21 September 2017

**VENTURE LIFE GROUP PLC**
**("Venture Life" or the "Group")**

**Half yearly report**
*Unaudited interim results for the six months ended 30 June 2017*

Venture Life Group plc (AIM: VLG), the international consumer self-care group focused on developing, manufacturing and commercialising products for the ageing population, presents its unaudited interim results for the six months ended 30 June 2017.

**Financial highlights:**

- Revenues increased 28% to £7.8 million (H1 2016: £6.1 million)
- Gross profit increased 27% to £2.9 million (H1 2016: £2.3 million)
- EBITDA increased to £0.3 million (H1 2016: £0.1 million)
- Loss before tax, amortisation and exceptional items reduced to £0.1 million (H1 2016: loss of £0.3 million)
- Adjusted loss per share reduced to 0.3p (H1 2016: adjusted loss of 0.8p)
- Cash at period end of £1.3 million (31 December 2016: £2.0 million)

**Commercial highlights:**

- Two successful UK advertising campaigns completed for UltraDEX, leading to the highest monthly UK sales for the UltraDEX brand since 2012 recorded in June 2017
- Four new long-term distribution agreements signed across UltraDEX and Procto-eze in two countries
- Successful launch of Original Bioscalin in India and market sales uptake positive so far
- Continued growth in Lubatti sales in the China market
- Highest ever monthly revenue recorded for Biokosmes in June 2017
- European patent granted over the UltraDEX sensitive product
- Two new medical device products, Myco Clear and RosaCalma, received European registration approval, commenced human clinical studies on Myco Clear

**Post-period end highlights:**

- New long term distribution agreements signed for UltraDEX in five new EU markets (Italy and the Nordics)
- First two deals signed on Myco Clear
- Highest recorded sales out in China for the Lubatti brand in July 2017

**Commenting on the results, Jerry Randall, Chief Executive Officer of Venture Life, said:** *"I am delighted with the revenue growth across the Group for the period. UltraDEX is now fully integrated into the Group and has contributed to our revenue growth in the first half of the year, as it continues to deliver on the promises we made at the time of the acquisition. Outside of the UltraDEX revenue contribution, organic revenue growth of 23% was delivered by the rest of the business, demonstrating the robust nature of our sales model. We have invested heavily in the first half in the UK revitalisation of UltraDEX, and this was rewarded in June with our highest level of monthly sales of the brand since at least 2012. I am also particularly pleased with the continued progress of Biokosmes, which delivered its highest month of revenue ever in June.*

*"We have chosen to invest significantly in support of the Brands business, which includes the marketing support for UltraDEX, as we believe there is significant unlocked value in this asset. This expenditure in the Brands business, and delays in orders from some international distributors, means that our margins and sales mix is expected to differ from our original projections for the full year. We expect full year revenues to be in line with market expectations, however, we now anticipate that whilst EBITDA for the year will show a significant improvement of at least 50% on the prior year EBITDA of £0.8m, it will not meet current market expectations.*

*"Continued progress in signing new distribution partners also demonstrates the strong international appeal of our portfolio. Our robust business model is delivering excellent organic growth, and the success of the UltraDEX acquisition is demonstrating our ability to acquire and assimilate interesting products. In this regard, I expect us to continue to explore M&A opportunities to complement our core organic growth, and drive sustainable profitability for the Group over the long term."*

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**This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR)**

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

**Overview**

The first half of 2017 has been another period of strong revenue growth for the Group, with revenues of £7.8m (H1 2016: £6.1m), delivering 28% headline growth over the previous year, 18% growth on a like-for-like basis, as Periproducts was acquired part way through the previous period. This growth was experienced across all three main areas of business, UK Brands (UltraDEX only at present), International Brands and Development and Manufacturing.

We have also grown our EBITDA profit for the first half of 2017 to £0.3m (H1 2016: £0.1m), despite investing heavily in the relaunch of UltraDEX in the UK with two full advertising campaigns being run in this first half, compared to none in the first half of 2016.

**Brands**

The Brands business revenues were up 42% to £1.8m over 2016, of which £1.42m was UltraDEX UK, and the balance International Brands.

**UK**

Currently the UK Brands business comprises only the UltraDEX brand. The product range is designed to eliminate bad breath instantly, is clinically proven and includes oral rinses, toothpastes and a spray as well as other dental accessories. The range is sold through the larger retail pharmacy chains, including Boots and Superdrug, as well as many supermarkets and retail outlets such as Waitrose, Sainsbury, Tesco and Amazon.

When we acquired the brand in March 2016, its revenues had been in decline for four years, despite the products having been on sale in the UK market for over 20 years. This was as a direct result of new competition into the market in 2012 (CB12) and an ineffective marketing response by the previous owners against this new competitor. There were also a number of legacy issues that needed to be resolved, such as addressing the out-dated branding and packaging of the product, and re-engaging with many retailers that had not been involved with the brand properly for some time. Our main task was to halt the revenue slide and reverse it into growth by introducing a completely new sales and marketing growth plan for the brand.

The first year in our ownership has had its challenges but nevertheless has seen a turnaround in fortunes. Whilst we have seen some store listings lost in the first 12 months of our ownership, which had already been initiated by certain retailers before we acquired the business, we now have increased points of distribution compared with the same time last year. A point of distribution comprises one product in one store and excludes the pharmacy channel. Compared with 30 June 2016, the points of distribution had grown by 16% by the end of June 2017. The increase in listings has been phased over many months and some only began during July 2017. Interdental brush sales have come under pressure from the launch of a new range of competitive brushes from TePe, a market leader in this field, but we will be responding to this.

UltraDEX UK revenues for H1 2017 were £1.42m in the first half, up 1% on H1 2016 on a like for like basis. Revenues have been growing in the first half, resulting in June 2017 being the highest level of monthly gross revenues for UltraDEX in the UK since 2012.

Innovation and product development are key to growing a brand and we have invested in this area for UltraDEX as follows:

- Packaging redesign was launched in Boots in July 2017, and will roll out to the rest of the trade thereafter
- Patented sensitive range re-launched in July 2017, in new packaging and with a new brand positioning
- New one litre pack sizes launched for the original and sensitive ranges in Boots

Whilst it is early days for these new products in stores, the initial signs are encouraging.

We have received further patent grants in this period for the UltraDEX sensitive range, which contains additional components to help users with sensitive teeth. The patent over this product is now granted in the EU, USA, Japan, Mexico, Indonesia, Australia and New Zealand.

**International**

Despite a continued challenging environment and customer order timings, the International Brands business has delivered revenues in the first half of 2017 of £0.33m. As is common with our international trading patterns and partners in Venture Life, the second half of 2017 is expected to be significantly higher than the first half, and some orders, which we had originally expected in the first half have now fallen into the second half.

In the first half of the year, we have signed a number of new long term partner deals, as well as seeing growth and re-ordering from a number of our existing partners. Whilst the economic environment is challenging at the moment, there is good interest in partnering our products, particularly our new Myco Clear and PhotoAll products, as well as a number of our existing products, including UltraDEX.

It is an important part of our strategy that we focus on key brands and delivering growth in these, and as such there are seven key brands (a more detailed update on each of these is given below) that we focus on. The remaining brands are still in our portfolio but will be partnered only on a more opportune basis rather than a proactive partner search.

For some of the seven key brands, we are investing in further clinical data this year and next, as set out below, to strengthen the offering of the product and enhance both the attractiveness and the value of the products. The costs of this additional data is low and will be covered within our normal budgets.

**Key products**

**Benecol**
In the first half of 2017, we have seen the first registration approval of the Benecol 'once-a-day' liquid sachet in Jordan. This is the first market that will launch the sachets; the purchase order has been received, production will complete at the end of 2017, ready for a Q1 2018 market launch. We had previously signed a partner in Turkey to launch the 'once a day' liquid sachets, and they completed almost all of the registration process in the spring of this year, before a change of internal management occurred at the partner, which has led to a change in strategy. It has been agreed that the agreement will be terminated and although disappointing, we will widen our search for a new partner in Turkey given that the registration is almost complete. This means that once identified, any new partner should be able to bring the product to market within six to nine months. In other territories, discussions continue with interested parties, but these take some time as introducing Benecol as a food supplement into the pharmacy channel is a new idea in most countries.

**UltraDEX**
The internationalisation of the brand began soon after the acquisition in 2016. The first deal in Europe was in Spain with a partner called Serra Pamies, and this marked the re-launch of the brand in Europe under our ownership, as international sales were previously minimal. Serra Pamies launched the product in early 2017, and initially faced headwinds from the previous distributor for CB12 in Spain that very recently lost its distributorship of the product and so flooded the market with low priced product to get rid of its stock. This issue is still on-going, and although this has hampered the launch of UltraDEX somewhat, our partner's marketing campaign has started in earnest.

UltraDEX was partnered in Malaysia in 2016 with our partner Rigel Pharma and the product launch took place earlier this year following a successful registration and the product is being rolled out into the market place. In China, registration will take a number of months and an update on progress will be given with the full year results.

Post period end, we signed a new long term partnering agreement for four countries in the Nordics with Karo Pharma AB, a publicly listed Swedish pharma company. They have an experienced management and executive team in the oral care space and we are excited about the prospects of launching the product in the Nordic region. We expect the first order to be shipped in 2017, and public launch in Q1 2018.

Also in July 2017, we signed a new long term distribution agreement for UltraDEX in Italy with Polipharama Benessere Srl. This agreement is for five years and further extends the presence of the UltraDEX brand into key markets across Europe.

**Lubatti**
The rate of in-market sales of the Lubatti range through our partner Gialen in China has continued to grow from the level seen in 2016, as the products roll out to more of the regions and we see an increase in consumer uptake. This growth in sales has been reflected in us receiving our first re-orders of product from Gialen in this first half of 2017,

and reflects the growing confidence we have for these products in the Chinese market. The sales out data has been received for July 2017 and shows the highest monthly sales out for Lubatti in China so far.

**NeuroAge**

Sales of NeuroAge continue to grow across the markets where it is sold, and in the first half of 2017 we have added to the distributor network with our first long term partnering agreement in Canada. The product is currently in registration and we expect it to be launched to consumers in 2018, subject to registration approval.

The NeuroAge product is now well used in a number of countries but we believe that additional clinical data will enhance the opportunity in other markets. We will complete this additional work over the next 12 months.

**Procto-eze**

This product has been licensed in a number of territories, and is presented in the form of a cream and a cleanser. We are achieving varying levels of success with this brand, depending on market and SKU. We are developing a further line extension to this range (ready end of 2017) and will be further strengthening the Procto-eze clinical data package in the next 12 months.

**Vonalei**

There is demand for women's intimate health products that offer ease of use, efficacy and no known side effects. As a medical device, the vonalei range offers a natural alternative to drugs that can be used in short, medium or longer term, without any known side effects. The Vonalei range has just begun to launch in a small number of countries and we will be investing in further clinical studies on some of the products within the portfolio over the next 12 months to strengthen this range.

**Myco Clear**

This is the first of the three new products developed by the business in 2016. This product is for the treatment of onychomycosis (nail fungal infections), which causes the deformation and discoloration of the nail. The market for this condition in the five main EU markets is in excess of €84m per annum.

It is a particularly difficult condition to treat and we have developed a unique new product that deals with both the aesthetic issues as well as the underlying cause of the condition.

Post period end we have filed a patent application for the product, which we believe will protect the unique mode of activity of this product. The product received approval in the EU as a Class IIa Medical Device in April this year, and upon receipt of that approval we began a series of clinical studies in humans to replicate the efficacy seen in our in-vitro studies. Despite the fact that the studies are not yet complete, we have already received a high level of interest from potential partners and are in many active discussions. Post period end, we have already completed our first two deals in smaller markets.

**Photo All**

The second of our newly developed products, this is for the treatment of drug induced photo sensitivity, which affects between 3-7% of patients using a wide range of drug treatments, including antibiotics, anti-inflammatories and anti-tumorals amongst others. This is a particularly relevant area for the elderly patient. The condition results from the interaction of the drug compound with UVA light, and there is currently no specifically designed product on the market to treat this condition. Presented as a topical cream, this product is protected by a recently granted EU patent and we are in active discussion with many parties to partner this product.

**Rosacalma**

The last of our three new products, this is for the treatment of the inflammatory skin disease rosacea. This condition affects 30-50 year olds mostly and up to 10% of the general population. It is generally treated initially with strong drug products on a short term basis. This product has been recently approved as a Class IIa Medical Device in the EU, and has been developed in three presentations for the longer term treatment of the condition. Now approval has been received, we are conducting some human clinical studies to verify the efficacy of the product before launch to potential partners.

**Development and Manufacturing**
Since the merger with Biokosmes in 2014, the business in Italy has gone from strength to strength, delivering consistent revenue and profit growth each year. The first half of 2017 was no exception, with revenues of £6.1m up 24% on H1 2016 (£4.9m).

This growth has been seen across a number of our existing long term customers, as well as growth in new business in 2017, with new customers such as Menarini Industrie Farmaceutiche Riunite Srl and Almirall SA.

The business has within it an in-depth knowledge, expertise and accreditation to develop and manufacture medical device products, that can be sold into all the major world markets. The medical device regulations are strict and complex, and this ability is greatly valued by new and existing customers alike. In April 2017 the new EU Medical Device Regulations (Regulation (EU) 2017/745) came into force, with a transitional period between now and May 2020 for all EU registered medical device products to comply with the new rules. The main change is that class 1 medical device products will be required either to upgrade to class II medical devices, or to downgrade to cosmetic registrations with weaker claims. This will impact a number of our customers, but Biokosmes has the requisite knowledge and experience to help all its customers with this process. Also for the key products for our international brands business the impact of these new changes has already been anticipated and our key products with medical device registrations will retain them post 2020.

We continue to see strong demand from new and existing customers for the expertise provided by Biokosmes, and expect growth in this part of the business to continue. We have significant operational leverage at the facility and can materially increase volumes through the plant without a significant increase in cost base. This will provide a consequent positive impact on gross margins, and an even greater effect on net margins, as we move forward. With the growth that we are seeing at Biokosmes, we have already begun plans to increase the footprint of the factory (we can double the size of the existing footprint on the current site). The buildings and site are leased, and so the landlord will incur the cost of building the additional premises, and our only cost will be the equipment. We would not expect the new buildings to come on line for at least two years, and any cash requirements for equipment are within our current resources. This expansion in capacity would allow us to potentially deliver more than treble our 2016 revenues.

**Financial review**

*Statement of comprehensive income*
Group revenue for the six month period was £7.8 million an increase of 28% on the £6.1 million reported for the same period in 2016. The growth was throughout all areas of the business. H1 2016 included nearly four months of UltraDEX revenue from 4 March 2016, the date of acquisition. On a like-for-like basis, Group revenue increased 18% in the six month period compared to the first six months of 2016.

The Brands segment showed strong growth up 42% on H1 2016, with revenues for the six month period of £1.8 million compared to £1.2 million reported in H1 2016. UltraDEX contributed to this growth with revenues of £1.4 million for the six month period, up by 55% against H1 2016 reported revenues of £0.9 million (for the four months from acquisition). Revenue is reported after promotional discounts. On a like-for-like basis UltraDEX revenue for H1 2017 was up 1% on H1 2016. We expect this segment to continue to grow with investment in advertising and the launch of new lines. UltraDEX revenue is reported within the Group's Brands segment.

Our Development and Manufacturing segment continues to represent the larger proportion of Group revenue. Revenues were £6.1 million in H1 2017 compared to £4.9 million for H1 2016 up 24%, and benefited from a stronger Euro in 2017.

The Group generated gross profit of £2.9 million, representing a gross margin of 37%. This compares to a gross margin of 37% for the same period in 2016 on a reported basis. This is an increase in gross profit of 27% compared with H1 2016 resulting from the higher revenues in the period.

Administrative expenses increased in the period to £3.2 million from £2.7 million in H1 2016. This was largely due to the investment in UK advertising and promotion driving the additional UltraDEX sales in the period, continuing to build the brand and supporting our key retail accounts in the UK.

H1 2017 generated a positive EBITDA of £0.3 million up 128% compared to H1 2016 of £0.1 million.

The loss before tax, amortisation and exceptional costs for the period decreased to £0.1 million (H1 2016: loss of £0.3 million). This and the improvement of EBITDA were largely due to the increase in revenues.

Loss per share was 1.9p (H1 2016: loss of 2.8p).

Adjusted loss per share was 0.3p (H1 2016: adjusted loss of 0.8p).

*Statement of financial position and cash flow*
Cash and cash equivalents were £1.3 million at 30 June 2017 (31 December 2016: £2.0 million). Total debt stood at £7.4 million (30 June 2016: £6.3 million, 31 December 2016: £7.1 million). The increase in debt since 31 December 2016 arose in part as a result of the strengthening Euro on the Group's Euro denominated debt.

Net cash outflows totalled £0.7 million (six months to 30 June 2016: outflow of £1.3m). The principal components of the net cash outflow are as follows:

- cash used in operations £0.4 million (six months to 30 June 2016: £0.6 million)
- investment in tangible and intangible assets £0.3 million (six months to 30 June 2016: £0.2 million)

**Summary and outlook**
The first half of 2017 has seen a continuation of the momentum built in previous years, and consequently the outlook for the Group continues to improve. The UltraDEX acquisition is now fully embedded in the Group and delivering the expected synergies, demonstrating the Group's ability to acquire and successfully integrate this type of asset. Our Brands business offers a significant opportunity to deliver shareholder value both through new deals, as demonstrated during 2017, and further organic growth, as more of our products reach the market. The operational leverage developed in the Group means we are well positioned for these additional revenues to translate to improved profitability as they flow through our fixed manufacturing cost base.

We have chosen to invest significantly in support of the Brands business, which includes the marketing support for UltraDEX, as we believe there is significant unlocked value in this asset. This expenditure in the Brands business, and delays in orders from some international distributors, means that our margins and sales mix is expected to differ from our original projections for the full year. We expect full year revenues to be in line with market expectations, however, we now anticipate that whilst EBITDA for the year will show a significant improvement of at least 50% on the prior year EBITDA of £0.8m, it will not meet current market expectations.

The organic revenue growth in the first half is set to continue through the second half, and with a good order book in hand, we expect to see the momentum continuing to build in the business, and we remain optimistic about the future prospects for the Group.

**Lynn Drummond – Non-Executive Chair**
**Jerry Randall – Chief Executive Officer**

**Unaudited Interim Condensed Consolidated Statement of Comprehensive Income**
**For the six months ended 30 June 2017**

| | Note | **Six months ended 30 June 2017** | Six months ended 30 June 2016 | Year ended 31 December 2016 |
|---|---|---|---|---|
| | | **(Unaudited)** | **(Unaudited)** | (Audited) |
| | | **£'000** | **£'000** | **£'000** |
| **Revenue** | 4 | 7,811 | 6,121 | 14,280 |
| Cost of sales | | (4,954) | (3,868) | (8,789) |
| **Gross profit** | | **2,857** | **2,253** | **5,491** |
| Operating expenses | | (2,761) | (2,263) | (4,979) |
| Amortisation of intangible assets | 5 | (446) | (409) | (862) |
| **Total administrative expenses** | | **(3,207)** | **(2,672)** | **(5,841)** |
| Other income | | 17 | 28 | 65 |
| **Operating loss before exceptional items** | | **(333)** | **(391)** | **(285)** |
| Exceptional items | 6 | - | (142) | (180) |
| **Operating loss** | | **(333)** | **(533)** | **(465)** |
| Finance costs | | (240) | (321) | (644) |
| **Loss before tax** | | **(573)** | **(854)** | **(1,109)** |
| Tax | 7 | (143) | (155) | (260) |
| **Loss for the period attributable to the equity shareholders of the parent** | | **(716)** | **(1,009)** | **(1,369)** |
| Other comprehensive income which may be subsequently reclassified to the income statement | 8 | 102 | 293 | 317 |
| **Total comprehensive loss for the period attributable to equity shareholders of the parent** | | **(614)** | **(716)** | **(1,052)** |
| Basic and diluted loss per share (pence) attributable to equity shareholders of the parent | 9 | (1.94) | (2.81) | (3.76) |
| Adjusted loss per share | 9 | (0.31) | (0.80) | (1.28) |

**Unaudited Interim Condensed Consolidated Statement of Financial Position**
**As at 30 June 2017**

| | Note | 30 June 2017 (Unaudited) | 30 June 2016 (Unaudited) | 31 December 2016 (Audited) |
|---|---|---|---|---|
| **ASSETS** | | **£'000** | £'000 | £'000 |
| **Non-current assets** | | | | |
| Intangible assets | 11 | 16,053 | 16,500 | 16,272 |
| Property, plant and equipment | | 1,383 | 1,229 | 1,279 |
| | | **17,436** | **17,729** | **17,551** |
| **Current assets** | | | | |
| Inventories | | 3,436 | 3,352 | 3,141 |
| Trade and other receivables | | 4,984 | 4,448 | 4,656 |
| Cash and cash equivalents | | 1,323 | 1,583 | 1,998 |
| | | **9,743** | **9,383** | **9,795** |
| **TOTAL ASSETS** | | **27,179** | **27,112** | **27,346** |
| **EQUITY & LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 12 | 111 | 110 | 111 |
| Share premium account | 12 | 13,289 | 13,289 | 13,289 |
| Merger reserve | 12 | 7,656 | 7,656 | 7,656 |
| Convertible bond reserve | | 109 | 109 | 109 |
| Foreign currency translation reserve | | 215 | 89 | 113 |
| Share-based payment reserve | | 460 | 381 | 409 |
| Retained earnings | | (8,060) | (6,969) | (7,329) |
| **Total equity attributable to equity holders of the parent** | | **13,780** | **14,665** | **14,358** |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | 4,363 | 4,570 | 4,347 |
| Taxation | | 484 | 275 | 195 |
| Interest bearing borrowings | | 771 | 615 | 687 |
| Convertible bond | | 171 | 171 | 171 |
| Vendor loan notes | | 65 | 50 | 54 |
| | | **5,854** | **5,681** | **5,454** |
| **Non-current liabilities** | | | | |
| Interest bearing borrowings | | 3,026 | 2,399 | 2,986 |
| Convertible bond | | 1,587 | 1,506 | 1,546 |
| Vendor loan notes | | 1,740 | 1,562 | 1,700 |
| Statutory employment provision | | 823 | 677 | 795 |
| Deferred tax liability | | 369 | 622 | 507 |
| | | **7,545** | **6,766** | **7,534** |
| **Total liabilities** | | **13,399** | **12,447** | **12,988** |
| **TOTAL EQUITY & LIABILITIES** | | **27,179** | **27,112** | **27,346** |

**Unaudited Interim Condensed Consolidated Statement of Changes in Equity**
**As at 30 June 2017**

| | Share capital £'000 | Share premium account £'000 | Merger reserve £'000 | Convertible bond reserve £'000 | Foreign currency translation reserve £'000 | Share-based payment reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016 (Audited)** | **103** | **11,826** | **7,656** | **-** | **(204)** | **367** | **(5,946)** | **13,802** |
| Loss for the period | - | - | - | - | - | - | (1,009) | (1,009) |
| Foreign exchange for period | - | - | - | - | 293 | - | - | 293 |
| **Total comprehensive income/(expense)** | **-** | **-** | **-** | **-** | **293** | **-** | **(1.009)** | **(716)** |
| *Transactions with shareholders:* | | | | | | | | |
| Issue of share capital | 7 | 1,463 | - | - | - | - | - | 1,470 |
| Issue of convertible bond | - | - | - | 109 | - | - | - | 109 |
| Share options charge | - | - | - | - | - | 14 | - | 14 |
| Dividends | - | - | - | - | - | - | (14) | (14) |
| **Balance at 30 June 2016 (Unaudited)** | **110** | **13,289** | **7,656** | **109** | **89** | **381** | **(6,969)** | **14,665** |
| Loss for the period | - | - | - | - | - | - | (360) | (360) |
| Foreign exchange for period | - | - | - | - | 24 | - | - | 24 |
| **Total comprehensive income/(expense)** | **-** | **-** | **-** | **-** | **24** | **-** | **(360)** | **(336)** |
| *Transactions with shareholders:* | | | | | | | | |
| Issue of share capital | 1 | - | - | - | - | - | - | 1 |
| Share options charge | - | - | - | - | - | 28 | - | 28 |
| **Balance at 31 December 2016 (Audited)** | **111** | **13,289** | **7,656** | **109** | **113** | **409** | **(7,329)** | **14,358** |
| Loss for the period | - | - | - | - | - | - | (716) | (716) |
| Foreign exchange for period | - | - | - | - | 102 | - | - | 102 |
| **Total comprehensive income/(expense)** | **-** | **-** | **-** | **-** | **102** | **-** | **(716)** | **(614)** |
| *Transactions with shareholders:* | | | | | | | | |
| Share options charge | - | - | - | - | - | 51 | - | 51 |
| Dividends | - | - | - | - | - | - | (15) | (15) |
| **Balance at 30 June 2017 (Unaudited)** | **111** | **13,289** | **7,656** | **109** | **215** | **460** | **(8,060)** | **13,780** |

**Unaudited Interim Condensed Consolidated Statement of Cash Flows**
**For the six months ended 30 June 2017**

| | **Six months ended 30 June 2017 (Unaudited)** | Six months ended 30 June 2016 (Unaudited) | Year ended 31 December 2016 (Audited) |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| **Cash flow from operating activities:** | | | |
| Loss before tax | (573) | (854) | (1,109) |
| Finance cost | 240 | 321 | 644 |
| **Operating loss** | **(333)** | **(533)** | **(465)** |
| | | | |
| Adjustments for: | | | |
| - Depreciation of property, plant and equipment | 100 | 83 | 176 |
| - Amortisation of intangible assets | 446 | 409 | 862 |
| - Finance costs | (127) | (87) | (212) |
| - Share-based payment expense | 51 | 14 | 42 |
| **Operating cash flow before movements in working capital** | **137** | **(114)** | **403** |
| | | | |
| Taxation received/(paid) | - | 42 | (251) |
| Increase in inventories | (251) | (518) | (263) |
| Increase in trade and other receivables | (190) | (99) | (251) |
| (Decrease)/increase in trade and other payables | (104) | 107 | (95) |
| **Net cash used in operating activities** | **(408)** | **(582)** | **(457)** |
| | | | |
| **Cash flow from investing activities:** | | | |
| Acquisition of subsidiary - net cash payment | - | (4,258) | (4,258) |
| Purchases of property, plant and equipment | (98) | (79) | (185) |
| Development expenditure in respect of intangible assets | (189) | (139) | (355) |
| Proceeds on disposal of tangible assets | - | 7 | 7 |
| **Net cash used by investing activities** | **(287)** | **(4,469)** | **(4,791)** |
| | | | |
| **Cash flow from financing activities:** | | | |
| Net proceeds from issue of ordinary shares | - | 1,471 | 1,471 |
| Net proceeds from issue of convertible bond | - | 1,750 | 1,750 |
| Movements in interest-bearing borrowings | 10 | 504 | 1,099 |
| Dividends paid | (15) | (14) | (14) |
| **Net cash from financing activities** | **(5)** | **3,711** | **4,306** |
| | | | |
| **Net decrease in cash and cash equivalents** | **(700)** | **(1,340)** | **(942)** |
| Net foreign exchange difference | 25 | 66 | 83 |
| Cash and cash equivalents at beginning of period | 1,998 | 2,857 | 2,857 |
| **Cash and cash equivalents at end of period** | **1,323** | **1,583** | **1,998** |

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017**

## 1. Corporate information

The Interim Condensed Consolidated Financial Statements of Venture Life Group plc and its subsidiaries (collectively, the Group) for the six months ended 30 June 2017 ("the Interim Financial Statements") were approved and authorised for issue in accordance with a resolution of the directors on 19 September 2017.

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

## 2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Consolidated Financial Statements for the year ended 31 December 2016 ("the 2016 Consolidated Financial Statements") which have been prepared in accordance with IFRS as adopted by the European Union.

The financial information contained in the Interim Financial Statements, which are unaudited, does not constitute statutory accounts in accordance with the Companies Act 2006. The financial information for the year ended 31 December 2016 is extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies and on which the auditor issued an unqualified opinion that did not include an emphasis of matter reference or statement made under section 498(2) or (3) of the Companies Act 2006.

## 3. Accounting policies

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the 2016 Consolidated Financial Statements.

*Foreign currencies*

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

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

| Sterling/euro exchange rates | **Six months ended 30 June 2017** | Six months ended 30 June 2016 | Year ended 31 December 2016 |
|---|---|---|---|
| Average exchange rate for the period | **1.169** | 1.301 | 1.234 |
| Exchange rate at the period end | **1.137** | 1.209 | 1.167 |

## 4. Segmental Information

Management has determined the operating segments based on the reports reviewed by the Group Board of Directors (Chief Operating Decision Maker) that are used to make strategic decisions. The Board considers the business from a line-of-service perspective and uses operating profit/(loss) as its profit measure. The operating profit/(loss) of operating segments is prepared on the same basis as the Group's accounting operating profit/(loss).

In line with the 2016 Consolidated Financial Statements, the operations of the Group are segmented as Brands, which includes sales of healthcare and skin care products under distribution agreements and direct to UK retailers, and Development and Manufacturing. The Periproducts business which was acquired during the prior period is included within the Brands reporting segment.

### 4.1 Segment Revenue and Results

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

| | Brands | Development and Manufacturing | Eliminations | Consolidated Group |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Six months to 30 June 2017** | | | | |
| **Revenue** | | | | |
| External sales | 1,747 | 6,064 | - | 7,811 |
| Inter-segment sales | - | 855 | (855) | - |
| **Total revenue** | **1,747** | **6,919** | **(855)** | **7,811** |
| **Results** | | | | |
| **Operating (loss)/profit before exceptional items and excluding central administrative costs** | **(248)** | **959** | **-** | **711** |

| | Brands | Development and Manufacturing | Eliminations | Consolidated Group |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Six months to 30 June 2016** | | | | |
| **Revenue** | | | | |
| External sales | 1,234 | 4,887 | - | 6,121 |
| Inter-segment sales | - | 192 | (192) | - |
| **Total revenue** | **1,234** | **5,079** | **(192)** | **6,121** |
| **Results** | | | | |
| **Operating (loss)/profit before exceptional items and excluding central administrative costs** | **(106)** | **679** | **-** | **573** |

| | Brands | Development and Manufacturing | Eliminations | Consolidated Group |
|---|---|---|---|---|
| **Year to 31 December 2016** | £'000 | £'000 | £'000 | £'000 |
| **Revenue** | | | | |
| External sales | 3,764 | 10,516 | - | 14,280 |
| Inter-segment sales | - | 826 | (826) | - |
| **Total revenue** | **3,764** | **11,342** | **(826)** | **14,280** |
| **Results** | | | | |
| **Operating (loss)/profit before exceptional items and excluding central administrative costs** | **(139)** | **1,665** | **-** | **1,526** |

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

| | **Six months ended 30 June 2017 (Unaudited)** | Six months ended 30 June 2016 (Unaudited) | Year ended 31 December 2016 (Audited) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Operating profit before exceptional items and excluding central administrative costs | 711 | 573 | 1,526 |
| Central administrative costs | (1,044) | (964) | (1,811) |
| Exceptional expenses | - | (142) | (180) |
| Operating loss | (333) | (533) | (465) |
| Net finance cost | (240) | (321) | (644) |
| **Loss before tax** | **(573)** | **(854)** | **(1,109)** |

## 5. Amortisation of intangible assets

| | **Six months ended 30 June 2017 (Unaudited)** | Six months ended 30 June 2016 (Unaudited) | Year ended 31 December 2016 (Audited) |
|---|---|---|---|
| Amortisation of: | **£'000** | £'000 | £'000 |
| Acquired intangible assets (a) | (284) | (284) | (568) |
| Acquired intangible assets (b) | (80) | (53) | (133) |
| Patents, trademarks and other intangible assets | (35) | (37) | (71) |
| Capitalised development costs | (47) | (35) | (90) |
| | **(446)** | **(409)** | **(862)** |

(a) Customer relationship and product formulation intangible assets acquired as part of the acquisition of Biokosmes Srl in March 2014. These intangible assets are being amortised over five years to 31 March 2019.

(b) Customer relationships, patents and trademark intangible assets acquired as part of the acquisition of Periproducts Limited in March 2016. The customer relationships and trademark intangible assets are being amortised over five years to 28 February 2021. The patent intangible assets are being amortised over ten years to 28 February 2026.

## 6. Exceptional items

| | **Six months ended 30 June 2017 (Unaudited)** | Six months ended 30 June 2016 (Unaudited) | Year ended 31 December 2016 (Audited) |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Costs incurred in acquisitions | - | (142) | (180) |
| **Total exceptional items** | **-** | **(142)** | **(180)** |

During the year to 31 December 2016 the Group incurred legal and professional fees in relation to the Periproducts acquisition, as well as certain restructuring costs.

## 7. Taxation

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

| | **Six months ended 30 June 2017 (Unaudited)** | Six months ended 30 June 2016 (Unaudited) | Year ended 31 December 2016 (Audited) |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Current income tax | 279 | 222 | 455 |
| Adjustment in respect of earlier periods | - | - | (21) |
| Deferred income tax expense related to origination and reversal of timing differences | (136) | (67) | (174) |
| **Income tax expense recognised in statement of comprehensive income** | **143** | **155** | **260** |

The current income tax expense is based on the profits of the Development and Manufacturing business based in Italy. The UK based businesses on a combined basis are currently loss making and so there are no UK income tax charges due in respect of trading for the first six months to 30 June 2017.

The Group has not recognised the deferred tax asset on losses made by the UK based businesses on a combined basis as although management are expecting the UK based businesses on a combined basis to become profitable, it is not currently certain when there will be sufficient taxable profits against which to offset such losses.
At the period end the estimated tax losses amounted to £8,352,000 (30 June 2016: £6,690,000; 31 December 2016: £7,195,000).

## 8. Other comprehensive income/(expense)

Other comprehensive income/(expense) represents the foreign exchange difference on the translation of the assets, liabilities and reserves of Biokosmes which has a functional currency of Euros. The movement is shown in the foreign currency translation reserve between the date of acquisition of Biokosmes, when the GBP/EUR rate was 1.193 and the balance sheet date rate at 30 June 2017 of 1.137 (at 31 December 2016 of 1.167 and at 30 June 2016 of 1.209), and is an amount that may subsequently be reclassified to profit and loss.

## 9. Loss per share

| | **Six months ended 30 June 2017 (Unaudited)** | Six months ended 30 June 2016 (Unaudited) | Year ended 30 December 2016 (Audited) |
|---|---|---|---|
| Weighted average number of ordinary shares in issue | 36,837,106 | 35,968,571 | 36,409,340 |
| Loss attributable to equity holders of the Company (£'000) | (716) | (1,009) | (1,369) |
| Basic and diluted loss per share (pence) | (1.94) | (2.81) | (3.76) |
| Adjusted loss per share (pence) | (0.31) | (0.80) | (1.28) |

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

## 10. Dividends

Amounts recognised as distributions to equity holders in the period:

| | **Six months ended 30 June 2017 (Unaudited)** | Six months ended 30 June 2016 (Unaudited) | Year ended 31 December 2016 (Audited) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Final dividend** | **15** | **14** | **14** |

## 11. Intangible assets

The intangible assets of the group of £16.1 million (31 December 2016: £16.3m) include goodwill, development costs, patents and trademarks and customer relationships.

At the reporting date goodwill generated from the acquisitions of Biokosmes Srl in March 2014 and Periproducts Limited in March 2016 accounted for £13.1 million of the intangible assets of the Group (£13.1 million at 31 December 2016). There were no movements in goodwill during the period (increase in goodwill of £3.3 million in the 6 months to June 2016), nor have there been any impairment of goodwill during this time (6 months to June 2016: Nil million).

## 12. Share capital and share premium

| | **Ordinary shares of 0.3p each** | **Ordinary Shares** | **Share premium** | **Merger reserve** |
|---|---|---|---|---|
| | **No.** | **£'000** | **£'000** | **£'000** |
| Audited at 1 January 2016 | 34,403,534 | 103 | 11,826 | 7,656 |
| Share issue | 2,428,572 | 7 | 1,463 | - |
| **Unaudited at 30 June 2016** | **36,832,106** | **110** | **13,289** | **7,656** |
| Share issue | 5,000 | - | - | - |
| **Audited at 31 December 2016** | **36,837,106** | **110** | **13,289** | **7,656** |
| **Unaudited at 30 June 2017** | **36,837,106** | **110** | **13,289** | **7,656** |

There were no movements in share capital or share premium between 31 December 2016 and 30 June 2017.

## 13. Related party transactions

The following transactions with related parties are considered by the Directors to be significant for the interpretation of the Interim Condensed Financial Statements for the six month period to 30 June 2017 and the balances with related parties at 30 June 2017 and 31 December 2016:

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

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

*Key transactions with other related parties*

Braguts' Real Estate Srl (formally known as Biokosmes Immobiliare Srl), a company 100% owned by Gianluca Braguti, a director and shareholder of the Group provided property lease services to the Development and Manufacturing business totalling €230,000 in the six months to 30 June 2017 (€230,000 in the six months to 30 June 2016). At 30 June 2017, the Group owed Braguts' Real Estate Srl €622,000 (€692,000 at 31 December 2016).

## 14. Financial instruments

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

| | **30 June 2017** | | 30 June 2016 | | 31 December 2016 | |
|---|---|---|---|---|---|---|
| | Loans and receivables | **Total financial a** | Loans and receivables | **Total financial asst** | Loans and receivables | **Total financial as** |
| | £'000 | | £'000 | **£'000** | £'000 | **£'000** |
| **Financial assets:** | | | | | | |
| Trade and other receivables (a) | 4,888 | | 4,290 | **4,290** | 4,564 | **4,564** |
| Cash and cash equivalents | 1,323 | | 1,583 | **1,583** | 1,998 | **1,998** |
| **Total** | **6,211** | | **5,873** | **5,873** | **6,562** | **6,562** |

| | **30 June 2017** | | 30 June 2016 | | 31 December 2016 | |
|---|---|---|---|---|---|---|
| | Liabilities (amortised cost) | **Total financial liabilities** | Liabilities (amortised cost) | **Total financial l** | Liabilities (amortised cost) | **Total financial l** |
| | £ | | £'000 | **£'000** | £'000 | **£'000** |
| **Financial liabilities:** | | | | | | |
| Trade and other payables (b) | 4,363 | **4,363** | 4,534 | **4,534** | 4,434 | **4,434** |
| Convertible bond | 1,758 | **1,758** | 1,677 | **1,677** | 1,717 | **1,717** |
| Vendor loan notes | 1,805 | **1,805** | 1,612 | **1,612** | 1,754 | **1,754** |
| Interest bearing debt | 3,797 | **3,797** | 3,014 | **3,014** | 3,673 | **3,673** |
| **Total** | **11,723** | **11,723** | **10,837** | **10,837** | **11,578** | **11,578** |

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

## 15. Post balance sheet events

There were no post balance sheet events.