to 1,379,275 Ordinary Shares under the Vendor Loan Note described in paragraph 10.2.

- 5.2 Save as referred to in paragraph 2.8, no share or loan capital of the Company or any of its subsidiaries is under option or immediately following Admission is or will be agreed conditionally or unconditionally to be put under option and no convertible or exchangeable securities of the Company are or will be in issue.
- 5.3 Other than as provided by the Act and the Takeover Code there are no rules or provisions relating to mandatory bids, or squeeze out or sell-out rights which apply to the Ordinary Shares. There are no provisions in the Articles delaying, deferring or preventing a change of control of the Company.
- 5.4 The Disclosure and Transparency Rules require a person who acquires or disposes of shares (or other financial instruments) carrying voting rights, and that acquisition or disposal results in the proportion of voting rights held by that person exceeding or falling below three per cent. (or any whole figure above three per cent), to disclose that interest to the Company. Save as set out in paragraph 5.1, and as set out below, the Company is not aware of any person who, at the date of this document, holds directly or indirectly three per cent. or more of the Company's voting rights:

Name	As at date of this document		Immediately following Admission	
	No. of shares	% issued share capital	No. of shares	% issued share capital
c/o Cheviot Capital (Nominees) Limited	1,247,400	7.4	1,247,400	5.1
Dr Michael Flynn and associated holdings	2,812,800	16.6	2,904,543	12.0
Mr Andrew Sinclair and associated holdings	2,054,200	12.1	2,145,943	8.8
Mr Anthony Ahearne and associated holdings	1,600,500	9.4	1,683,069	6.9

None of the Company's major Shareholders listed above has voting rights which are different from the voting rights of other holders of Ordinary Shares.

- 5.5 The Directors and Proposed Director are not aware of any person who, directly or indirectly, jointly or severally, exercises at the date of this document, or could immediately following Admission exercise, control over the Company.

- 5.6 There are no outstanding loans or guarantees which have been granted or provided to or for the benefit of any Director and Proposed Director by the Company or any of its subsidiaries.

6. Directors' and Proposed Director's service agreements and letters of appointment

6.1 Executive Directors

Jerry Randall

Jerry Randall entered into a service agreement with the Company dated 12 December 2013 to act as the Chief Executive Officer which continues until terminated on 30 days' notice by the Company and 6 months' notice by Mr Randall. If the Company terminates the service agreement without 'Cause' (a specified list of serious breaches of contract by the executive) or Mr Randall terminates the agreement for a 'Good Reason' (a specified list of circumstances entitling termination based on the conduct of the employer) then a severance sum will be payable equal to 50 per cent. of Mr Randall's base salary, and where termination is without Cause within 12 months following a change of control of the Company, unless the Board, acting on the recommendation of its Remuneration Committee, withdraws its approval because the Company is financially distressed and the further severance sum would be a reward for failure by Mr Randall a severance sum of a further 50 per cent. of base salary will be payable. A 'change of control' for these purposes means the acquisition by a person of enough voting rights to secure that the Company's business is conducted in accordance with the wishes of that person by holding a majority of the shares in the Company or by other means. The service agreement provides for an annual salary of £150,000, a bonus on terms to be agreed, 30 days' holiday, participation in the Group's medical insurance scheme and Company sick pay for up to a maximum of 6 months in any period of 12 consecutive months. Mr Randall is entitled to receive an annual contribution of 30 per cent. of salary into a personal pension scheme. The service agreement contains various customary post-termination restrictive covenants.

In recognition of his contribution to the Group's development over the last three years and to the achievement of the Acquisition and the IPO, Mr Randall will be entitled to a bonus of £150,000, conditional and payable on Admission.

Mr Randall is entitled to an annual bonus which is tied to the performance of the Company's share price compared to the AIM All Share index, as follows:

- up to 5 per cent. either side of the AIM All Share index – £50,000;
- 5 per cent.-19.99 per cent. above the AIM All Share index – £100,000;
- 20 per cent.-29.99 per cent. above the AIM All Share index – £250,000;
- 30 per cent.-39.99 per cent. above the AIM All Share index – £400,000;
- 40 per cent.-49.99 per cent. above the AIM All Share index – £500,000; and
- 50 per cent. or more above the AIM All Share index – discretionary and uncapped.

Relative performance will be measured in the first year by comparing the performance of the Company's share price over the period between Admission and the announcement of the 2014 preliminary results due in March/April 2015 with the performance of the AIM All Share index over the same period. Relative performance in subsequent years will be measured over the one year period between announcement of preliminary results.

If a bonus is not paid out for share price performance, the Remuneration Committee may award Mr Randall a discretionary annual bonus of up to £150,000 to reflect longer term, value enhancing performance and other activities (for example, to increase the security of the Company as an investment) which may not be reflected in the share price.

Mr Randall's and (as described below) Ms Collins' discretionary remuneration are designed to be aligned to and to reward them for longer term, value enhancing share price performance for the Group's Shareholders.

Sharon Collins

Sharon Collins entered into a service agreement with the Company dated 12 December 2013 to act as the Commercial Director. The terms of Ms Collins' service agreement match those of Mr Randall,

save that it provides for an annual salary of £140,000 and an annual contribution of 10 per cent. of salary into a personal pension scheme and annual bonus arrangements as described below.

In recognition of her contribution to the Group's development over the last three years and to the IPO of the Company, Ms Collins will be entitled to a bonus for successful completion of the IPO of £50,000, conditional and payable on Admission.

Ms Collins is also entitled to an annual bonus which is tied to the performance of the Company's share price compared to the AIM All Share index, as follows:

- up to 5 per cent. either side of the AIM All Share index – £15,000;
- 5 per cent.-19.99 per cent. above the AIM All Share index – £30,000;
- 20 per cent.-29.99 per cent. above the AIM All Share index – £75,000;
- 30 per cent.-39.99 per cent. above the AIM All Share index – £120,000;
- 40 per cent.-49.99 per cent. above the AIM All Share index – £150,000; and
- 50 per cent. or more above the AIM All Share index – discretionary and uncapped.

Relative performance will be measured in the first year by comparing the performance of the Company's share price over the period between Admission and the announcement of the 2014 preliminary results due in March/April 2015 with the performance of the AIM All Share index over the same period. Relative performance in subsequent years will be measured over the one year period (or thereabouts) between announcement of preliminary results.

Ms Collins is also entitled to bonuses of £15,000 if she meets her budgeted gross profit target and of equivalent to 10 per cent. of gross profit achieved by Venture Life Limited and Lubatti Limited over and above that which is forecast by the Company as part of its annual budgeting process.

James Hunter

James Hunter entered into a service agreement with the Company dated 12 December 2013 to act as the Chief Financial Officer. The terms of Mr Hunter's service agreement match those of Mr Randall save that it provides for an annual salary of £130,000, an annual bonus (as below) and an annual contribution of 10 per cent. of salary into a personal pension scheme. Mr Hunter is also entitled to an annual bonus of up to £30,000 dependent on delivery targets agreed with the Group's Chief Executive Officer.

John Lucas

John Lucas entered into a service agreement with the Company dated 12 December 2013 to act as the Director of New Product Development and IP. The terms of Mr Lucas' service agreement match those of Mr Randall, save that it provides for an annual salary of £95,000, an annual bonus (as below) and an annual contribution of 10 per cent. of salary into a personal pension scheme. Mr Lucas is also entitled to an annual bonus of up to £20,000 dependent on delivery targets agreed with the Group's Chief Executive Officer.

Gianluca Braguti

On completion of the Acquisition Agreement, the Company and Biokosmes will enter into a service contract with Gianluca Braguti appointing him, on a self-employed basis, to the office of Managing Director of Biokosmes for five years from Admission.

He will be remunerated as Managing Director by:

- a fixed annual gross fee of €240,000;
- for each financial year (starting with 2014) and while remaining in office, an annual bonus equal to 15 per cent. of the EBITDA of Biokosmes exceeding the EBITDA budget for that year agreed by the parties;
- participation in the share option schemes of Venture Life as decided by its remuneration committee; and
- private medical and death in service insurance.

Good/Bad Leaver provisions

On termination of this agreement, Gianluca Braguti will be treated as either a Bad Leaver or a Good Leaver.

He would be treated as a Good Leaver if Biokosmes removes him from office:

- without proper reason, or
- on a change of control (i.e. change of more than 50 per cent. of the ownership of the Group or the sale by each of Mr Randall and Ms Collins of their entire shareholdings in the Company) or change of management (i.e. Chief Executive Officer and Commercial Director) in the Company.

He would be treated as a Bad Leaver if:

- Biokosmes removes him from his office:
 - for a material breach of the key terms of the agreement, or
 - for gross misconduct, or
 - for him being finally convicted of a criminal offence carrying more than a 2 year prison sentence or being imprisoned after a final criminal conviction, or
 - if there is a significant decrease in Biokosmes' revenues over an extended period. Specifically, each year the average revenues over a three-year period ending that year must be compared to the average revenues over the three years before that year. If the first average is more than 25 per cent. below the second average for two consecutive years, it will enable Biokosmes to treat him as a Bad Leaver, or
 - he resigns or leaves the office of Managing Director before the end of the term of the agreement without a proper reason.

Consequences of the Good/Bad Leaver provisions

If he is a Good Leaver:

- under the first point of the definition of Good Leaver, he will be entitled to receive from Biokosmes a gross payment of the lesser of: (a) €600,000 and (b) the outstanding fixed fees due under the agreement (i.e. €240,000 per year) for the period between the termination of the office and the fifth anniversary of the Admission; and
- under the second point of the definition of Good Leaver, he will be entitled to receive from Biokosmes a maximum payment equal to the outstanding fixed fees due under the agreement (i.e. €240,000 per year – “Outstanding Fees”) for the period between the termination of his office and the fifth anniversary of Admission. The Outstanding Fees are payable monthly within this period in equal instalments until he finds an alternative office or employment or ceases to make reasonably diligent efforts to find an alternative office or employment.

If Gianluca Braguti is a Bad Leaver, he is not entitled to any further remuneration from Biokosmes or any other Group company.

Death and permanent serious illness of Gianluca Braguti

If he dies, his estate will not be entitled to any further amount from Biokosmes or any other Group company.

If permanent serious illness prevents him from performing his duties, he will be entitled to:

- for the first three-month period following the termination of his office, the overall amount of €60,000 payable in monthly instalments of €20,000 each; and
- for the subsequent three-month period, the overall amount of €30,000 payable in monthly instalments of €10,000 each.

Non-compete obligations

During the term of the agreement, he must not engage in any activities outside his office which could detract from the proper and timely performance of his duties, except for those activities agreed by the parties.

When his appointment ends:

- if it is by mutual agreement of the parties or on its contractual expiry (i.e. after five years from Admission), Biokosmes can require a non-compete obligation for one year. The first six-month period is without any further payment. Biokosmes can extend the non-compete for up to the subsequent six months by paying him monthly instalments of €20,000 each;
- if he is a Good Leaver, he must observe a non-compete obligation while he is being remunerated by Biokosmes;
- if he is a Bad Leaver, Biokosmes can require a non-compete obligation for a maximum period of one year without paying him any further amount.

6.2 **Non-Executive Directors**

Lynn Drummond

Dr Lynn Drummond was appointed as a Non-Executive Director and Chairperson of the Board of Directors of the Company under a letter of appointment dated 22 November 2013. Under the letter of appointment, Lynn Drummond is entitled to an annual fee of £55,000, reimbursement of reasonable expenses and share options, as further detailed in paragraph 4.3 of this Part IX.

John Sylvester

John Sylvester was appointed as a Non-Executive Director of the Board of Directors of the Company under a letter of appointment dated 1 November 2013. Under the letter of appointment, John Sylvester is entitled to an annual fee of £24,000, plus £3,000 per annum for each Board committee he chairs, reimbursement of reasonable expenses and share options, as further detailed in paragraph 4.3 of this Part IX.

6.3 Save as set out in paragraphs 6.1, there are no existing or proposed service agreements between any of the Directors or the Proposed Director and the Company or any of its subsidiaries (including, as from Admission, Biokosmes).

6.4 In addition to being a Director or Proposed Director of the Company, the Directors and Proposed Director have held or hold the following directorships (excluding subsidiaries of any company of which he or she is or was also a director) within the five years immediately prior to the date of this document:

<i>Director/Proposed Director</i>	<i>Current Directorships</i>	<i>Former Directorships</i>
Jerry Randall	Kinnier Dufort Design Limited Kinnier Dufort Limited Avantis UK Limited Hootie Developments Limited Stratton Ventures Limited	Silence Therapeutics plc ⁽¹⁾ Sinclair IS Pharma plc ⁽¹⁾ Pharmarights Limited Maggiore Ventures Limited
Sharon Collins	None	Loughcrot Ltd
John Sylvester	Biocompatibles International Limited Biocompatibles UK Limited Provensis Limited	Regatta Point (Freehold Limited) Biocompatibles International plc
John Lucas	None	Cizzle Biotechnology Limited
James Hunter	None	Proximagen Group plc Proximagen Limited Cambridge Biotechnology Limited Minster Research Limited Minster Pharmaceuticals plc
Lynn Drummond	Consort Medical PLC Allocate Software PLC Infirst Healthcare Limited Shield Holdings AG Iron Therapeutic Holding AG	Breast Cancer Haven N M Rothschild Corporate Finance Limited Alimentary Health Ltd.

(1) Mr Randall was also a director of various group companies in the Sinclair IS Pharma plc group and the Silence Therapeutics plc group.

<i>Director/Proposed Director</i>	<i>Current Directorships</i>	<i>Former Directorships</i>
Gianluca Braguti	Immobiliare Cremasca di Parati Lucia e C. S.a.s. ("socio accomandante") (see paragraph 10.8) Farmacia S. Francesco dei dott. Braguti A. – L.G. S.n.c. ("socio amministratore") A.erre & Co. S.r.l. Biogenico Worldwide S.r.l. Biokosmes Immobiliare S.r.l. (see paragraph 10.8) Di.Kosmes S.r.l. in liquidazione (liquidation) Delife Pharma S.r.l. Grafco2 S.r.l.	None

In the case of Di.Kosmes S.r.l.in liquidazione, this entity was put into voluntary liquidation after the transfer of its business and is being liquidated. Its liquidator is Gianluca Braguti and the liquidation is expected by him to be solvent with no outstanding debts. According to the entity's latest filed financial statements amounts owing to creditors were around €54,000 (of which some €46,00 is owing to Biokosmes).

6.5 No Director or Proposed Director:

- (A) has any unspent convictions in relation to indictable offences;
- (B) has been adjudged bankrupt or been the subject of an individual voluntary arrangement or has had a receiver appointed to any asset of such director; or
- (C) other than Gianluca Braguti in respect of Di.Kosmes S.r.l (in liquidation) which was placed in voluntary liquidation, has been a director of any company which, while he was a director or within twelve months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or made any composition or arrangement with its creditors generally or with any class of its creditors; or
- (D) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement or has had a receiver appointed to any partnership asset; or
- (E) has been the subject of any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- (F) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

6.6 Save as disclosed or referred to in paragraphs 10.2, 10.8 and 10.9 none of the Directors or Proposed Director is or has been interested in any transactions which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the current or immediately preceding year or during any earlier financial year and which remains in any respect outstanding or unperformed.

7. Premises

The Group's principal premises are as follows:

<i>Location</i>	<i>Country</i>	<i>Freehold/ leasehold</i>	<i>Current Term and Annual Rent</i>	<i>Approximate size</i>
Venture House, Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA	United Kingdom	Leasehold	Contract with serviced office provider, renewable annually, £44,520 p.a.	128 sqm
Via Ghislanzoni No. 24, Lecco	Italy	Lease agreement	From 20 December 2009 to 19 December 2015 (see paragraph 10.9 for details on renewals). Annual rent: €1,887.67 + VAT + annual increase on the basis of the official consumer price index.	600 sqm
Via Livelli No. 1, Bosisio Parini (Lecco)	Italy	Lease agreement	From 1 December 2007 to 30 November 2013 (see paragraph 10.9 for details on renewals). Annual rent: €460,000 + VAT + annual increase on the basis of the official consumer price index.	500 sqm

Biokosmes also rents the premises under the related party arrangements described in paragraph 10.9.

8. Taxation

8.1 UK Taxation

The following statements are based on current UK law and the published practice of HM Revenue & Customs, which is subject to change at any time (possibly with retrospective effect). The information is given by way of general summary only and does not purport to be a comprehensive analysis of the tax consequences applicable to Shareholders and may not apply to certain classes of Shareholders, such as dealers in securities, or to Shareholders who are not absolute beneficial owners of their shares. In addition, except where the position of non-UK residents is expressly referred to, the following statements relate solely to Shareholders who are either resident, or in the case of individuals, resident and UK-domiciled in the United Kingdom for tax purposes.

Any Shareholder who is in doubt as to his or her tax position or who is or may be subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser without delay.

8.2 Taxation of dividends

Under current UK legislation, no tax is withheld from dividend payments by the Company.

A UK resident individual Shareholder will be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the "Gross Dividend"). The value of the tax credit is one ninth of the dividend received (or ten per cent. of the Gross Dividend). The Gross Dividend will be treated as the top slice of the individual's income.

In the case of a UK resident individual who is liable to income tax at the starting, lower and basic rates only, they will be subject to a 10 per cent. tax rate on the Gross Dividend and there will be no further tax to pay on the dividend received. A UK resident individual who is liable to income tax at the higher rate will be subject to income tax on the Gross Dividend at 32.5 per cent., but will be able to set the 10 per cent. tax credit off against part of this liability. As a result, such a Shareholder will be liable to pay further income tax equal to 22.5 per cent. of the Gross Dividend. This is equivalent to a tax rate of 25 per cent. on the cash dividend received. A UK resident individual who is liable to income tax at the additional rate on income in excess of £15,000, will be subject to income tax on the Gross Dividend

at 37.5 per cent., but will be able to set the 10 per cent. tax credit off against part of this liability. As a result, such a Shareholder will be liable to pay further income tax equal to 27.5 per cent. of the Gross Dividend. This is equivalent to a tax rate of 30.6 per cent. on the cash dividend received. A UK resident Shareholder who is not liable to income tax on the dividend (or part of it) is not able to claim payment of the 10 per cent. tax credit in cash from HM Revenue & Customs.

Individual holders of Ordinary Shares who are UK resident but who are not domiciled in the UK and have made a claim to be taxable on the remittance basis, will only be subject to UK income tax as described above if and to the extent that such income is remitted or deemed to be remitted in the UK.

UK resident corporate Shareholders (including authorised unit trusts and open-ended investment companies) and pension funds will not normally be liable to UK taxation on any dividend received and are not entitled to payment in cash of the related 10 per cent. tax credit. There are various exceptions to this exemption from UK taxation, depending on the size of the corporate Shareholder, and whether certain anti-avoidance provisions apply. Corporate Shareholders should confirm their tax position with a specialist tax adviser.

Whether Shareholders who are resident for tax purposes in countries other than the UK are entitled to the whole or a proportion of the tax credit in respect of dividends on their Ordinary Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the United Kingdom. In addition, individual Shareholders who are resident in countries other than the United Kingdom but who are Commonwealth citizens, nationals of member states of the European Economic Area or fall within certain other categories of person within section 56(3) Income Tax Act 2007 are entitled to the entire tax credit which they may set against their total UK income tax liability. Such Shareholders should consult their own tax advisers on the possible application of such provisions and any relief or credit which may be claimed in respect of such tax credit in their own jurisdictions. However, in general, cash payments are not recoverable from HM Revenue & Customs in respect of tax credits.

Non-UK resident Shareholders may also be subject to tax on dividends paid by the Company under any law to which they are subject outside the United Kingdom.

8.3 **Capital Gains**

Shareholders who are resident for tax purposes in the United Kingdom may be liable to UK taxation on chargeable gains on a disposal of Ordinary Shares, depending upon their individual circumstances and subject to any available exemption or relief. The rate of capital gains tax is currently 18 per cent. for basic rate taxpayers and 28 per cent. for higher rate taxpayers.

A Shareholder who is not resident for tax purposes in the United Kingdom will not be liable to UK taxation on chargeable gains unless the Shareholder carries on a trade, profession or vocation in the UK through a branch or agency (in the case of an individual Shareholder) or through a permanent establishment (in the case of a corporate Shareholder) in the United Kingdom and the Ordinary Shares disposed of are, or have been, used, held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch, agency or permanent establishment. Such Shareholders may also be subject to tax under any law to which they are subject outside the United Kingdom.

A Shareholder who is an individual who has ceased to be resident or ordinarily resident in the UK for tax purposes for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may also be liable, on his or her return to the United Kingdom, to UK taxation on chargeable gains on that disposal.

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax.

8.4 **Inheritance Tax**

The Ordinary Shares are assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or on the death of, an individual Shareholder may (subject to certain

exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the Shareholder is neither domiciled nor deemed to be domiciled in the United Kingdom.

8.5 **Stamp Duty and Stamp Duty Reserve Tax**

The following comments are intended as a guide to the general UK stamp duty and stamp duty reserve tax ("SDRT") position and do not apply to persons such as market makers, brokers, dealers or intermediaries.

No stamp duty or SDRT will be payable on the issue of new Ordinary Shares.

Where Ordinary Shares are held in certificated form, no stamp duty or SDRT will arise on a transfer of such Ordinary Shares into CREST unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Ordinary Shares within CREST will be liable to SDRT rather than stamp duty.

Any transfer of, or agreement to transfer, Ordinary Shares outside CREST made for a consideration in money or money's worth will give rise to a liability on the purchaser to stamp duty or SDRT, in the case of stamp duty usually at the rate of 0.5 per cent. of the consideration paid (and rounded up to the next £5) and, in the case of SDRT, normally at the rate of 0.5 per cent. of the consideration paid.

The information in this section is intended as a general summary of certain elements of the UK tax position and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation adviser.

9. **EIS Tax Relief and VCT Investment**

The following information provides an outline only of the EIS. The information in this section is based on current UK tax law and HM Revenue & Customs practice as at the date of this document. The conditions for EIS relief are complex and depend not only upon the qualifying status of the Company and its group but also upon certain factors and characteristics of the investor concerned. It is strongly recommended that potential investors obtain independent advice from a professional adviser to take into account the effect of the legislation in the context of their particular personal circumstances.

Neither the Company nor its advisers give any warranties or undertakings that EIS relief will be available or that, if given, such relief will not be withdrawn or that the Company will remain a qualifying holding for purposes of VCT investment.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way which preserves the relief. In such circumstances the Company cannot undertake to conduct its activities in such a way as to preserve any such relief.

The tax legislation in respect of the EIS income tax and EIS deferral relief is found in Part 5 of the Income Tax Act 2007 and schedule 5B of the Taxation of Chargeable Gains Act 1992. The following is a summary of the more common conditions and should not be construed as comprehensive.

9.1. **EIS Relief**

Income tax relief, CGT deferral relief, CGT exemption relief and loss relief may all be available to investors under the EIS legislation. EIS relief can be claimed only by a "qualifying investor" (see below) who subscribes for new "eligible shares" (see below) issued by a "qualifying company" (see below).

(i) *Income tax relief*

Individuals who qualify may deduct an amount that is equal to tax at the lower rate of income tax on the amounts subscribed for qualifying shares in qualifying companies from their total liability to income tax for the tax year in which the shares are issued. EIS relief is obtained at a rate of up to 30 per cent. The maximum investment per individual is £1 million per tax year. Spouses are also entitled to a maximum of £1 million.

For income tax purposes (but not CGT deferral, see below), the individual does not need to be a UK resident. However, income tax relief is only available where an investor has a UK income tax liability. The amount of income tax relief cannot exceed an individual's tax liability before other

reliefs given by way of discharge of tax. Relief is normally given in the tax year in which the individual invests.

(ii) *CGT exemption*

To the extent that EIS income tax relief is given and not withdrawn, any capital gain accruing to an individual on the first disposal of the shares issued three or more years after the date of issue (or, if later, three or more years after the anniversary of the date trading commences) is not chargeable to CGT. The exemption does not extend to any gain deferred by CGT deferral (see above).

(iii) *Loss relief*

Where an investor incurs a loss on the first disposal of their shares, the loss calculated after deducting EIS income tax relief from the base cost usually may be set against either chargeable gains or taxable income at the election of the investor.

“Qualifying Investor” for EIS Income Tax Relief

An individual must not be, nor have been within the previous two years prior to the date of issue of the shares, connected with the Company, or become connected with it within the next three years (or, if later, within the three years following the date of commencement of trading), if they are to retain the tax reliefs. The main rules relating to connection are that:

- (i) neither the individual nor their associates may be an employee, partner or paid director of the Company (subject to (iii) below) or its subsidiaries. An unpaid director is not disqualified if they are reimbursed travelling or subsistence expenses which would otherwise be allowable for taxation;
- (ii) neither the individual nor their associates may control the Company or possess more than 30 per cent. of the issued ordinary share capital or voting powers in the Company or rights carrying entitlements to 30 per cent. of the assets available for distribution to equity holders;
- (iii) an individual may become a paid director of the Company provided at the time he or she subscribes for eligible shares he or she is not, and had not previously been, otherwise connected with the Company nor with the trade carried on by the Company by reference to (i) or (ii) above. Any remuneration paid to a director must be reasonable.

There is also other anti-avoidance legislation, in particular the value received rules. Under these, EIS income tax relief may be reduced or withdrawn where the investor receives any value from the Company. Relief of the investor may also be withdrawn where other Shareholders of the Company are repaid capital or receive value from the Company.

Qualifying Company

For a period of three years following the issue of the shares (or, if later, three years following the date of commencement of the trade), the Company must only:

- (i) carry on a qualifying trade; and/or
- (ii) be the parent company of a group which exists wholly, or substantially wholly for the purposes of carrying on qualifying trades; and
- (iii) not be disqualified by anti-avoidance rules.

The money raised by the issue of qualifying shares must be employed wholly for the purpose of a qualifying business activity within 2 years of the date of the issue of the shares or, if later, the commencement of trade.

To be qualifying, the shares of the company must not be quoted on a recognised Stock Exchange at the time the eligible shares are issued (AIM is not regarded as recognised for this purpose) and no arrangements must exist at that time for the company to become quoted.

Eligible Shares

Eligible EIS shares are new ordinary shares which, throughout the period of 3 years beginning with the date on which they are issued or, if later, the date of commencement of the trade, carry no present or

future preferential right to dividends where the rights are cumulative (that is, the right to receive the dividend rolls forward to future periods if the company has insufficient profits to pay the dividend) or where the amount and timing of the dividends depend on a decision of the company, the holder of the share or any other person (see further note below) or to the company's assets on its winding up and carry no present or future right to be redeemed.

Limit of Investment

The total funds that can be invested in any one company in aggregate under the EIS, and VCT legislation and any other risk capital schemes subject to EU state aid approval is £5 million in a 12 month period.

Gross Assets

The Company and its group at the time of investment under the EIS must have gross assets of no more than £15 million immediately before investment and £16 million immediately afterwards.

Employees

The Company and its group at the time of investment under the EIS must have fewer than 250 employees.

Advance assurance

The Company has received from HMRC advance assurance, based on information supplied, that the Company will be carrying on a qualifying trade and that the shares to be issued will be "eligible shares". Advance assurance is indicative but is not binding on HMRC. The position could also be affected by acts or omissions of the Company during the 3 year period from the issue of the shares (or, if later, the date of commencement of the trade).

Claims

Investors claim income tax relief by submitting a tax relief certificate (Form EIS 3) issued to them by the Company to the Inspector of Taxes dealing with their own tax affairs. The claims for relief must be made no later than 5 years after the 31 January following the end of the tax year in which the shares are issued.

Carry Back of Relief

Investors may claim to have some or all of the relief in the year preceding that in which the shares were issued. There is no limit on the amount which may be carried back, but the relief available in the earlier year will be subject to the overriding limit for relief for that year.

Withdrawal of EIS Relief

If the conditions for EIS relief relating to a company cease to be satisfied during the period of three years from the issue of the shares (or, if later, three years from the date of commencement of trade), the relief will be withdrawn. EIS relief will also be wholly or partly withdrawn if, for example, the claimant receives significant value from the Company (other than dividends) or disposes of the shares within three years of the date of issue (or, if later, within three years of the date of commencement of the trade). EIS relief will also be lost if an investor takes out a loan under special terms connected in any way with the shares.

9.2 **CGT deferral**

CGT deferral enables investors to defer capital gains by reinvesting in qualifying investments. Provided a capital gain realised on any asset is reinvested in new "eligible shares" of a "qualifying company" within 3 years of the disposal giving rise to the gain or not more than 1 year prior to a disposal giving rise to a gain, assessment to tax on the gain arising may be deferred until the qualifying investment is sold or (if within 3 years from subscription, or commencement of trade, if later) otherwise ceases to qualify. At this point, the deferred gain would come back into charge.

The legislation, conditions and anti-avoidance rules for deferral relief are broadly similar to those for EIS income tax relief outlined above, but there are some differences.

10. Material Contracts

10.1 Set out below is a summary of contracts (other than contracts entered into in the ordinary course of business) entered into by any member of the Group (i) within the two years preceding the date of this document and which are or may be material to the Group; or (ii) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

10.2 Acquisition Agreement

The Acquisition Agreement between the Vendors and the Company in relation to the sale of the entire issued equity capital of Biokosmes for the Consideration Shares.

If Biokosmes' EBITDA for the year ending 31 December 2013 is either above or below €1 million, the number of Consideration Shares to be issued will be adjusted as detailed below. The Consideration for the Acquisition is:

- 5,972,680 Consideration Shares (the "First Shares") including a convertible loan note for €2 million (the "Vendor Loan Note") will be issued on completion of the Acquisition ("Closing");
- Cash from the Company's own resources and/or Consideration Shares allotted and issued to investors in the Placing so as to realise cash proceeds on the date of Admission (after payment of the commission payable for the account of the Vendors) of €4 million net for the Vendors and the balance of 1,358,185 Consideration Shares retained by the Vendors. Up to a further 5,972,680 Consideration Shares (the "Second Shares") will be issued at the earliest on 31 March 2014 (or later (i) by agreement with the Vendors; or (ii) if there is a dispute over Biokosmes' EBITDA which needs an independent accountant to decide it, when that dispute is resolved or decided; or (iii) if otherwise in a close period, the first date when the Company is not in a close period) (the "Second Instalment Date").

The number of Second Consideration Shares is based on Biokosmes' EBITDA for the year ended 31 December 2013 being €1 million, applying Italian generally accepted accounting principles. If the EBITDA, as reviewed by the auditors, after the year end, is higher or lower than €1 million, then an adjustment will be made to the number of Second Shares.

If Biokosmes' EBITDA for the year ended 31 December 2013 is above €1 million, the adjustment will be an increase of an extra 5.97 new Ordinary Shares (the "Upward Adjustment Shares") for each extra €1 of EBITDA above €1 million. The Second Shares will be issued on the Second Instalment Date. The upward adjustment only applies up to a maximum EBITDA of €2 million. Above this level there will be no further issue of Consideration Shares.

If Biokosmes' EBITDA for the year ended 31 December 2013 is below €1 million, the adjustment will be a reduction of 5.97 new Ordinary Shares for each €1 of EBITDA below €1 million, deducted from the remaining Consideration Shares. The downward adjustment only applies down to a minimum of EBITDA of €500,000. Below this level there will be no further return of Consideration Shares from the Vendors.

The principal terms of the Vendor Loan Note are:

- Interest is payable semi-annually at 3 per cent. pa on the principal amount of the Vendor Loan Note outstanding (plus a further 2 per cent. pa on overdue amounts).
- The Company can repay the Vendor Loan Note in full or in amounts of at least €500,000 (with accrued interest) on 10 business days' notice.
- It is not transferable by the Vendors (except on death).
- Repayment of the Vendor Loan Note can be accelerated ahead of its maturity on insolvency, liquidation, administration, if there are settlements with creditors generally or enforcement action is brought against the Company resulting from its default in paying indebtedness due to banks or other financial institutions of in total more than €1 million (or equivalent).
- The Company has agreed not to create mortgages or other security over its assets (including the quotas in Biokosmes) and to procure that Biokosmes does not dispose of the whole or

substantially the whole of its business or (unless in the ordinary course of its business) material assets.

- The Vendors can, in certain circumstances described below, convert the balance of the Vendor Loan Note into 1,393,207 Consideration Shares, as proportionately reduced in line with the amount outstanding under the Vendor Loan Note (the “Share Entitlement”).
- During the first two years from Closing, the Company can procure repayment of all or some of the Vendor Loan Note funded by available cash resources or by the proceeds of placing the Consideration Shares of up to the Share Entitlement with placees in the market identified by Venture Life through WG Partners. The proceeds of such placing of these rights belong to the Vendors and will be treated as discharging the relevant proportion of the Vendor Loan Note. Venture Life is not obliged to arrange to place Consideration Shares for this purpose but may choose to do so. Where the share price exceeds the placing price on Admission, the increase in value (after deducting sales commission if there is sufficient to repay the Vendor Loan Note at least at par) is for the account of the Vendors.
- At the end of July 2016 (or earlier publication of the annual report and accounts of the Company for the year ended 31 December 2015) (the “Repayment Date”), the Vendors can choose to:
 - leave the Vendor Loan Note outstanding for a further period (as specified below) but with the interest rate payable stepped up to six month Euribor plus 2.5 per cent. (with a minimum of 3 per cent. pa), payable semi-annually; or
 - on 60 days’ notice, convert the outstanding balance of the Vendor Loan Notes into Consideration Shares of up to the Share Entitlement on the Repayment Date or such later date which is not a close or prohibited period; or
 - demand repayment of the Vendor Loan Note and, if not repaid, exercise the option (see below).
- The Consideration Shares resulting from the conversion of the Vendor Loan Note would, if being held by the Vendors but subsequently sold by them within a year from conversion, have to be sold through WG Partners as Venture Life’s brokers with a view to maintaining an orderly market.
- The Vendors would have the choice to extend the Repayment Date of the Vendor Loan Note to the 3rd, 4th or 5th anniversary of Closing, but at the end of the 5th anniversary from Closing, the Vendor Loan Note must be repaid or (at the Vendors’ choice) converted into Consideration Shares of up to the Share Entitlement. Upon such conversion the Vendor Loan Note will be cancelled.
- The Vendors would, while the Vendor Loan Note has not been repaid in full, have an option to re-acquire a proportion of the equity capital in Biokosmes. The option cannot be exercised before the Repayment Date, unless repayment of the Vendor Loan Note has been accelerated (as described above). The proportion of the equity capital and repurchase price depend on the amount of the Vendor Loan Note outstanding. If 100 per cent. of the Vendor Loan Note is outstanding, the proportion is 100 per cent. and the repurchase price is the cancellation of the Vendor Loan Note and the cancellation or repurchase for a nominal amount of all of the Consideration Shares issued to the Vendors. If €1.5 million of the Vendor Loan Note is outstanding the proportion of the equity capital would be 75 per cent. and the repurchase price would be the cancellation of the Vendor Loan Notes and three quarters of the Consideration Shares. If €905,759 or less was outstanding under the Vendor Loan Notes the proportion would be 51 per cent. and half the Consideration Shares. The option ceases to be exercisable once the Vendor Loan Note has been repaid in full (or converted into Consideration Shares).

The Acquisition Agreement contains customary warranties from the Vendors to the Company and, in light of the structure of the purchase price, various reciprocal warranties from the Company to the Vendors. In conjunction with the Acquisition Agreement, the Company and Biokosmes have entered into a service agreement with Mr Gianluca Braguti, as described in paragraph 6.1.

10.3 **The Placing Agreement**

The Company, the Directors, the Proposed Director and Charles Stanley have entered into an Agreement (the “Placing Agreement”) dated 25 March 2014 pursuant to which Charles Stanley has agreed to use its reasonable endeavours to procure purchasers for the Placing Shares at the Placing Price.

The Placing is conditional, among other matters, on Admission occurring not later than 8.00 a.m. on 28 March 2014 (or such later time and/or date as Charles Stanley and the Company may agree, but not being later than 8.00 a.m. on 28 April 2014), save in respect of the EIS Placing Shares (which will be issued regardless of Admission).

The Placing Shares will be issued fully paid and rank *pari passu* in all respects with the Existing Ordinary Shares, as regards the right to receive all dividends and distributions declared, paid or made after the date of this document.

The Placing is being made by means of an offer of the Placing Shares to certain institutional investors in the United Kingdom and elsewhere outside the United States in one or more “offshore transactions” within the meaning of and in reliance on Regulation S.

The Placing Agreement contains warranties and indemnities from the Company, the Directors and the Proposed Director in favour of Charles Stanley together with provisions which enable Charles Stanley to terminate the Placing Agreement in certain circumstances prior to Admission, including where any warranties are found to be untrue or inaccurate and also in the event of a material adverse change in the financial position or prospects of the Company or in national or international financial, market, economic or political conditions.

Under the Placing Agreement the Company has agreed to pay Charles Stanley:

- an advisory fee; plus
- a success fee of 4.5 per cent. of the gross aggregate value, at the Placing Price, of all Placing Shares subscribed pursuant to the Placing.

The Company has agreed to pay all other reasonable costs, charges and expenses of or incidental to the Placing and Admission.

10.4 **Nominated Adviser agreement**

The Company and Charles Stanley Securities have entered into a Nominated Adviser Agreement dated 25 March 2014, pursuant to which and conditional upon Admission, the Company has appointed Charles Stanley Securities to act as its nominated adviser for the purposes of the AIM Rules. The agreement contains certain undertakings and indemnities given by the Company in respect of, among other matters, compliance with all applicable laws and regulations. The agreement may be terminated on 3 months’ notice or otherwise in accordance with the terms of the agreement.

10.5 **Financial Adviser and Broker agreement**

The Company and WG Partners have entered into a Financial Adviser and Broker Agreement dated 25 March 2014, pursuant to which and conditional upon Admission, the Company has appointed WG Partners to act as its financial adviser and broker. The agreement contains certain undertakings and indemnities given by the Company in respect of, among other matters, compliance with all applicable laws and regulations. The agreement may be terminated after an initial 3 month period.

10.6 **Lock-up deeds**

The Company and Charles Stanley have entered into lock-up and orderly marketing deeds dated 25 March 2014 with certain Directors and the Proposed Director (the “Lock-up Parties”) pursuant to which the Lock-up Parties have individually undertaken, subject to certain limited exceptions, including a sale in the event of an offer for all the Ordinary Shares in the Company, not to dispose of any of the Ordinary Shares which that Lock-up Party holds, or has any interest in, immediately following Admission for a period of 12 months following Admission (the “Lock-up Period”).

For the period 12 months after the expiry of the Lock-up Period referred to above, the Lock-up Parties are obliged to sell Ordinary Shares held immediately following Admission through WG Partners.

10.7 **Dr. Peng Consulting Agreement**

The Company and Dr Huaizheng Peng, acting through Vantage Link Limited, entered into an agreement dated 20 November 2013 in relation to the introduction of the Group to certain Chinese companies as potential distribution partners, and related services. Under this agreement, Vantage Link Limited will be paid £100 and it agrees to subscribe for 10,000 ordinary shares of £0.01 each (as adjusted following

any sub-division or reorganisation) in the share capital of the Company prior to Admission, with the issue of such shares being conditional on Admission.

Vantage Link Limited may also become entitled to:

- a royalty of 3 per cent. on gross sales (after import/export duties and sales taxes) made from Venture Life Limited in China, and made elsewhere by Venture Life Limited from products obtained from China (both “Qualifying Sales”), resulting from a relevant Chinese entity introduced by Dr Peng, for a period of 10 years from the launch of the relevant Venture Life Limited product; and
- a further cash payment to be applied in subscribing for up to a further 33,333 Ordinary Shares for (and contingent on) any signed agreement with forecast Qualifying Sales with such a Chinese entity.

The agreement applies to the period from 2012 until (unless terminated earlier for default) 31 December 2016 and provides for these services to be provided on a non-exclusive basis.

10.8 On 23 December 2013, Venture Life agreed with Biokosmes to purchase Biokosmes’ 33.56 per cent. interest in G2S Cosmetics S.A. (“G2S”), a French company which markets and sells cosmetic products. G2S was a previous customer of Biokosmes, in which Biokosmes acquired a 10 per cent. shareholding in 2010 and a further 23.56 per cent. shareholding in 2011, for a total of €1 million. G2S was in financial difficulty during 2011 and up to 31 December 2012, making a loss of €1,899,352 and having a negative net capital of €753,078. The Company purchased Biokosmes’ interest in G2S for total consideration of €37,500, as the Directors believe it to be beneficial for the Group as a whole that the shareholding in G2S is held directly by Venture Life, rather than by Biokosmes.

10.9 **Residential Lease**

Biokosmes is currently a party to a lease agreement originally entered into between Biokolor Italia S.r.l. (now Biokosmes, as lessee) and Bonaiti Luciana (as lessor) dated 1 July 2006 for residential premises located in Lecco (Italy), Via Cesare Battisti No. 12 used by the managing director of Biokosmes, Mr Gianluca Braguti. The lease was automatically renewed for a period of four years starting from 1 July 2014 when termination notice was not served by 30 December 2013. The annual rent is currently €12,000 (subject to increase on the basis of the official consumer price index, to the maximum extent allowed by the applicable Italian law). It is the Company’s intention that the lease will be transferred to Mr Gianluca Braguti from 1 July 2014 but that Mr Braguti will reimburse Biokosmes for any rent paid between Admission and the transfer of the lease.

10.10 **Related party transactions**

(A) *Biokosmes real property agreements*

Biokosmes has entered into the following leases with related parties involving Immobiliare (of which Gianluca Braguti owns around 69 per cent., with the remainder owned by other members of the Braguti family, and is its managing director) and another related party entity:

- (1) a commercial lease agreement between Biokosmes (as lessee) and Immobiliare (as lessor) dated 2 January 2010 in relation to premises located in Lecco (Italy), Via Ghislanzoni No. 24, used by Biokosmes for storage. The duration of the lease is from 20 December 2009 to 19 December 2015, renewed automatically for further six-year periods, unless a notice of termination is served by the lessor no later than 12 months before the expiry date. On the first expiration the automatic renewal can only be prevented by the lessor only upon the occurrence of specific events provided for by law. The annual rent is €30,000 plus VAT, increased annually in accordance with the official consumer price index, to the maximum extent allowed by law. The lessee is entitled to withdraw from the agreement before its contractual expiration only for ‘serious’ reasons, by serving a six-month notice on the lessor.
- (2) a commercial lease agreement between Biokosmes (as lessee) and Immobiliare (as lessor) dated 2 January 2010 for premises located in Lecco (Italy), Via Ugo Bassi No. 5, used by Biokosmes for storage. Biokosmes and Immobiliare entered into a letter of termination dated 16 September 2013 and this lease was consequently terminated on 19 December 2013. The lessee is entitled to withdraw from the agreement before its contractual expiration only for ‘serious’ reasons, by serving a six-month notice on the lessor.
- (3) a commercial lease agreement between Biokosmes (as lessee) and Immobiliare (as lessor) dated 1 December 2007 for premises located in Bosisio Parini (Lc) (Italy), Via Livelli No. 1, used by Biokosmes for its manufacturing facilities. The original duration of the lease was

from 1 December 2007 to 30 November 2013 under the terms of the lease, it is renewed automatically for further six-year periods, unless a notice of termination is served by the lessor no later than 12 months before the expiry date. As a notice of termination was not served, the lease renewed automatically for a further six year period from 1 December 2013. The annual rent is €460,000 plus VAT; increased annually in accordance with the official consumer price index, to the maximum extent allowed by law. The lessee is entitled to withdraw from the agreement before its contractual expiration only for serious reasons, by serving a six-month notice on the lessor.

- (4) a commercial lease agreement between Biokosmes (as lessee) and Immobiliare Cremasca di Parati Lucia e c. S.a.S. (as lessor) dated 30 July 2008 for premises located in Lecco (Italy), Via Ugo Bassi No. 1/3. Gianluca Braguti owns an interest as “*socio accomandante*” in Immobiliare Cremasca di Parati Lucia e c. S.a.S. and Gianluca Braguti’s mother (Lucia Parati) owns an interest as “*socio accomandante*” in Immobiliare Cremasca di Parati Lucia e c. S.a.S. and she is empowered with delegated powers to manage the company. Biokosmes and Immobiliare Cremasca di Parati Lucia e c. S.a.S entered into a letter of termination dated 16 September 2013 and this lease was consequently terminated on 31 December 2013.
- (B) For details of certain other related party transactions including the Proposed Director and/or his family refer to note 32 of Section 11 of Part VI (Historical Financial Information on Biokosmes Srl).

11. Working Capital

In the opinion of the Directors and the Proposed Director, having made due and careful enquiry, the working capital available to the Company and its Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

12. Significant Change

There has been no significant change in the financial or trading position of Venture Life since 30 June 2013, the date to which Venture Life last unaudited interim financial information was published.

Other than as set out in paragraph 8 of Part I, there has been no significant change in the financial or trading position of Biokosmes since 30 June 2013, the date to which Biokosmes’ last unaudited interim financial information was published.

13. Litigation

No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any such proceedings, pending or threatened, by or against the Group, which may have, or has had during the 12 months preceding the date of this document, a significant effect on the Group’s financial position or profitability.

14. General

14.1 Expenses

The total costs and expenses of, and incidental to, the Placing and Admission are estimated to amount to £1.2 million (excluding VAT) and are payable by the Company.

14.2 Auditors

The financial information set out in this document relating to Venture Life and Biokosmes does not constitute statutory accounts under UK or Italian company law, respectively. The Norton Practice, chartered accountants of Highlands House, Basingstoke Road, Spencers Wood, Reading, Berkshire RG7 1NT, have been auditors of Venture Life for the three years ended 31 December 2012 and have given unqualified audit reports on the accounts of Venture Life for these financial years.

14.3 Nature of financial information

The financial information in this document relating to the Group does not comprise statutory accounts within the meaning of section 240(5) of the Act. Statutory accounts for the Company for the period

from incorporation to the year ended 31 December 2012 have been delivered to the Registrar of Companies in England and Wales.

14.4 **Third-party information**

Where information in this document has been sourced from a third party, this information has been accurately reproduced. So far as the Company, the Directors and the Proposed Director are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

14.5 **Consents**

- (A) Charles Stanley has given and has not withdrawn its written consent to the inclusion in this document of its name and of the references to its name in the form and context in which they respectively appear.
- (B) Baker Tilly Corporate Finance LLP has given and has not withdrawn its written consent to the inclusion of its reports at Section I of Part IV, Section I of Part VI and Section I of Part VIII in the form and context in which they appear. Baker Tilly Corporate Finance LLP of 25 Farringdon Street, London EC4A 4AB, United Kingdom is regulated by the Institute of Chartered Accountants in England and Wales.

14.6 **Benefits received from the Company**

Save as disclosed in paragraph 10.1, no person (excluding professional advisers named in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the application for Admission; or entered into any contractual arrangement to receive, directly or indirectly, from the Company on or after Admission, any fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more (calculated by reference to the Placing Price) or any other benefit to a value of £10,000.

14.7 **Miscellaneous**

- (A) The Ordinary Shares being placed pursuant to the Placing have a nominal value of 0.3p each and will be issued at a price of 109p per share. The rights attaching to the new and existing Ordinary Shares will be uniform in all respects and they will form a single class for all purposes. The Ordinary Shares will be denominated in Sterling.
- (B) Directors' and Officers' liability insurance has been effected by the Company in respect of each of the Directors (and the Proposed Director) for an aggregate sum assured of £5 million.
- (C) Directors' and Officers' Prospectus liability insurance has been effected by the Company in respect of each of the Company and the Directors (and the Proposed Director) for an aggregate sum assured of £5 million.
- (D) There have not been any interruptions to the business of the Group which may have, or have had, a significant effect on the Company's financial position in the last 12 months.
- (E) The Directors and the Proposed Director are not aware of any arrangement under which future dividends are waived or agreed to be waived.
- (F) The ISIN number for the Ordinary Shares is GB00BFPM8908. The Ordinary Shares will be in registered form and are capable of being held in both certificated and uncertificated form.
- (G) There have been no public takeover bids by third parties in respect of the shares of the Company at any time.

15. **Availability of documents**

Copies of this document will be available, free of charge to the public, at the registered office of the Company's solicitors at Simmons & Simmons LLP, CityPoint, One Ropemaker Street, London EC2Y 9SS, United Kingdom during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date falling one month after the date of Admission.

Dated: 25 March 2014



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