Venture Life
Emerge anew

Venture Life Group plc
Annual Report & Accounts 2014

Venture Life Group plc

Venture Life is an international consumer self-care company focused on developing, manufacturing and commercialising products for the ageing population. The Group's product range includes medical devices (such as those for improving minor aches and pains, and alleviating symptoms associated with haemorrhoids and itchy skin), food supplements (such as those for lowering cholesterol and improving brain function), and dermo-cosmetics and cosmetics for addressing the signs of skin-ageing. The products, which typically are recommended by pharmacists or healthcare practitioners, are available primarily through pharmacies in multiple countries supplied by the Group's international distribution partners.

Through its newly-acquired manufacturing company, Biokosmes Srl, the Group also provides development and manufacturing services to companies in the medical devices and dermo-cosmetics sectors.

Improving peoples' lives

Contents

Highlights

Financial Highlights

Acquisition and integration of Biokosmes Srl (“Biokosmes”), an Italian development and manufacturing business.

Admission to the Alternative Investment Market of the London Stock Exchange (“AIM”).

£8.2 million (net of expenses) raised during the period and year end cash of £4.9 million (31 December 2013: £0.45 million).

Revenues increased to £7.2 million (2013: £0.49 million), including the impact of Biokosmes for nine months.

Gross profits increased to £2.7 million (2013: £0.19 million).

Loss before tax, amortisation and exceptional costs reduced to £0.59 million (2013: loss of £0.96 million).

Commercial Highlights

Seven new product registrations completed covering eight territories.

Eight new consumer products added to the portfolio.

Product distribution strengthened with the signing of 17 new distribution agreements.

Board strengthened with the appointment of Ian Mackinnon, Non-Executive Director and chair of Audit Committee.

Post-period end Highlights

Long-term distribution agreement signed with REC (a subsidiary of Gialen), one of the largest Chinese skincare and cosmetics retail chains, to supply a range of skincare products.

Sale of certain dermatology trademarks in certain countries to an existing customer for an up-front payment, sales-based milestone payments, and guaranteed additional manufacturing business, for which the first additional order has already been received.

Strengthening of commercial team with a further two new appointments.

Our Product Range

Venture Life has developed a range of products covering a number of therapeutic areas. The products have all been developed in-house and, with the exception of the Benecol® brand and Dry-eze™, Venture Life owns the global distribution rights to all the products.

Cardiovascular

Benecol®
Food supplement

What it addresses
LDL cholesterol

Product description
Benecol is clinically proven to lower LDL cholesterol levels by 10% within 2-3 weeks.

How it works/mode of action
Benecol as a food supplement contains a unique patented ingredient, plant stanol ester, which is proven to lower cholesterol by partially blocking the uptake of cholesterol in the gut, so less gets absorbed into the bloodstream.

Benecol is a registered trademark of Raisio plc.

Neurology

NeuroAge™ NeuroAge Sleep™ NeuroAge NRG™
Food supplement

What it addresses
Cognitive health

Product description
NeuroAge helps by improving mental alertness, cognitive function and mental performance in a healthy, ageing brain. There are three products within the NeuroAge range, each tailored to meet different needs.

How it works/mode of action
NeuroAge contains a combination of effective ingredients, designed to support alertness, cognitive function and mental performance.

Skin, hair and eye care

Lissio Ha™
Topical cosmetic

What it addresses
Fine lines & wrinkles

Product description
The Lissio Ha range offers a complete collection of anti-ageing products to address age-related skin concerns.

How it works/mode of action
Lissio Ha has been clinically proven for the management of fine lines and deep wrinkles. It contains a unique system called 'CronoActiveSystem'™ that delivers maximum benefits over the short, medium and long term.

Lissio Light™
Topical cosmetic

What it addresses
Hyper-pigmentation

Product description
The Lissio Light range has been formulated to treat skin hyper-pigmentation, ageing and loss of radiance.

How it works/mode of action
Using its triple action formulation, Lissio Light inhibits the production of melanin, protects the skin against free radicals and improves the complexion of the skin.

Skin, hair and eye care

Lissio Pure™
Topical cosmetic

What it addresses
Sensitive skin

Product description
The Lissio Pure range has been developed for ageing, sensitive skin.

How it works/mode of action
Lissio Pure focuses on combating environmental factors that contribute to skin ageing while helping to control pigmentation, skin hydration and the appearance of fine lines and wrinkles.

Lubatti™
Topical cosmetic

What it addresses
Skin appearance and complexion

Product description
A range of luxury skincare products designed to nourish, hydrate, rejuvenate and protect the skin.

How it works/mode of action
This wide range of products works to improve the overall condition and appearance of the skin.

Original Bioscalin®
Topical cosmetic and food supplement

What it addresses
Hair loss & scalp problems

Product description
Original Bioscalin is clinically proven for the cosmetic treatment and prevention of hair loss and hair thinning.

How it works/mode of action
The unique collection of ingredients, including Bioventin, helps to improve speed of hair growth, improve hydration, improve the condition of the hair as well as unclog hair follicles for unhindered hair growth.

ZipClear™
Medical Device Class I

What it addresses
Herpes simplex virus type 1 (cold sores)

Product description
ZipClear helps to relieve symptoms associated with herpes simplex type 1 (otherwise known as cold sores) commonly appearing around the mouth and lip area.

How it works/mode of action
ZipClear forms an invisible barrier to protect and soothe against any irritation and burning sensation associated with herpes. It may also prevent the virus from spreading.

Our Product Range continued

Skin, hair and eye care

Immobilice™
Medical Device Class I

What it addresses
Head lice

Product description
Immobilice has been formulated to eliminate head lice, prevent future infestation as well as nourish and condition the hair. Head lice are eliminated using the oil spray, and the shampoo helps to wash out the dead lice and nits in the hair.

How it works/mode of action
Immobilice penetrates inside the lice and eggs, blocking the breathing apparatus and causing suffocation. The oil spray and shampoo also create a strong repellent to help prevent future infestation.

Calm-eze™
Medical Device Class I

What it addresses
Dry, itchy skin

Product description
Calm-eze is a non-greasy emollient cream, formulated for the management of dry, itchy skin. Its triple action effect helps soothe and calm itchy skin as well as keep it hydrated.

How it works/mode of action
Calm-eze is quickly absorbed into the skin, providing relief for the condition.

Dry-eze™
Medical Device Class IIa

What it addresses
Dry eyes

Product description
Dry-eze provides first line management for the relief of moderately irritated eyes caused by dryness.

How it works/mode of action
Dry-eze provides lubrication to the eye area, relieving it from irritation, soreness or a gritty sensation.

Pain management

Procto-eze™
Medical Device Class III

What it addresses
Anal irritation including haemorrhoidal conditions

Product description
Procto-eze has been formulated to deliver a high rate of absorption and protection, helping to relieve anal irritation. There are two Procto-eze™ products in the range, a cream and a cleanser, which are recommended to be used together.

How it works/mode of action
Procto-eze forms a hydro-lipid film on the irritated area and helps relieve discomfort.

Guma-eze™ Baby Guma-eze™
Medical Device Class I

What it addresses
Oral discomfort

Product description
Guma-eze is a gentle, soothing and cooling gel formulated to ease gum soreness and discomfort caused by braces, dentures or teething.

How it works/mode of action
Guma-eze provides a protective film that helps prevent further irritation on sore gums, and helps relieve discomfort.

Ox-eze™
Medical Device Class I

What it addresses
Aches and pains

Product description
Ox-eze helps relieve mild to moderate aches and pains and stiffness associated with minor injuries and general wear and tear.

How it works/mode of action
With the mechanical action of massage, Ox-eze gives a cooling, refreshing sensation and helps to relieve painful and stiff joints, muscular aches and other minor injuries.

Our Business & Strategy

The Group's objective is to grow Venture Life into a leading integrated and international self-care products business.

What is self-care?

In simple terms, self-care is about people taking care of themselves to live a healthy life. With increased personal responsibility comes improved health and well-being and the ability to better manage any long-term conditions when they do develop.

The self-care products developed by Venture Life are designed to help people look after, and take responsibility for, their own health. Our products are sold in pharmacies without prescription and they address a wide range of health-care issues.

Who we are and what we do

Venture Life is an integrated consumer self-care products company. We develop, manufacture and commercialise products that address healthcare issues of the ageing population in particular.

We generate revenue in two ways. In our Brands business based in the UK, we develop and commercialise innovative medical device, food supplement and dermo-cosmetic products. These products are distributed internationally through distribution partners with whom we have entered into long-term, exclusive arrangements, in turn, our partner buys products from us and sells them through their own sales channels into pharmacies in the territories where they have been granted exclusive rights.

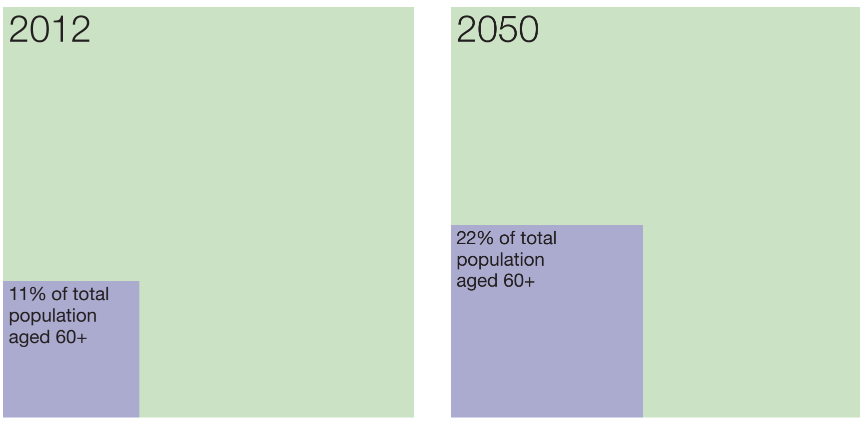
In our Manufacturing business based in Italy, the majority of our revenue is currently generated from providing contract development and manufacturing services to third party over-the-counter (OTC) healthcare products companies. It also develops and manufactures products for our own Brands business. Our Manufacturing business specialises in topical products (i.e. applied to the skin or mucosa) such as creams, gels and lotions and we currently manufacture over 90 different topical products for our various customers.

We carry out extensive new product development with a view to strengthening our product portfolio and widening our partner offering. Our new product development is led by our team of development and formulation specialists in Italy working closely with the commercial team in the UK.

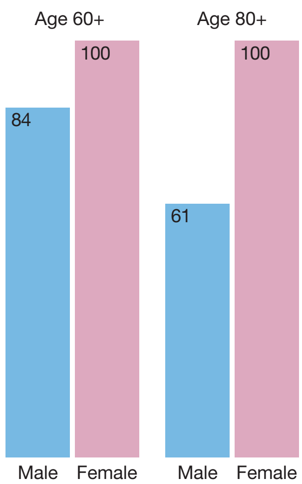
Our objectives and strategy

The Group's objective is to grow Venture Life into a leading integrated international self-care products business, generating long-term and sustainable profits to benefit all stakeholders. The acquisition of Biokosmes in 2014 was a major step forward towards achieving this objective.

Proportion of total population aged 60+
% Worldwide



Gender ratio
Males per 100 females
% Worldwide



Source: UN Department of Economic & Social Affairs Population Division

Our Business & Strategy continued

We plan to achieve our objective through implementing the strategies below.

1. Grow revenues from existing and new distribution partners

The Group's own Brand products are currently partnered in more than 40 countries in total, although most products are currently partnered in only a handful of countries. We see strong potential for organic growth in revenue coming both from these existing distribution partners, as products and product ranges are registered and launched, as well as from the appointment of many more partners in many more countries. This will be supported by Venture Life's continued product and customer service excellence and with relationships already built, we expect that introducing new products to these partners will translate to even stronger relationships and revenue growth.

The Group will also continue to identify and sign up new partners for the distribution of its existing and future product portfolio. We are aiming for each of the Group's products to be marketed in at least 30 countries within five years of first market launch. Furthermore, some of Biokosmes's products are currently sold in only a limited number of countries under other customer brands and we believe that there are significant expansion opportunities for these products. The Group is continuing to invest in strengthening the business development team across the Group to help secure new distribution agreements for new countries.

2. Grow revenues from product acquisition and in-licensing

Whilst the Group is developing its own range of new products, it recognises that there may be times when the acquisition of existing products delivers superior economic returns. Typically, the Group looks for products whose market position and distribution is already established and where such a product would complement the Group's existing product portfolio. In evaluating products to acquire or in-license, the Group assesses the sustainability of existing cash flows of the products and the opportunity to build those cash flows through wider product distribution and margin improvement through transfer of manufacturing into our own facilities.

The funding requirement of any such acquisitions would be assessed on a case-by-case basis and the funding would be structured so as to optimise earnings whilst at the same time maintaining suitable levels of financial gearing.

3. Develop innovative products

The Group has an established, proven system for rapidly developing new products and bringing them quickly to market, at a relatively low cost. The acquisition of Biokosmes in March 2014 now gives the Group the capability for developing topical medical device and cosmetic products in-house and enables the Group to innovate more quickly and more cost-effectively than working entirely with external service providers, as it did previously.

We have a pipeline of exciting new products in development, details of which can be found on page 7.

4. Improve margins

We aim to improve our gross margins across the business. Our manufacturing facility has largely fixed manufacturing costs, so increased revenues should naturally enhance gross margin on all products manufactured in-house. Furthermore we expect that, as our revenues grow, our own purchasing position with suppliers will be strengthened, leading to reduced supply costs and improved margins.

Product Distribution

We work with national and international pharmaceutical companies under product distribution agreements for our Brands products to be distributed into pharmacies in local markets using their sales, marketing and distribution resource.

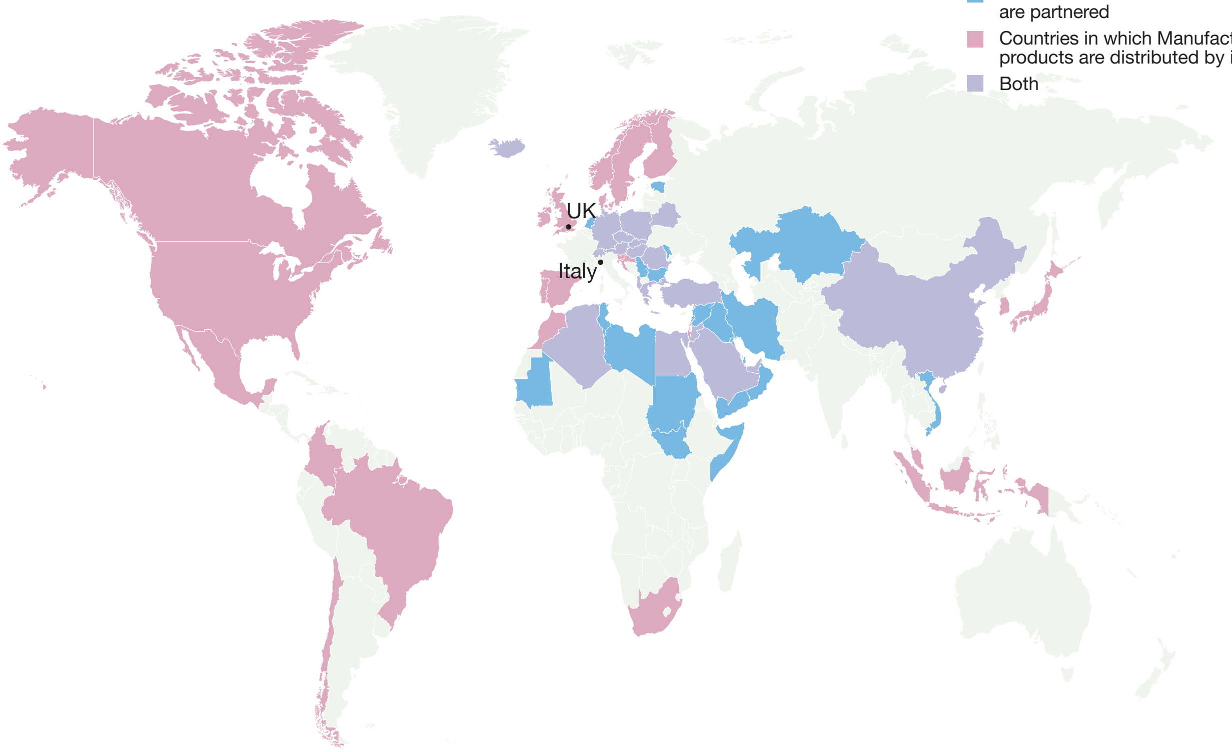
Global reach

Our expertise lies in product development, manufacturing and product commercialisation. We undertake the first two entirely ourselves. We commercialise our products by partnering on a long-term basis (typically ten years) with pharmaceutical companies who also specialise in consumer healthcare (CHC) and have a pharmacy sales force in the country. These partners have the resources, expertise and local ‘knowhow’ to distribute our products successfully in their territories and are entirely responsible for all sales, marketing and distribution in the territory.

Brands products are currently partnered with 18 distribution partners covering over 40 countries, with products actually launched in 15 territories. Products manufactured by Biokosmes are sold by their own customers in over 40 countries, illustrating the international appeal of the products we develop and manufacture.

Key

- Countries in which Branded products are partnered
- Countries in which Manufacturing products are distributed by its customers
- Both



Some of our distribution partners

VALEANT Pharmaceuticals International, Inc.

Valeant is a multi-national pharmaceutical company that develops and markets prescription and non-prescription products that focus on dermatology, eye health and other niche therapeutic areas. Valeant has approximately 15,000 employees worldwide and recorded revenues of $8.25 billion in 2014.

HIKMA QUALITY

Hikma is a multi-national pharmaceutical company that manufactures branded and non-branded generic and in-licensed pharmaceutical products. It is now listed 4th in the pharmaceutical company FTSE 250 rankings and is the largest regional pharmaceutical company in the MENA region. In 2013 it recorded group revenue growth of 23% and employs over 7,000 people.

GIALEN 娇兰佳人

Gialen is a substantial privately-owned company based in Guangzhou, China. The company has over 10,000 employees operating in 1,000 stores across mainland China. Gialen is currently undertaking a rapid new store opening programme and over 300,000 customers visit their stores daily.

New Product Development

Developing innovative products which meet the evolving needs of the ageing consumer will be critical to Venture Life's success. Whilst our existing product range has wide appeal, we are always looking to fortify it with new products.

During 2014 we launched eight new products:	
NeuroAge Sleep	to promote sleep and reduce the time taken to fall asleep
NeuroAge NRG	to help maintain mental alertness
Procto-eze	to help alleviate the symptoms associated with haemorrhoids and anal irritation
Guma-eze (2 products)	to help ease gum soreness and discomfort of the soft tissues with the oral cavity
Immobilice	to eliminate head lice and eggs
ZipClear	to relieve symptoms associated with herpes simplex type 1 (cold sores)
Benecol Capsules	for lowering LDL cholesterol in food supplement format

Our new products are characterised by being:

- Consumer-facing and attractive to distribution partners, pharmacies and consumers;
- Safe, efficacious and satisfying significant unmet or poorly met market needs; and
- Supported by objective clinical data, where appropriate, that validate the Group's products and differentiate them from the competition.

Our pipeline

Following a review of our product pipeline during 2014, and with an increased focus on developing topical products, our 2015 product development pipeline is primarily focused on health issues experienced by older women. As these issues can be embarrassing or stigmatised, the demand for over-the-counter, self-treatment products increases.

Our products are currently in their final phase of development, and we expect there to be 4-6 topical products that will be marketed under one brand.

Beyond that, Venture Life also expects that the demand for products to treat symptoms associated with diabetes will grow in correlation with the growing diabetic population. Consequently, we are evaluating the opportunity for developing a range of products to treat diabetes-related issues.

	Regulatory category	Formulation	Development complete
Product 1 Vaginal atrophy	Medical device	Topical	H2 2015
Product 2 Bacterial vaginosis	Medical device	Topical	H2 2015
Product 3 Candidiasis	Medical device	Topical	H2 2015
Product 4 Intimate wash	Medical device	Topical	H2 2015
Product 5 Hot flashes	Medical device	Topical	H2 2015/H1 2016
Product 6 Menopausal acne	Medical device	Topical	H2 2015/H1 2016
Product 7 Diabetes-related issues	Medical device	Topical	Q4 2016

Development work on two new food supplements will be completed in late 2015 or early 2016 and we expect to commercialise these in 2016. One aims to help maintain blood glucose control and the other targets endothelial health.

Chair's Statement

2014 was a landmark year for Venture Life, continuing to build on the momentum from 2013 and before, and significantly increasing the size and capability of the Group by acquiring Biokosmes and joining AIM. The fund-raisings of £8.2 million (net of expenses) of new money into the Group during the year has secured the financial future of the Group.

Admission to AIM and acquisition

The Group's admission to AIM was an important milestone in its history, enabling it to raise development capital for investing in sales resource and in new products and, importantly, to complete the acquisition of Biokosmes, an established development and manufacturing business based near Milan, Italy. The Group is now an integrated self-care products company, developing, commercialising and manufacturing self-care products for the ageing population.

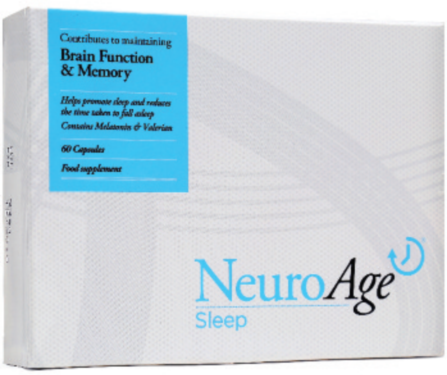
The commercial operations of the Group have grown significantly in 2014, due to both the acquisition of Biokosmes and the growth in revenues from our Brands business.

Long-term distribution deals

The Group has recently announced a major long-term distribution contract with Gialen in China, supplying a range of our products to this important customer in one of the largest countries in the world. This deal exemplifies the nature of commercial agreements we expect to be signing over the coming months and years – material, long-term contracts with established partners with the expertise to build distribution of our products in large territories. We will be manufacturing all the products for this contract in-house, further illustrating the benefits of Biokosmes joining the Venture Life Group.

Our strategy of focusing on the ageing consumer, an ever-increasing demographic set offering attractive market fundamentals, of developing innovative self-care products with strong scientific credentials, and of engaging with well-established distribution partners to ensure that our products receive support and investment in territories across the world, is beginning to deliver real momentum to the business.

> **"Our strategy of focusing on the ageing consumer... ...is beginning to deliver real momentum to the business.**



NeuroAge Sleep – A line extension to our successful food supplement brand NeuroAge, this product helps promote sleep and the time taken to fall asleep as well as supporting cognitive function and mental performance in healthy individuals.

Chair's Statement continued

Strong cash balances and investment in top-line growth

The Group ended the year with a strong cash balance of £4.9 million (2013: £0.5 million). This capital will enable management to invest across the business to ensure it is capitalising on the growth opportunities in its markets as well as meeting changing customer needs. We expect the impact of this investment to be seen in 2015 and particularly in 2016 and beyond in the form of strong top-line growth. In 2014 we saw strong year-on-year revenue growth in the Brands business and whilst Manufacturing's revenue was down, as expected, against a record year in 2013, we expect growth to resume in 2015.

Board strengthened

Ian Mackinnon joined the Board in June 2014 as a Non-Executive Director and chair of the Audit and Risk Committee. With a background in manufacturing and considerable financial and general management experience, Ian has much to bring to the Group and I welcome him to Venture Life.

None of the progress in 2014 could have been achieved without the hard work and dedication of our staff across the Group and I would like to take this opportunity of thanking all our staff in the UK and Italy for their hard work on behalf of our shareholders.

Dividend

The Group intends to continue paying a dividend and the Board will be proposing a final dividend of 0.04p (2014: 0.04p) per share for approval at this year's Annual General Meeting.

The future

Venture Life has achieved considerable progress over the past twelve months and the foundations are in place to support the continued growth of the Group. We look to the future with real confidence.

Dr Lynn Drummond
Non-Executive Chair
24 March 2015

Dr Lynn Drummond

Lubatti – Lubatti is a luxury skincare brand, steeped in a rich history and heritage, which has been partnered with Gialen, a large skincare and cosmetics retailer in China, in a 30 year deal.

Chief Executive Officer's Statement

Jerry Randall

Venture Life made substantial progress in 2014. Whilst achieving organic growth in both revenues and assets in the historic Brands business, the acquisition of Biokosmes and the fund-raising and IPO on AIM provided the Group with a major step forward towards becoming a fully integrated and profitable business developing self-care products for the ageing population. The acquisition has delivered a material increase in revenues to the Group and with Biokosmes's expertise in development and manufacturing combined with Venture Life's market and commercialisation expertise, the Group is poised for significant growth. Moreover, having the manufacturing and development operations in-house will greatly enhance customer service and increase efficiency in our development and manufacturing offerings.

The Group delivered significant progress against its targets from the IPO, expanding its geographic partner base, developing and launching new products and, following the year-end, concluding its most significant partnering deal so far, in China.

Already in 2015 the Group has seen significant recruitment in the business development and commercial team to exploit our product assets.

The Brands business

Our Brands business is led from the UK office, and develops and commercialises self-care products that address the 'quality of life' healthcare needs of the ageing population. The products take rapid and low-cost regulatory routes to market, in the form of medical devices, food supplements and dermo-cosmetics, with the medical devices and dermo-cosmetics being manufactured in-house by our manufacturing business, Biokosmes.

Our products cover a range of healthcare needs such as supporting brain function and memory, reducing cholesterol, relieving the symptoms of haemorrhoids and age-related skin conditions, and preventing hair loss and hair thinning. They are distributed into pharmacy channels in international territories through product distribution agreements we have with distribution partners.

During 2014, we signed 17 new distribution agreements. Following the year-end we also announced a major distribution agreement with Gialen, a major Chinese retailer of skincare products, with minimum purchase obligations of RMB 371 million (approximately £40 million[1]) over the 30 year term of the agreement.

A number of the new agreements covered the distribution rights to two new variants to existing products developed by Venture Life, namely NeuroAge Sleep and NeuroAge NRG. The two new products were developed in-house to support the existing NeuroAge product and provide good examples of the Group's ability to respond to market demand and produce new products over a short time-frame and at relatively low cost.

The Brands product range now totals 15 products, covering a range of indications, and includes five new product ranges developed from the proprietary formulations library of Biokosmes.

Following the acquisition of Biokosmes we integrated the new product development function into our Italian facility. On a low cost base this facility aims to produce five new products each year. The focus for 2015 is the development of new products for the treatment of women's health issues associated with ageing. Three of these are already in late stage development and we expect two more to be completed in the second half of 2015 to allow for commercialisation later in 2015.

Work also continues on developing new food supplement presentations for Benecol®. 2014 saw the first launch of our new Benecol food supplement in capsule form. Benecol

[1] At exchange rates prevailing at the time of signing in January 2015 as the contract is priced in RMB.

Benecol is a registered trademark of Raisio plc.

Benecol – Benecol is clinically proven to lower LDL cholesterol by 10% within 1-2 weeks and Venture Life has formulated the first capsule presentation of Benecol. 2014 saw the launch of the product into its first market.

Chief Executive Officer's Statement continued

products are proven to reduce low density lipo-protein (LDL) cholesterol, and in capsule form the product offers the consumer portability, convenience and a long shelf life.

Our Benecol capsule product was launched in Malta in December 2014, the first territory where the food supplement in capsule form is available alongside a functional food version of Benecol that is already well-established in the local market. We also have a distribution agreement in place for Benecol in a second territory where the product is currently progressing through registration, and we continue to progress negotiations with partners in other territories.

One of the other highlights of 2014 was signing a ten year exclusive distribution agreement with Valeant, one of the world's leading pharmaceutical companies, to distribute our product for haemorrhoids, Procto-eze, in six European markets, including Germany. This was the first distribution agreement covering a major European country and our product is now on sale in Germany.

In total the Group currently has 41 distribution agreements in place covering the 15 branded products in 26 territories.

2014 saw strong revenue growth for our Brands business. Revenue increased by 39% from £0.49 million to £0.67 million, largely driven by the signing of new distribution agreements. We achieved gross margins on these sales of 50%, a pleasing improvement on 2013 and 2012 where we achieved gross margins of 38% and 41% respectively.

The Manufacturing business

Our Manufacturing business is centred around Biokosmes, the Italian development and manufacturing business which joined the Group in 2014 at the time of the IPO.

The Manufacturing business generates the majority of its revenue from developing, formulating and manufacturing topical healthcare products for major international healthcare companies, many of whom operate in the medical devices and skincare markets. It also manufactures medical devices and skincare products for Venture Life's Brands business. We are beginning to see strong synergies from the two business segments working closely together, best illustrated with the winning of the Gialen supply contract for China where the product and service offering of Brands and Manufacturing working closely together played a major part in helping secure the contract.

Biokosmes currently manufactures over 90 products for more than 50 customers and the products are sold in over 40 countries worldwide. Biokosmes often plays a key role in the product development and formulation of new products for customers and often will retain ownership of arising intellectual property. It was this formulation ownership that enabled the Brands business to launch five new branded products which had been previously developed by Biokosmes within three months of Biokosmes joining the Group.

There has been significant investment in infrastructure at Biokosmes since it was founded and further investment was made in 2014 with the use of proceeds of our IPO, including the installation of a nine tonne mixer. This new mixer will enable larger batches of bulk material to be produced, thereby reducing bulk processing times and costs, and over time helping to improve margins. We plan to make further modest

"2014 saw strong revenue growth for our Brands business.

Lissio – The Lissio range has three brands, Lissio HA targeted for smoothing fine lines and wrinkles, Lissio Pure for sensitive skin and Lissio Light for skin lightening. The product is now partnered in over 40 countries.

Chief Executive Officer's Statement continued

capital investment in 2015 in Manufacturing to support our growth plans.

The Group's new product development efforts are now being led by the team in Italy, drawing on their years of experience and expertise of new product development and formulation. From market research, input from scientific advisers and feedback from distribution partners, new products are conceptualised by the development team in Italy working closely with the UK commercial team.

Market opportunity assessments are carried out together with development feasibility and costing before a decision is made on developing a new product. We pride ourselves on developing new products over short time periods and for relatively low cost, supporting the products and their channel marketing with independent evidence of product efficacy where appropriate.

From the date of acquisition on 27 March 2014, Biokosmes contributed revenues to the Group in 2014 of £6.7 million (before elimination of intercompany sales) at a gross margin of 35%. Following a record year for revenues in 2013, full year 2014 Manufacturing revenues were £8.5 million. We expect revenue growth in the Manufacturing business to resume in 2015.

There are some 65 employees working in Manufacturing and we recently appointed a new sales director, Marco Castelnovo, to build sales from existing and new Manufacturing clients.

Investment in business development and sales

New products developed by the Group are automatically registered by us within the EU, meaning that product distribution partnerships in the EU generally yield revenues sooner than partnerships covering territories outside the EU.

The team will focus in 2015 on the European marketplace where our products are already registered, and particularly on our five main European markets of Germany, France, Spain, Italy and the UK. We expect this approach to bring our products to the public more quickly than outside the EU where registration timelines following the signing of a distribution agreement tend to be longer.

We are investing in the commercial side of the business and have in 2015 already recruited four new executives into our business development team to accelerate the partnering of our products. This will give us five full-time executives partnering our products, supported by a team of marketing and alliance managers to service our partners once a deal is signed. Our first appointment of 2015, Jon Bouros, joined the Group earlier this month as one of our business development directors. We are investing during 2015 to drive long-term and sustainable top-line growth, and with the effect of operational gearing we expect to see the profitability of the Brands business grow exponentially.

"We are investing during 2015 to drive long-term and sustainable top-line growth...

Procto-eze – Procto-eze is currently available in two forms – a cream and a cleanser. It offers relief from all forms of anal discomfort including haemorrhoids and its safety, including for pregnant women, is supported by clinical data.

Chief Executive Officer's Statement continued

Outlook

The Group expects to achieve significant growth over the coming years. The business is highly scalable, not only in terms of wider product distribution delivering increased revenues, but also in terms of manufacturing capacity. The commercial infrastructure has been strengthened in 2015 and now is capable of accelerating the rate of product distribution agreements signed with expectations for consequent revenue growth. The manufacturing facility is running at less than 50% of its potential capacity, with only limited investment required to be operating at its potential capacity.

The cost base of the commercial and manufacturing operations is relatively fixed, but is capable of accommodating a doubling of revenues without significant cost increase or investment. Over the last year Venture Life has created this highly scalable operation that will allow strong and sustainable revenue growth for the business.

Whilst the weakening euro may make the pricing of our products more attractive to buyers outside the Eurozone, it may negatively affect our reported numbers in sterling. Nevertheless we are expecting 2015 to be a year of material top-line growth on a like-for-like basis as the distribution agreements signed to date begin to deliver new revenues in addition to repeat business, and as the positive impact of our investment in business development resource begins to be realised in both the Brands and Manufacturing businesses.

We already have an attractive range of products and will be investing in our exciting portfolio of new products which are currently in development. We will also be looking to acquire products or technologies that complement our existing product range and where we can capitalise on our network of distribution partners to generate incremental sales. We will also prioritise the acquisition of products where we can bring the manufacturing in-house to help improve further the manufacturing margin.

The end-user of our products, the ageing consumer, is a growing market segment and we expect the trend for self-care to continue to grow.

The integration of Biokosmes within the Group has progressed very positively and, with all the manufacturing of the topical Brands products now taking place at Biokosmes, we are seeing improved gross margins in our Brands business. We also plan to have our own in-house development and manufacturing facilities for food supplements when the time is right.

Following the fund-raisings in 2014 we are now well-capitalised with resources available for investment and I am looking forward to a period of sustained top- and bottom-line growth in the coming years.

Finally I would like to take this opportunity to thank all of our shareholders who have supported the Group over the last four years. We look forward to reporting continued good progress in 2015.

Jerry Randall
Chief Executive Officer
24 March 2015

NeuroAge NRG – This line extension to our successful food supplement brand NeuroAge NRG supports alertness and concentration as well as aiding cognitive functions and mental performance in a healthy brain.

Financial Review

James Hunter

The financial position of the Group strengthened considerably during the year and Venture Life ended 2014 in a strong financial position. During 2014, the Group's shares were admitted to trading on AIM, a total of £8.2 million (net of expenses) was raised, and the Group completed the acquisition of Biokosmes.

Statement of Comprehensive Income

Revenue for the year increased to £7.2 million (2013: £0.49 million). This represents £0.67 million from our Brands business and £6.5 million of revenue (after elimination of intercompany sales) from Biokosmes, our Manufacturing business, for the nine months from the date of its acquisition at the end of March 2014.

Revenue from the Brands business increased by 39% from £0.49 million in 2013 to £0.67 million in 2014. Of this, £0.26 million resulted from distribution agreements signed in 2014 and £0.41 million from agreements signed prior to 2014. In 2014 eight of the Group's products were sold, compared with four in 2013, and to 12 different distribution partners compared with eight in 2013. The improvement in gross margin from 38% in 2013 to 50% in 2014 principally reflected the improvement in margins arising from manufacturing a significant proportion of products in-house. We expect gross margins for the Brands business to be nearer 45% in 2015, owing to the product mix expected to be sold in 2015.

Revenue from Biokosmes, our Manufacturing business, totalled £6.7 million (before elimination of intercompany sales), compared with £7.2 million for the same pre-acquisition period in 2013, taking into account currency movements. On a constant currency basis, revenue would have been £6.9 million, a decrease of 4% compared to the same period in 2013. We expect growth to resume in the Manufacturing business in 2015. Gross margins of 35% were achieved in 2014 by Manufacturing.

Gross profit achieved at a Group level was £2.7 million (2013: £0.19 million) at an overall margin of 37% (2013: 38%). The decrease at Group level reflects the impact of the Manufacturing business on Group profit where lower margins than in the Brands business are typically achieved. We expect the Group's gross margin to improve in 2015 and beyond as we increase revenue and as Brands accounts for a greater share of Group gross profit.

Administrative expenses, excluding amortisation of intangible assets, totalled £3.4 million (2013: £1.1 million). The increase was due to a number of factors, including reporting the additional overhead from the newly-acquired Manufacturing business, the investment made in business development resource, and nine months of costs related to operating as a company quoted on AIM. The increase in the amortisation charge to £0.5 million (2013: £0.06 million) relates primarily to the amortisation of intangible assets acquired during 2014. These intangible assets are customer relationships and product formulations acquired with Biokosmes and the assets are being amortised over a five year period.

Exceptional costs of £0.45 million (2013: £0.1 million) were recognised in the year. This includes £0.4 million of costs relating to the IPO which have has been treated as exceptional IPO costs and charged to income during the period. Total IPO and fund-raising costs amounted to £1.4 million with the balance of £1.0 million being offset against the share premium account.

The loss before tax, amortisation and exceptional costs in 2014 was £0.59 million (2013: loss of £0.96 million). The loss after tax for the year amounted to £1.57 million (2013: loss of £1.1 million), representing a

Rectosellan – Rectosellan is Valeant's choice of brand name for the Procto-eze product. The indication, formulation and mode of action are the same as Procto-eze but re-branded as Rectosellan, demonstrating the Group's flexible approach to product commercialisation.

Financial Review continued

loss per share of 6.01p (2013: loss per share of 6.71p).

Statement of Financial Position

The acquisition of Biokosmes during 2014 had a material impact on the Group's Statement of Financial Position at the year end. Intangible assets increased significantly owing to the acquisition of intangibles and generation of goodwill, as did the working capital position of the Group. Goodwill recognised represents the future economic benefits arising from the acquisition of Biokosmes that were not individually identified and separately recognised at the date of acquisition. Goodwill will be subject to impairment testing at the relevant reporting date.

Cash and debt

Cash resources comprise cash and cash equivalents and amounted to £4.9 million at year end (2013: £0.45 million). Net cash inflow during the year was £4.4 million (2013: inflow of £0.37 million), driven principally by a fund-raising of £4.2 million (net of expenses) at the time of the IPO in March 2014 and a secondary fund-raising of £4.0 million (net of expenses) in December 2014, offset by the £3.3 million cash element of the consideration paid to the vendors of Biokosmes.

Total interest-bearing debt also increased during the year, from £0.35 million at 31 December 2013 to £3.9 million at 31 December 2014. The Group took advantage of attractive financing offers in Italy to refinance its Italian debt such that no long-term debt is due to be repaid on the Italian loans before 2017. The increase in the convertible loan note balance arose from the issue of loan notes to the vendors of Biokosmes in part-consideration for the acquisition of Biokosmes.

The Group has generally used short-term deposits so as to maintain liquidity of cash resources for utilisation in operations.

Dividends

The Group paid a dividend in 2014 of 0.04 pence per share and is recommending a dividend of 0.04 pence per share be paid to shareholders in 2015.

James Hunter
Chief Financial Officer
24 March 2015

“The financial position of the Group strengthened considerably during the year.

Original Bioscalin – Original Bioscalin helps to control hair loss, promote new hair growth and enhance overall hair condition. The range is supported by substantial clinical data for its safety and efficacy.

Principal Risks & Uncertainties

The principal risks and uncertainties that could have an adverse impact on the performance of the Group are detailed below.

1. Sales volumes being affected by a reduction in demand

Changes in demand for the Group's products could be caused by a number of factors, such as macro-economic factors, competition from other products, or the failure of a distribution partner to generate adequate sales. The Group aims to manage risk in this area by innovating with new products, by maintaining close and supportive relationships with its distribution partners, and by seeking new distribution partners in territories where the Group has little or no representation.

2. Sales volumes being affected by a delay in regulatory approval

The Group's products are primarily approved for use as functional cosmetics, food supplements and Class I medical devices that in certain regions, including Europe, require pre-market notification, but not pre-market authorisation or approval by the relevant authorities. 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 which in turn could affect the Group's revenues.

In other regions of the world where the Group either has distribution agreements in place or is actively seeking to establish them, the procedure for registering and having products authorised may differ from that in Europe. Other jurisdictions may require more lengthy registration and authorisation processes and the Group will be relying on its distribution partners to carry out this work in a timely manner. This in turn may lead to delays in product launches in certain territories but the Group works closely with its partners to support them through the process.

3. Gross margins being eroded by cost price inflation

Increases in the cost of goods would erode gross margins unless the Group was able to pass on any such increases to its distribution partners and customers. The Group aims to manage risk in this area by entering supply agreements with key suppliers which fix prices for specific periods and/or which agree the principles of any future price increases.

4. Adverse foreign exchange movements affecting profitability

The Group currently invoices all its customers in euros and the majority of the Group's cost of sales are denominated in euros and thus the Group is currently not unduly exposed to adverse movements in the euro/sterling exchange rate in relation to its gross profit. However, the Group's presentational currency is sterling and therefore the reported gross profit will depend on exchange rates prevailing during the relevant financial period. The Group's administrative expenses arising in Italy represent a material component of overall Group administrative expenses. These expenses are denominated in euros and when reported on a consolidated basis, they will be reported in the Group's presentational currency of sterling. Consequently, there may be variability in the presented expenses caused by variability in the sterling/euro exchange rate.

The Group has agreed commercial terms and pricing in the Gialen distribution agreement using the Chinese Yuan and will be invoicing Gialen in Yuan in accordance with the terms of the agreement. The agreement is currently material for the Group and adverse movements in the value of the Yuan against sterling could have an impact on the expected profitability of this agreement.

The Group actively monitors the principal foreign exchange rates and will adopt hedging strategies when it is felt to be appropriate.

Where it is appropriate to do so, the Group will present financial results on a constant currency basis to enable shareholders to compare the performance of the Group between reporting periods with the impact of strengthening or weakening sterling eliminated.

Principal Risks & Uncertainties continued

5. Financial Risk

5.1 Financial risk management

The Group seeks to minimise its exposure to financial risk through issue of its own equity instruments and debt to fund operating and investing activities. Where it is necessary to utilise debt funding, the terms of the financing is reviewed against future cash flow expectations to ensure that there are sufficient resources for the Group to meet its obligations under the financing arrangements. Further details relating to the Group's exposure to financial instrument risks are provided in note 34.

5.2 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.

5.2.1 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. However, the Group's revenues and cost of goods sold are largely denominated in the same currency (euro) which currently provides a natural hedge against adverse movements.

5.2.2 Credit risk

Credit risk is the financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances. The Group mitigates its risk in this area by actively monitoring the credit worthiness of counterparties.

5.2.3 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.

5.2.4 Capital risk management

The Group's capital structure is comprised of shareholders' equity, debt in the form of loan notes issued to the vendors of Biokosmes, and unsecured commercial debt within Biokosmes.

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

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

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

Key Performance Indicators

The Group uses a number of different key performance indicators (KPIs) across the business to facilitate performance management. The Group uses a combination of financial and operational KPIs and the principal financial KPIs used to manage the Group's performance during the year are set out below:

KPI	Description	2014	2013	Comment
Like-for-like revenue growth	Revenue growth excluding revenue growth from product acquisitions and disposals, any milestone or one-off licence fee payments and currency fluctuations.	**39%** (45% on a constant currency basis)	66%	The increase in revenues in 2014 reflects the increase in the number of distribution agreements signed by the Group and by repeat orders from partners.
Revenue growth	Growth in revenue between reporting periods.	**1,379%**	66%	The growth was driven in part by the increase in like-for-like sales but more significantly by the acquisition of Biokosmes.
Gross margin	Revenue less the cost of sale, expressed as a % of revenue.	**37%**	38%	2014 gross margin reflects the impact of Biokosmes gross margin from March 2014.

Other financial KPIs will be employed as the business evolves and will be reported upon accordingly. The Group also uses a number of non-financial KPIs, including the number of new distribution agreements signed and new customer contracts secured, new product development output, customer and partner satisfaction levels, staff retention levels, and capacity utilisation levels at Biokosmes.

The strategic report is approved by the Board of Directors and signed on its behalf by,

Jerry Randall
Chief Executive Officer
24 March 2015

Directors & Advisers

Directors
Dr Lynn Drummond *Non-Executive Chair*
Jerry Randall *Chief Executive Officer*
Sharon Collins *Commercial Director*
James Hunter *Chief Financial Officer*
Gianluca Braguti *Manufacturing Director*
John Sylvester *Non-Executive Director*
Ian Mackinnon *Non-Executive Director*

Registered Office
Venture House
2 Arlington Square
Bracknell
Berkshire
RG12 1WA

www.venture-life.com

Company Secretary
James Hunter

Company number
05651130

Nominated Adviser and Broker
Panmure Gordon and Co
One New Change
London
EC4M 9AF

Auditor
Grant Thornton UK LLP
1020 Eskdale Road
Winnersh
Wokingham
Berkshire
RG41 5TS

Solicitors
Simmons & Simmons LLP
CityPoint
One Ropemaker Street
London
EC2Y 9SS

Registrars
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Principal bankers
NatWest Commercial Banking
30 Market Place
Newbury
Berkshire
RG14 5GP

Directors' Biographies

Dr Lynn Drummond

Non-Executive Chair

Lynn joined Venture Life as Non-Executive Chair in November 2013. Lynn has been non-executive chairman of Infirst Healthcare Limited since early 2013 and is also a non-executive director of RPC Group plc, Iron Therapeutic Holding AG and Shield Holdings AG. Previously Lynn spent 16 years at Rothschild in London, most recently as a Managing Director within the investment banking division, with a particular focus on transactions within the healthcare sector. Prior to Rothschild, Lynn worked in the Cabinet Office in London as Private Secretary to the Chief Scientific Advisor.

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

Lynn chairs the Group's Nomination Committee and is a member of the Audit and Risk and Remuneration Committees.

John Sylvester

Non-Executive Director

John Sylvester joined the Venture Life board in November 2013. John is currently the Chief Commercial Officer for Interventional Medicine at BTG plc, following the £177 million acquisition of Biocompatibles by BTG. John joined Biocompatibles in 2005, taking responsibility for marketing, sales and business development, and was appointed to the Board as an executive director 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.

Immediately before Biocompatibles John was with Baxter Healthcare working out of their European HQ in Zurich where he was VP Marketing for their European Medication delivery business, a $750 million portfolio spanning both drugs and medical devices.

John chairs the Group's Remuneration Committee and is a member of the Audit and Risk and Nomination Committees.

Ian Mackinnon

Non-Executive Director

Ian Mackinnon joined Venture Life in June 2014. Between 2000 and 2013 Ian was Group Finance Director and then Chief Executive Officer of Swallowfield plc, a leading supplier to global brands in the cosmetics, personal care and household goods sectors. Ian has also held senior finance roles at Invensys plc and Raychem Corporation.

Having graduated with a degree in Chemical Engineering, Ian qualified as a chartered accountant and is a Fellow of the Institute of Chartered Accountants of England and Wales.

Ian chairs the Group's Audit and Risk Committee and is a member of the Remuneration and Nomination Committees.

Directors' Biographies continued

Jerry Randall

Chief Executive Officer

Jerry co-founded Venture Life in 2010. From 2000 to 2009, Jerry was CFO of Sinclair Pharma plc, an international specialty pharma business, now listed on the AIM market in London. Sinclair was founded in August 2000 when Jerry completed the management buy-in with Dr Michael Flynn.

Jerry enjoyed a career initially in corporate finance and was involved in buy-ins and acted as adviser to both private and quoted companies between 1993 and 2000, in capacities as nominated advisor and in practice with KPMG. Jerry has been involved in a number of flotations and transactions on the Official List, Unlisted Securities Market and AIM, as well as raising private equity. He qualified as a chartered accountant with KPMG in 1990.

James Hunter

Chief Financial Officer

James joined the Group in September 2013 and was appointed to the Board in October 2013. Prior to joining Venture Life, James was Finance Director at Proximagen Group plc, an AIM-listed biotechnology company. During his eight years at Proximagen, James was part of the management team that led Proximagen through an IPO 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.

Prior to 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.

Sharon Collins

Commercial Director

Sharon co-founded Venture Life in 2010 with Jerry Randall. Sharon has more than 15 years' experience within the healthcare industry, predominately in marketing, international sales and business development roles. She worked for a leading dental manufacturer for eight years and launched many products during this time.

Sharon worked for Sinclair Pharma plc for five years within the International Business Development field and successfully completed more than 35 international out-licensing deals during a two year period. Sharon graduated in 1996 with a degree in marketing and gained an MBA (with Distinction) in 2005.

Gianluca Braguti

Manufacturing Director

Gianluca joined the Board in March 2014 following the acquisition by Venture Life of Biokosmes, the company he founded.

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

In 1990 he started developing formulations for Italian cosmetic brands mainly in the perfumery and pharmacy area and started his contract manufacturing business, Biokosmes. In 1999 Biokosmes started developing and manufacturing medical devices, selling predominantly in Europe. In 2002 Biokosmes passed its first FDA inspection, and started exporting its products to the US.

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Corporate Governance

Introduction

The Board sets out below its policies and procedures in respect of the Group's corporate governance activities. The Board is accountable to the Group's shareholders for good corporate governance and this statement describes how the principles of corporate governance are applied to the Group.

The Board

The Board of Venture Life Group plc comprises three Non-Executive Directors, one of whom chairs the Board, and four Executive Directors. The roles of Chairman and Chief Executive Officer are distinct and are held by different people to ensure a clear division of responsibility. The role of the Non-Executive Directors is to bring valuable judgment and insight to Board deliberations and decisions. The Non-Executive Directors are experienced and influential individuals whose blend of skills and business experience contributes to the proper functioning of the Board and its Committees, ensuring that matters are fully debated and that no individual or group dominates the Board's decision-making processes.

All Directors have access to the advice and services of the Company Secretary and are able in the course of their duties, if necessary, to take independent professional advice at the Company's expense. Committees have access to such resources as are required to fulfil their duties.

The Board receives regular reports detailing the progress of the Group's business, the Group's financial position and projections, as well as business development activities and operational issues, together with any other material deemed necessary for the Board to discharge its duties. The Chairman is primarily responsible for the effective operation and chairing of the Board and for ensuring that it receives appropriate information to make informed judgements.

The Board has a formal schedule of matters reserved to it for decision but otherwise delegates specific responsibilities to Committees, as described below. The terms of reference of the Committees are available on request from the Company Secretary. The Board is responsible for decisions, and the review and approval of key policies and decisions in respect of business strategy and operations, board appointments, budgets, items of substantial investment and acquisitions.

Board Committees

The Board has established an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee with written terms of delegated responsibilities for each.

The Audit and Risk Committee

The Audit and Risk Committee was formed at the start of the 2014 financial year in anticipation of the Company's admission to AIM and was chaired by John Sylvester with Lynn Drummond as the other member of the committee until June 2014. From June 2014, Ian Mackinnon chaired the committee with John Sylvester and Lynn Drummond as the other members of the committee.

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 is expected to meet at least twice a year.

The Remuneration Committee

The Remuneration Committee is chaired by John Sylvester with Lynn Drummond and Ian Mackinnon as the other members of the committee.

The committee has responsibility for making recommendations to the Board on the Company's policy for remuneration of senior executives, for reviewing the performance of Executive Directors and senior management and for determining, within agreed terms of reference, specific remuneration packages for each of the Executive Directors and members of senior management, including pensions rights, any compensation payments and the implementation of executive incentive schemes.

The Remuneration Committee meets at least once a year. Further details of Directors' remuneration are disclosed in the Directors' Remuneration Report.

The Nomination Committee

The Nomination Committee was formed at the start of the 2014 financial year in anticipation of the Company's admission to AIM and is chaired by Lynn Drummond with John Sylvester and Ian Mackinnon as the other members of the committee.

The committee has responsibility for considering the size, structure and composition of the Board, and the retirement and appointment of Directors, and will make appropriate recommendations to the Board about these matters. The Nomination Committee is expected to meet at least once a year.

Attendance at Board meetings and committees

The Directors attended the following Board meetings and Committee meetings during the year:

Director	Board	Remuneration	Audit
Dr L Drummond	9/9	2/2	4/4
Mr J Sylvester	8/9	2/2	3/4
Mr I Mackinnon[1]	5/5	1/1	2/2
Mr J Randall	9/9	–	–
Ms S Collins	8/9	–	–
Dr J Lucas[2]	5/6	–	–
Mr J Hunter	9/9	–	–
Mr G Braguti[3]	5/7	–	–
Total meetings held in the year	**9**	**2**	**4**

1 Appointed to the Board on 16 June 2014
2 Resigned from the Board on 5 August 2014
3 Appointed to the Board on 24 March 2014

Under the Articles of Association all Directors must offer themselves for re-election at least once every three years. One-third of the Directors shall retire by rotation at every Annual General Meeting. All Directors who retire by rotation are eligible for reappointment.

Corporate Governance continued

Internal control and risk management

The Board has ultimate responsibility for the systems of risk management and internal control maintained by the Group and for reviewing its effectiveness.

The Board's approach is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss. It operates with principles and procedures designed to achieve the accountability and control appropriate to the business.

The Group does not consider it necessary to have an internal audit function due to the small size of the administrative function. Instead there is a detailed director review and authorisation of agreements and transactions. A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a regular basis and discussed in detail.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

The principal features of the Group's internal control system are as follows:

- an organisational structure is in place with clearly drawn lines of accountability and delegation of authority;
- Group employees are required to adhere to specified codes of conduct, policies and procedures;
- financial results and key operational and financial performance indicators are reported regularly throughout the year and variances from plans and budgets are investigated and reported;
- financial control protocols are in place to safeguard the assets and maintain proper accounting records; and
- risk management is monitored on an on-going basis to identify, quantify and manage risks facing the Group.

Shareholder relations

Venture Life aims to ensure a timely, open, comprehensive and consistent flow of information to investors and the financial community as a whole. By this approach we aim to help investors understand the Group's strategic objectives, its activities and the progress it makes.

Shareholders are welcome to attend the Group's Annual General Meeting ("AGM"), where they have the opportunity to meet the Board. All shareholders will have at least 21 days' notice of the AGM at which the Directors will be available to discuss aspects of the Group's performance and answer questions from shareholders. The Company also meets with its institutional shareholders and analysts as appropriate and uses the AGM to further encourage communication with shareholders. In addition, the Company uses the Annual Report and Accounts, Interim Statement and website to disseminate information to shareholders.

The 2015 AGM will be held on 10 June 2015.

Going concern

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

The Directors recognise that the Group has reported a loss for the year ended 31 December 2014, as it did in the year ended 31 December 2013. The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements with the acquisition of Biokosmes and the growth of the Group's Brands business expected to enable the Group to move to profitability in the foreseeable future. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period, together with the current performance and prospects of the Group's operating segments.

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 financial statements.

Lynn Drummond

Dr Lynn Drummond
Non-Executive Chair
24 March 2015

Directors' Report

There are a number of items required to be included in the Directors' Report, which are covered elsewhere in this annual report. The following are covered in the Strategic Report:

- Principal activities
- Review of the business and future developments
- Principal risks and uncertainties including financial risk management
- Key performance indicators

Financial statements

The Directors present their report and financial statements for the Company and Group for the year ended 31 December 2014.

Principal activities

The principal activities of Venture Life Group plc and its subsidiaries are the development and commercialisation of healthcare products, including food supplements, medical devices and dermo-cosmetics for the ageing population, the development and commercialisation of cosmetic products, and the manufacturing of a range of topical products for the healthcare and cosmetic sectors.

New product development

Details of the Group's new product development programmes can be found on page 7. The accounting treatment in respect of costs incurred in carrying out the new product development programmes can be found in note 3.8 to the financial statements.

Political donations

The Group made no political donations in the year under review (2013: £nil).

Results and dividends

The results for the year and the financial position at 31 December 2014 are shown in the Consolidated Statement of Comprehensive Income on page 30 and the Consolidated Statement of Financial Position on page 31. The Directors recommend the payment of a dividend of 0.04p per share. The results of the Group for the year are explained further in the Financial Review on pages 14-15.

Directors

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

Dr Lynn Drummond
John Sylvester
Ian Mackinnon (appointed 16 June 2014)
Jerry Randall
Sharon Collins
John Lucas (resigned 5 August 2014)
James Hunter
Gianluca Braguti (appointed 24 March 2014)

Qualifying third-party indemnity provision is in place for the benefit of all Directors of the Company.

External directorships

It is the Group's policy that its Directors may take up other directorships provided that such appointments do not conflict with their employment with the Group. Individuals may retain any remuneration received from such services. External directorships held by the Directors who are in office as at the date of this report are detailed below:

Dr Lynn Drummond is a director of RPC Group plc, Infirst Healthcare Limited, Shield Holdings AG and Iron Therapeutic Holding AG.

John Sylvester is a director of Biocompatibles International Limited, Biocompatibles UK Limited, and Provensis Limited.

Jerry Sinclair is a director of Kinnier Dufort Design Limited, Kinnier Dufort Limited, Avantis UK Limited, Hootie Developments Limited and Stratton Ventures Limited.

Gianluca Braguti is a director of Immobiliare Cremasca di Parati Lucia e C. S.a.s. ("socio accomandante"), Farmacia S. Francesco dei dott. Braguti A. – L.G. S.n.c. ("socio amministratore"), A. Erre & Co. Srl, Biogenico Worldwide Srl, Biokosmes Immobiliare Srl, Delife Pharma Srl, and Grafco2 Srl.

Share capital

As at 31 December 2014, the authorised and issued share capital of the Company was:

	Number of Ordinary 0.3p shares	Amount £
Issued and fully paid up	34,403,534	103,210

The average market price of the Company's ordinary shares at close of business on 31 December 2014 was 95.6p.

The maximum share price during the period was 110p (12 June 2014) and the minimum price was 80p per share (1 October 2014).

Substantial share interests

At 23 March 2014, the Company had been advised or is aware of the following interests, held directly or indirectly, of 3% or more in the Company's issued share capital:

	Number of shares	Percentage holding
Mr Gianluca Braguti	6,947,602	20.19
J O Hambro	4,000,000	11.63
Mr Jerry Randall and associated holdings	3,922,129	11.40
Aviva plc and its subsidiaries	3,422,018	9.95
Dr Michael Flynn and associated holdings	2,904,543	8.44
Mr Andrew Sinclair and associated holdings	2,145,943	6.24
Quilter Cheviot Limited	1,858,000	5.40
Mr Anthony Ahearne and associated holdings	1,683,069	4.89
Ms Sharon Collins	1,384,166	4.02

Directors' Report continued

Employees
The Group is committed to providing equal opportunities in employment. All job applicants and employees receive equal treatment regardless of sex, race, colour, age, and nationality or ethnic origin.

The motivation of staff and the maintenance of an environment where innovation and team working is encouraged are seen as key objectives by the Board and all employees are given the opportunity to participate in the Company's share option scheme. We promote internal communication of the Group's progress by means of regular meetings held with staff where issues are discussed in an open manner.

The Board also recognises that a safe, secure and healthy working environment contributes to productivity and improved performance.

Principal risks and uncertainties
A summary of the principal risks and uncertainties and financial risk management objectives and policies are set out on pages 16 to 17.

Future Developments
Future developments are discussed in the Strategic Report.

Environment
The Group is conscious of its responsibilities in respect of the environment and follows a Group-wide environmental policy. The Group disposes of its waste products through regulated channels using reputable agents.

Statement as to disclosure of information to the auditor
The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Appointment of auditor
Grant Thornton UK LLP were appointed as auditor during the period to fill a casual vacancy in accordance with section 485 (3) of the Companies Act 2006.

A resolution to reappoint Grant Thornton UK LLP will be proposed at the 2015 AGM.

2015 Annual General Meeting
The 2015 AGM will be held on 10 June 2015, the business of which is set out in the Notice of Annual General Meeting enclosed with this report and available from the Company's website (www.venture-life.com).

On behalf of the Board,

Jerry Randall
Director
24 March 2015

Directors' Remuneration Report

This report sets out the remuneration policy adopted by the Group in respect of the Executive and Non-Executive Directors. Details of the members and meetings of the Remuneration Committee are disclosed in the Corporate Governance Report.

The remuneration paid to the Directors in 2013 and 2014 is included in note 8 of the Notes to the Consolidated Financial Statements.

Remuneration policy overview

The aim of the remuneration policy of the Group is to encourage and reward superior performance by executives with performance overall being measured by reference to the achievement of corporate goals, the Group's financial performance and the generation of acceptable total shareholder returns.

The policy has been designed to:

> enable the Company to attract and retain the management talent it needs to ensure its success;
> incentivise the achievement of the Company's strategy and the delivery of sustainable long-term performance of the Company by the executives; and
> have flexibility that can accommodate the changing needs of the Company as it grows and as its strategy evolves.

Executive service agreements

All Executive Directors (with the exception of Gianluca Braguti who has a five year fixed term contract) have rolling service contracts, details of which are summarised below:

Provision	Detailed terms
Contract dates	Jerry Randall – 12 December 2013 Sharon Collins – 12 December 2013 James Hunter – 12 December 2013 Gianluca Braguti – 27 March 2014 for five years until 28 March 2019
Notice period	Jerry Randall, Sharon Collins and James Hunter: Six months' notice to be given by the executive and thirty days by the Company. In the event that the Company terminates the executive's employment without Cause, then an amount equal to 50% of the employee's salary is payable by the Company. Gianluca Braguti: no notice period. However, under the terms of the acquisition agreement signed between the Company and the vendors of Biokosmes, Gianluca Braguti has a contract as Managing Director of Biokosmes for a fixed five year term until 28 March 2019. In the event that Gianluca Braguti is asked to leave the Group as a Good Leaver he would be entitled to receive his annual salary until 28 March 2019.

Salary

The Committee assesses the market competitiveness of salaries with reference to the salaries paid by AIM-listed and other healthcare companies with a similar market capitalization to the Group and it is intended that pay should be at or near the median level.

Basic salaries are reviewed annually and if revised, the change in salary takes effect from the start of the financial year.

Bonuses

The Board believes that bonuses are an important incentive for executives to achieve the Group's objectives, and as such should represent a significant element of the total compensation awards for the executives.

Following a review during 2014 of the previous bonus arrangements, the Committee concluded that the bonus arrangements should be changed, such that from 2015 all the Executive Directors should participate in the same bonus scheme and that achievement of bonuses should be aligned to the achievement of the Group's financial targets.

The bonus scheme being introduced for 2015 enables executives to earn a bonus for achievement of financial targets which have been set at a level perceived appropriate to provide the necessary incentives. In the event of over- or under-achievement of the Group financial performance against those targets, appropriate adjustments may be made to the bonus payable.

Long-term incentive plan

The Committee has recommended the introduction of a long-term incentive plan for Executive Directors linked entirely to generating long-term shareholder value. The plan is currently being developed and the details will be announced in due course.

Pensions

The Group contributes to the personal pension plans of certain employees and Directors. Under the scheme, the Group and employee will make contributions or the Group will make direct contributions under a 'salary sacrifice' arrangement. The scheme is open to Executive Directors and employees.

Share options

The Company issues share options to Directors and staff to reward performance, to encourage loyalty and to enable valued employees to share in the success of the Company.

In setting up the share option schemes, the Remuneration Committee took into account the recommendations of shareholder bodies on the number of options to issue, the criteria for vesting and the desirability of granting share options to Executive and Non-Executive Directors.

All employees are generally offered share options under the Company's EMI or Unapproved share option scheme after three months' service. Option awards for employees are recommended by the Executive Directors and approved by the Remuneration Committee.

Directors' Remuneration Report continued

The Directors hold the following share options:

	Share option scheme	Options as at 31 December 2013	Options granted during the year	Options as at 31 December 2014	Date from which exercisable	Expiry date	Exercise price	Performance conditions
Jerry Randall	EMI	705,700	–	705,700	31 Dec 2012	31 Aug 2022	45p	Non-market
Jerry Randall	EMI	162,187	–	162,187	01 Jul 2014	4 Nov 2023	41p	Non-market
Jerry Randall	Unapproved	483,333	–	483,333	01 Jul 2014	4 Nov 2023	41p	Non-market
Sharon Collins	EMI	705,700	–	705,700	31 Dec 2012	31 Aug 2022	45p	Non-market
Sharon Collins	EMI	162,187	–	162,187	01 Jul 2014	4 Nov 2023	41p	Non-market
Sharon Collins	Unapproved	483,333	–	483,333	01 Jul 2014	4 Nov 2023	41p	Non-market
James Hunter	EMI	300,000	–	300,000	9 Sep 2014	4 Nov 2023	82p	Non-market
James Hunter	EMI	300,000	–	300,000	1 Nov 2015	4 Nov 2023	82p	Non-market

No Directors exercised any options during the year.

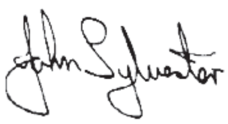
Other benefits

Other benefits, such as death-in-service benefits, are provided to certain Directors.

Non-Executive Directors

The Non-Executive Directors have entered into letters of engagement with the Company, with the Board determining the fees paid to the Non-Executive Directors. Non-Executive Directors do not participate in the Group's pension or bonus schemes in their capacity as Non-Executive Directors. The appointments can be terminated upon three months' notice being given by either party.

On behalf of the Board,



John Sylvester
Chairman of the Remuneration Committee
24 March 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group.

In preparing each of the Group and Company financial statements, the Directors are required to:

a) Select suitable accounting policies and then apply them consistently.
b) Make judgements and accounting estimates that are reasonable and prudent.
c) For the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU and for the Company financial statements state whether applicable UK accounting standards have been followed subject to any material departures disclosed in the Company financial statements;
d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Venture Life Group plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the members of Venture Life Group plc

We have audited the financial statements of Venture Life Group plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Financial Position and Parent Company Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;

> the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent Company financial statements are not in agreement with the accounting records and returns; or

> certain disclosures of Directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Norman Armstrong
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading

24 March 2015

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	**Year ended 31 December 2014 £'000**	Year ended 31 December 2013 £'000
Revenue	5	**7,189**	486
Cost of sales		**(4,535)**	(301)
Gross profit		**2,654**	185
Administrative expenses			
Operating expenses		**(3,373)**	(1,122)
Amortisation of intangible assets		**(508)**	(56)
Total administrative expenses		**(3,881)**	(1,178)
Other income		**58**	–
Operating loss before exceptional items		**(1,169)**	(993)
Exceptional costs	6	**(449)**	(105)
Operating loss	7	**(1,618)**	(1,098)
Finance income		**156**	1
Finance costs		**(81)**	(25)
Loss before tax		**(1,543)**	(1,122)
Tax	10	**(27)**	41
Loss for the year		**(1,570)**	(1,081)
Other comprehensive income which will not be subsequently reclassified to the income statement		**–**	–
Other comprehensive expense which will be subsequently reclassified to the income statement		**(85)**	–
Total comprehensive loss for the year attributable to equity holders of the parent		**(1,655)**	(1,081)

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

		Year ended 31 December 2014	Year ended 31 December 2013
Loss per share			
Basic and diluted loss per share (pence)	12	**(6.01)**	(6.71)

Consolidated Statement of Financial Position

at 31 December 2014

	Notes	At 31 December 2014 £'000	At 31 December 2013 £'000
Assets			
Non-current assets			
Intangible assets	15	**12,982**	457
Property, plant and equipment	16	**975**	10
Available for sale financial assets	17	**–**	31
		13,957	498
Current assets			
Inventories	18	**1,856**	174
Trade and other receivables	19	**3,257**	874
Taxation		**52**	–
Cash and cash equivalents	20	**4,933**	453
		10,098	1,501
Total assets		**24,055**	1,999
Equity and liabilities			
Capital and reserves			
Share capital	21	**103**	51
Share premium account	21	**11,826**	2,668
Merger reserve	22	**7,656**	50
Convertible loan note reserve	23	**–**	39
Foreign currency translation reserve	24	**(85)**	–
Share-based payment reserve	25	**318**	338
Retained earnings	26	**(4,171)**	(2,589)
Total equity attributable to equity holders of the parent		**15,647**	557
Liabilities			
Current liabilities			
Trade and other payables	27	**3,335**	1,051
Interest bearing borrowings	28	**580**	–
Deferred licence provision	29	**–**	8
Convertible loan notes	23	**47**	50
		3,962	1,109
Non-current liabilities			
Interest bearing borrowings	28	**1,723**	–
Deferred licence provision	29	**–**	35
Convertible loan notes	23	**1,507**	298
Employee severance provision	30	**528**	–
Deferred tax liability	31	**688**	–
		4,446	333
Total liabilities		**8,408**	1,442
Total equity and liabilities		**24,055**	1,999

The financial statements on pages 30 to 59 were approved and authorised for issue by the Board on 24 March 2015 and signed on its behalf by:

Jerry Randall
Director

James Hunter
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Convertible loan reserve £'000	Foreign currency translation reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013	1	1,507	50	–	–	77	(1,508)	127
Loss for the year	–	–	–	–	–	–	(1,081)	(1,081)
Total comprehensive income	–	–	–	–	–	–	(1,081)	(1,081)
Issue of share capital	1	1,210	–	–	–	–	–	1,211
Bonus issue	49	(49)	–	–	–	–	–	–
Issue of convertible loans	–	–	–	39	–	–	–	39
Share options charge	–	–	–	–	–	111	–	111
Share settled liability	–	–	–	–	–	150	–	150
Transactions with shareholders	50	1,161	–	39	–	261	–	1,511
Balance at 1 January 2014	51	2,668	50	39	–	338	(2,589)	557
Loss for the year	–	–	–	–	–	–	(1,570)	(1,570)
Foreign exchange on translation	–	–	–	–	(85)	–	–	(85)
Total comprehensive expense	–	–	–	–	(85)	–	(1,570)	(1,655)
Issue of share capital	52	10,137	7,606	(39)	–	(150)	–	17,606
IPO and other fund-raising costs recognised through equity	–	(979)	–	–	–	–	–	(979)
Share options charge	–	–	–	–	–	130	–	130
Dividends	–	–	–	–	–	–	(12)	(12)
Transactions with shareholders	52	9,158	7,606	(39)	–	(20)	(12)	16,745
Balance at 31 December 2014	**103**	**11,826**	**7,656**	**–**	**(85)**	**318**	**(4,171)**	**15,647**

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Cash flow from operating activities		
Loss before tax	**(1,543)**	(1,122)
Finance income	**(156)**	(1)
Finance expense	**81**	25
Operating loss	**(1,618)**	(1,098)
Adjustments for:		
– Depreciation of property, plant and equipment	**139**	4
– Amortisation of intangible assets	**508**	56
– Impairment of available for sale assets	**36**	–
– Gain on sale of intangible assets	**(9)**	–
– Gain arising from purchase of PermaPharm AG	**(39)**	–
– Finance cost	**(81)**	(25)
– Movement in other provisions	**(17)**	–
– Share-based payment expense	**130**	111
Operating cash flow before movements in working capital	**(951)**	(952)
Decrease in deferred consideration	**(2)**	(2)
Tax paid	**(282)**	–
Decrease/(increase) in inventories	**197**	(68)
Increase in trade and other receivables	**(236)**	(711)
(Decrease)/increase in trade and other payables	**(950)**	698
Net cash used in operating activities	**(2,224)**	(1,035)
Cash flow from investing activities:		
Interest received	**156**	1
Proceeds on disposal of intangible assets	**9**	–
Acquisition of subsidiary – net cash acquired	**776**	–
Acquisition of subsidiary – net cash payment	**(3,313)**	–
Purchases of property, plant and equipment	**(243)**	(7)
Development expenditure in respect of intangible assets	**(346)**	–
Purchases of intangible assets	**(20)**	(140)
Proceeds on disposal of tangible asset	**3**	–
Purchases of available for sale financial assets	**–**	(31)
Net cash used in investing activities	**(2,978)**	(177)
Cash flow from financing activities:		
Proceeds from issuance of ordinary shares	**9,630**	1,211
Transaction costs of issue of shares	**(979)**	–
Movements in interest bearing borrowings	**1,088**	–
Proceeds from issue of convertible loans	**–**	375
Dividends paid	**(12)**	(5)
Net cash from financing activities	**9,727**	1,581
Net increase in cash and cash equivalents	**4,525**	369
Net foreign exchange difference	**(45)**	–
Cash and cash equivalents at beginning of period	**453**	84
Cash and cash equivalents at end of period	**4,933**	453

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

1. General information

Venture Life Group plc ("the Company") was incorporated on 12 December 2005 and is domiciled in the UK, with its registered office located at 2 Arlington Square, Downshire Way, Bracknell, RG12 1WA. The Company is the holding company for three wholly-owned UK subsidiaries, one wholly-owned Italian subsidiary, Biokosmes Srl, and one wholly-owned Swiss subsidiary PermaPharm AG (together with the Company "the Group").

2. Basis of preparation

The principal activity of Venture Life Group plc and its subsidiaries is the development and commercialisation of healthcare products, including food supplements, medical devices and dermo-cosmetics for the ageing population, and the manufacture of a range of topical products for the healthcare and cosmetics sectors.

The financial statements have been prepared on a going concern basis under the historical cost convention except for certain financial instruments which are carried at fair value, and in accordance with International Financial Reporting Standards ("IFRS") 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 these financial statements, and in accordance with the provisions of the Companies Act 2006 that are relevant to companies that report under IFRS.

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

3. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

3.1. Going concern

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

The Directors recognise that the Group has reported a loss for the year ended 31 December 2014, as it did in the year ended 31 December 2013. The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements with the acquisition of Biokosmes and the growth of the Group's Brands business expected to enable the Group to move to profitability in the foreseeable future. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period, together with the current performance and prospects of the Group's operating segments.

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 financial statements.

3.2. Basis of consolidation

The Group financial statements consolidate those of the parent Company and its subsidiaries as of 31 December 2014. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses between Group companies. Where unrealised losses on intra-group asset sales are realised on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between owners of the parent and the controlling interest based on their respective ownership interests.

3.3. Business combinations

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

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

3.4. Foreign currencies

(a) Functional and presentational currency

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

(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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulting from such transactions are recognised in profit or loss.

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

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

3. Summary of significant accounting policies continued

than sterling are translated into sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the period.

On consolidation, assets and liabilities have been translated into sterling at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are held at historical cost less accumulated impairment losses. Income and expenses have been translated into sterling at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

3.5. Revenue recognition

a) Product sales

Revenue comprises the fair value of the consideration received or receivable for the sale of goods 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.

Revenue from the sale of goods is recognised when the Group has transferred to the buyer or to the buyer's agent, the significant risks and rewards of ownership of the goods. The transfer of risk and reward is typically at the point of customer collection of goods or delivery of the goods by the Group to the customer. Both the Brands segment and Manufacturing segment currently recognise revenue from product sales.

b) Services rendered

Revenue represents the value of services provided to third-parties. Revenue is derived from services related to the development of new topical formulations for customers. Services are generally provided through specific agreements, each with a typical duration of two to four weeks. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the Group.

Revenue from these services is recognised on a percentage to completion basis. Percentage to completion is based on the proportion of activity completed on a project as a proportion of the entire project. Revenue is recognised so as to reflect the right to consideration as contract activity progresses by reference to the value of work performed. The amount by which revenue exceeds payments on account is included in trade and other receivables; to the extent that payments on account exceed relevant revenue, the excess is included as deferred income. Provisions for estimated losses, if any, on uncompleted contracts are recognised in the period in which the likelihood of such losses is determined.

The Manufacturing segment currently recognises revenue from formulation and development services rendered.

c) Grant income

Grant income is recognised on a gross basis when received or where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. A grant relating to research and development is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Grant income arising from the generation of electricity by the Manufacturing segment through photo-voltaic panels installed on the manufacturing facility roof is recognised as 'Other Income'.

The Manufacturing segment currently recognises revenue from Grant income.

3.6. Exceptional costs

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

3.7. Property, plant and equipment

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use.

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

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

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

3.8. Internally-generated development intangible assets

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

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

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

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

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

Development costs	20% per annum, straight line

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

3. Summary of significant accounting policies continued

3.9. Licences and trademarks intangible assets

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

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

3.10. Acquired intangible assets

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

Customer relationships – expected cash generating life of underlying manufacturing contracts.

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

The following useful economic lives are applied:

Customer relationships:	five years
Product formulations:	five years

3.11. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer to note 3.12 for a description of impairment testing.

3.12. Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

The Directors have carried out an impairment review of the Group's tangible and intangible assets as at the reporting date, as is its normal practice. They have assessed the likely cash flows to be generated by those assets and determined that they are stated at fair value and that consequently no impairment is necessary. See note 15 on intangible assets for further details.

3.13. Inventories

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

3.14. Financial instruments

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

Financial assets

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in profit or loss 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 classified in the financial instruments note 34 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 classified in the financial instruments note 34 as 'loans and receivables'.

(c) Equity instruments

Investments in equity instruments that are not key to achieving the strategic objectives of the Group are recognised as Available For Sale assets and are included at fair value less costs to sell with any changes in fair value being recognised in equity through the Statement of Changes in Equity.

Financial liabilities and equity

(a) Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability. Trade and other payables are classified in the financial instruments note 34 as 'other financial liabilities'.

(b) Deferred licence 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 reporting 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

3. Summary of significant accounting policies continued

(c) Convertible loan notes

The carrying value of the convertible loan notes is determined with reference to the present value of the principal amount of the loan note to be settled in the future, together with the present value of the future interest payments to be made under the terms of the loan note. The equity element of the Group's convertible loan notes issued in the year to 31 December 2014 was not considered material.

(d) 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.

(e) Employee severance provision

Employee severance provision includes the liability for severance indemnities related to employees of the Group's Italian subsidiary. The severance indemnity liability arises under Italian law and is calculated with reference to each employee's length of service, employment category and remuneration. There is no vesting period or funding requirement associated with the liability. The liability recorded at the reporting date is based on the aggregate amount that the employees of the Group's Italian subsidiary would be entitled to on termination of employment for whatever reason.

3.15. 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 economic benefits from the lease asset are consumed.

3.16. Current and deferred tax

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

(a) Current tax

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

(b) Deferred tax

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

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

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

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

3.17. Employee benefits

All employee benefit costs, notably holiday pay, bonuses and contributions to personal pension plans are charged to the Consolidated Statement of Comprehensive Income on an accruals basis.

3.18. Pension contributions

The Group contributes to the personal pension plans of certain employees. Contributions are charged to the Consolidated Statement of Comprehensive Income as they become payable.

3.19. Share-based payments

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

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the 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.

When an agreement is reached for the settlement of a fixed liability for a fixed number of the Company's shares ("Fixed for Fixed") the value of the liability is de-recognised and is recognised in the share-based payments reserve at the date of the agreement.

3.20. Fair value estimation of financial assets and liabilities

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

3. Summary of significant accounting policies continued

3.21. Equity, reserves and dividend payments

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

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

Other components of equity include the following reserves:

> merger reserve comprising the non-statutory premium arising on shares issued as consideration for acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies less subsequent realised losses relating to those acquisitions

> convertible loan note reserve comprising the equity element of convertible loan notes

> share-based payment reserve comprising cumulative amounts charged in respect of employee share-based payment arrangements which have not been settled by means of an award of shares to the employee

> foreign currency translation reserve comprising all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the Group's presentation currency

Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

3.22. Critical accounting estimates and judgements

The preparation of these financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each reporting 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:

a) Recoverability of internally-generated intangible assets

In each of the years represented in these financial statements, there is a considerable balance relating to non-current assets – patents and trademarks. The Group's accounting policy covering the potential impairment of intangible assets is covered in note 3.11 to these financial statements.

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. The expected future cash flows are modelled over the remaining useful life of the respective assets and discounted present value in order to test for impairment. In each of the years ended December 2013 and 2014, no impairment charge was recognised as a result of these reviews.

b) Impairment of other non-financial assets

The Group conducts annual impairment reviews of assets, such as goodwill, when events or changes in circumstances indicate that their carrying amounts may not be recoverable, or in accordance with the relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is higher than the greater of its net selling price or the value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate. These assumptions relate to future events and circumstances. The actual results may vary, and may cause adjustments to the Group's assets in future financial years. Details of the estimates and assumptions made in respect of the potential impairment of goodwill are detailed in note 15 to the financial statements.

The Directors considered no impairment was necessary in respect of goodwill recognised in the year ended 31 December 2014.

c) Share-based payment charge

During 2014, the Group issued share options to one employee. There are certain non-market performance conditions attached to the vesting of these options, with vesting taking place over the three year period between 1 January 2015 and 31 December 2017. The Black-Scholes model is used to calculate the appropriate expense.

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.

d) Provisions

Where intangible assets are acquired on a deferred consideration basis, the Directors analyse the terms of each agreement and model the expected consideration payable in the future. This involves the use of judgements by the Directors on expected future product revenue streams and the timing of those revenue streams, and the use of an appropriate discount rate.

Employee severance provisions are calculated with reference to each employee's length of service, employment category and remuneration. The Directors have to make judgements on the expected date of employment termination (for whatever reason) in calculating a provision to represent the aggregate amount that the employees of the Group's Italian subsidiary would be entitled to on termination of employment.

e) Fair values on acquisition

When acquiring a business, the Directors have to make judgements and best estimates about the fair value of the assets, liabilities and contingent liabilities acquired. These are estimated regardless of whether or not they were recognised in the financial statements of the subsidiary prior to acquisition. The valuation of externally acquired assets such as products, data or technologies requires judgements regarding the estimated future cash outflows required to commercialise the asset(s) and the cash inflows expected to arise from such commercialisation, discounted at a suitable rate reflecting the time value of money and the risks inherent in such activities.

The valuation of other acquired intangible assets such as customer relationships and product formulations also requires judgements regarding estimated future cash flows arising from those established assets, discounted to reflect the time value of money.

3.23. 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 Group Directors.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

4. Accounting developments

a) New standards, amendments and interpretations issued and adopted

The Group has adopted the following new standards and interpretations which are effective as of 1 January 2014:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.
IAS 39, Financial Instruments: Recognition and Measurement	These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group does not have any derivatives instruments.
IAS 36, Impairment of Assets	These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units ("CGUs") for which an impairment loss has been recognised or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2013.
IAS 32, Offsetting Financial Assets and Financial Liabilities	These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Consolidated Financial Statements of Venture Life Group plc.
No accounting standards adopted in the year have had a significant impact upon the financial statements.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted

The IASB and IFRIC have issued the following standards and interpretations with effective dates as noted below. The standards and interpretations to existing standards are mandatory for the Group's accounting periods beginning on or after 1 January 2015. The group intends to adopt these standards when they become effective.

At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

IFRS 9, Financial Instruments (2014)	The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.
IFRS 15, Revenue from Contracts with Customers	IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.
Amendments to IFRS 11, Joint Arrangements	These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. The amendments are effective for reporting periods beginning on or after 1 January 2016.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

4. Accounting developments continued

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

It is expected that none of the above interpretations would have a material impact on these financial statements if applied.

5. Segmental information

IFRS 8, Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources to the segments and to assess their performance.

Management has determined the operating segments based on the reports reviewed by the Group Board of Directors (CODM) 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.

In the annual financial statements for the year ended 31 December 2013 the operations of the Group were segmented as Sales of cosmetics and Sales of healthcare products. Following the acquisition of Biokosmes in March 2014 the operations of the Group are now segmented as:

– Brands, which includes sales of branded healthcare and cosmetics products under distribution agreements, and
– Manufacturing, which includes sales of products and services under contract, development and manufacturing agreements.

Where appropriate, the comparative numbers for the year to 31 December 2013 have been reclassified to reflect this change.

5.1 Segment revenue and results

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

	Brands £'000	Manufacturing £'000	Consolidated Group £'000
Year ended 31 December 2014			
Revenue			
Total revenue	**675**	**6,738**	**7,413**
Intercompany sales elimination	**–**	**(224)**	**(224)**
Total external revenue	**675**	**6,514**	**7,189**
Results			
Operating (loss)/profit before exceptional items and excluding central administrative costs	**(544)**	**999**	**455**
Year ended 31 December 2013			
Revenue			
External sales	486	–	486
Total revenue	486	–	486
Results			
Operating loss before exceptional items and excluding central administrative costs	(601)	–	(601)

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Operating profit/(loss) profit before exceptional items and excluding central administrative costs	**455**	(601)
Exceptional items	**(449)**	(105)
Central administrative costs	**(1,624)**	(392)
Finance income	**156**	1
Finance costs	**(81)**	(25)
Loss before tax	**(1,543)**	(1,122)

One customer generated revenue of £2,089,000 which accounted for 10% or more of total revenue (2013: four customers totalling £354,000).

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

5. Segmental information continued

5.2 Segmental assets and liabilities

	At 31 December 2014 £'000	At 31 December 2013 £'000
Assets		
Brands	**4,400**	1,202
Manufacturing	**6,805**	–
Unallocated assets	**12,850**	797
Consolidated total assets	**24,055**	1,999
Liabilities		
Brands	**425**	381
Manufacturing	**5,342**	–
Unallocated assets	**2,641**	1,061
Consolidated total liabilities	**8,408**	1,442

5.3 Other segmental information

	Depreciation and amortisation £'000	Additions to non-current assets £'000
Year ended 31 December 2014		
Brands	**70**	**163**
Manufacturing	**151**	**446**
Unallocated	**426**	**13,577**
	647	**14,186**
Year ended 31 December 2013		
Brands	60	147
	60	147

5.4 Geographical information

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Revenue		
UK	**1,479**	31
Europe (EEA)	**5,344**	306
Rest of the World	**366**	149
Total revenue	**7,189**	486

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

6. Exceptional items

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Expense relating to admission to AIM (a)	**(404)**	–
Expense incurred in acquisition of Biokosmes (b)	**(57)**	(105)
Impairment of available for sale investments (c)	**(36)**	–
Gains on sales of trademarks (d)	**9**	–
Gain on purchase of PermaPharm AG	**39**	–
	(449)	(105)

(a) On 28 March 2014 the shares in Venture Life Group plc were admitted to trading on AIM. The IPO raised gross proceeds of £5.4 million through the issue of 4,954,585 new ordinary shares. However, significant non-recurring costs were incurred in relation to the IPO and in a change to the treatment adopted in the Group's Interim Results for the six months to 30 June 2014 announced on 29 September 2014, £404,000 of costs relating to the IPO and fund-raising have been expensed using the allocations method (previously reported as a deduction to share premium). Total IPO costs amounted to £1,383,000. Of this, £404,000 has been treated as exceptional IPO costs and charged to income during the period, with the balance of £979,000 being offset against the share premium account.

(b) The Company incurred professional services costs totalling £57,000 (2013: £105,000) during the year in respect of the acquisition of Biokosmes. The share purchase agreement was finalised and signed in November 2013 with completion and control obtained immediately prior to admission to AIM of Venture Life Group plc's shares on 28 March 2014.

(c) In July 2014 the Directors had been advised by the management of G2S Cosmetics SAS that G2S Cosmetics SAS was likely to be declared insolvent, although efforts would be made to sell the company as a going concern. In January 2015, the Group sold its shareholding in G2S for €1 having determined that this represented the fair value of the shares. As a result of this the investment has been impaired in full at the reporting date (£31,000).

Also in available for sale investments was an investment in Novo Galeno Srl. Whilst shares in the company are still held, the Directors consider the company to have minimal current value and have impaired the investment fully (£5,000).

(d) During the period the Group entered into a sale agreement to dispose of the Bioscal trademark for the USA and Canadian territories. These trademarks had been acquired along with the Bioscalin trademarks which the Group holds for the USA and Canada and thus were not part of the key marketing strategy of the Group in those territories.

7. Operating loss

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Depreciation of property, plant and equipment included in operating expenses	**139**	4
Amortisation of intangible assets included in administrative expenses	**508**	56
Research and development costs included in operating expenses	**352**	48
Operating lease rentals	**319**	33
Staff costs (note 8)	**3,405**	738
Former auditor's remuneration	**5**	–
Current auditor's remuneration		
– Fees for the audit of the Company and Consolidated Financial Statements	**24**	27
– Fees for the audit of the Company's subsidiaries	**18**	10
Net (credit)/charge from foreign currency transactions	**(145)**	20

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

8. Employee information

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

	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
Product development and manufacturing	**48**	–
Sales and marketing	**8**	3
Directors	**7**	5
Administration	**12**	1
	75	9

Their aggregate remuneration comprises:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Wages and salaries	**2,628**	531
Social security costs	**547**	47
Other pension costs	**80**	37
Other	**20**	12
Equity settled share-based payments	**130**	111
	3,405	738

Directors' remuneration 2014

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive Directors							
Jerry Randall	150,000	150,000[4]	18,608	318,608	45,000	39,474	403,082
Sharon Collins	140,000	50,000[4]	1,123	191,123	13,250	25,159	229,532
James Hunter	120,250	15,000	1,779	137,029	20,846	17,576	175,451
John Lucas[1]	118,645	–	–	118,645	–	15,636	134,281
Gianluca Braguti[2]	145,332	–	2,029	147,361	–	13,826	161,187
Non-Executive Directors							
Lynn Drummond	55,000	–	–	55,000	–	6,501	61,501
John Sylvester	28,500	–	–	28,500	–	3,041	31,541
Ian Mackinnon[3]	14,679	–	–	14,679	–	1,477	16,156
Total	**772,406**	**215,000**	**23,539**	**1,010,945**	**79,096**	**122,690**	**1,212,731**

1 Resigned as a director on 5 August 2014. The amount shown includes compensation for loss of office.
2 Appointed as a director on 24 March 2014. The amount shown covers the nine months to 31 December 2014.
3 Appointed as a director on 16 June 2014.
4 Mr Randall's and Ms Collins's bonuses were success-based bonuses, related entirely to the admission of the Group's shares to trading on the Alternative Investment Market and the fund-raising in March 2014.

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

8. Employee information continued

Directors' remuneration 2013

	Salary/fees £	Bonus £	Benefits £	Total £	Pension contributions £	Social security contributions £	Total £
Executive Directors							
Jerry Randall	135,000	15,000	10,126	160,126	24,000	11,291	195,417
Sharon Collins	102,500	15,000	1,313	118,813	10,250	15,554	144,617
James Hunter[1]	33,666	9,231	–	42,897	–	5,654	48,551
John Lucas[2]	29,167	6,666	–	35,833	1,458	4,589	41,880
Non-Executive Directors							
Lynn Drummond[3]	6,276	–	–	6,276	–	772	7,048
John Sylvester[4]	3,423	–	–	3,423	–	430	3,853
Michael Flynn[5]	41,000	–	–	41,000	–	–	41,000
Anthony Ahearne[5]	2,750	–	–	2,750	–	–	2,750
Andrew Sinclair[5]	–	–	–	–	–	–	–
Total	353,782	45,897	11,439	411,118	35,708	38,290	485,116

1 Joined the Group on 9 September 2013.
2 Joined the Group on 2 September 2013.
3 Appointed as a director on 20 November 2013.
4 Appointed as a director on 5 November 2013.
5 Resigned as a director on 29 November 2013.

9. Pension costs and other post-retirement benefits

The Group does not operates its own pension scheme but makes contributions into the personal pension schemes of certain employees. The pension charge represents contributions payable by the Group and amounted to £80,221 (2013: £37,104). At year end an amount of £2,316 (2013: £435) was payable in respect of pension contributions charged during the year.

10. Income tax expense

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Current tax:		
Current tax on profits for the year	**216**	–
Adjustments in respect of earlier years	**(37)**	(41)
Total current tax expense	**179**	(41)
Deferred tax:		
Origination and reversal of temporary differences	**(152)**	–
Total deferred tax expense	**(152)**	–
Total income tax charge/(credit)	**27**	(41)

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Loss before tax	**(1,543)**	(1,122)
Loss before taxation multiplied by the local tax rate on a weighted basis	**(265)**	(224)
Expenses not deductible for tax purposes	**237**	–
Research and development tax credit from earlier years	**(37)**	(41)
Research and development tax credit for current year	**(51)**	–
Change in recognised deferred tax liability	**(152)**	–
Change in unrecognised deferred tax asset	**295**	224
Income tax charge/(credit)	**27**	(41)

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

As at the reporting date, the Group has unused tax losses of £3,429,000 (2013: £2,051,000) available for offset against future profits generated in the UK. No deferred tax asset has been recognised in respect of these losses due to the uncertainty of its recoverability.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

11. Deferred tax

Deferred taxes arising from temporary differences are summarised as follows:

Deferred tax (liabilities)/assets	At 1 January 2014 £'000	Recognised in business combination £'000	Recognised in profit and loss £'000	At 31 December 2014 £'000
Purchased goodwill	–	114	(7)	107
Other intangibles	–	(892)	134	(758)
Inventories	–	(77)	29	(48)
Trade and other receivables	–	15	(4)	11
	–	**(840)**	**152**	**(688)**

12. Earnings per share

A reconciliation of the weighted average number of ordinary shares used in the measures is given below:

	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
For basic and diluted EPS calculation	**26,130,167**	16,118,556

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

	£'000	£'000
For basic and diluted EPS calculation	**(1,570)**	(1,081)

The resulting EPS measures are:

	Pence	Pence
Basic and diluted EPS calculation	**(6.01)**	(6.71)

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

13. Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Final dividend	**12**	–

The Directors recommend the payment of a dividend of 0.04p per share (2014: 0.04p per share) in 2015 and a resolution will be put to shareholders at the 2015 Annual General Meeting.

14. Business combinations

Acquisition of Biokosmes Srl

On 27 March 2014, the Company completed the acquisition of 100% of the share capital of Biokosmes, a private company based in Italy that specialises in the development and manufacture of topical medical device and cosmetic products, gaining control at that date. The initial consideration paid to the vendors of Biokosmes at the time of the acquisition amounted to £3.5 million in cash (£3.3 million after broker's commission), £1.67 million in the form of a loan note convertible under certain circumstances into Venture Life Group plc ordinary 0.3p shares ("Shares"), and 1,358,185 Shares. Further consideration in the form of 5,639,393 new Shares was issued to the vendors on 6 June 2014 on the basis that the audited EBITDA achieved by Biokosmes in the financial year ended 31 December 2013 amounted to £1.62 million.

The Group acquired Biokosmes for a number of reasons. The product formulations acquired enabled Venture Life to expand its existing product portfolio with healthcare products that were ready to be commercially exploited through the Group's Brands division. Biokosmes is also an established manufacturer of high-quality topical products and has built up strong customer relationships over a period of time that the Group believes can be built upon to materially grow the Biokosmes business. With its own manufacturing facility in house, the Group is now able to offer integrated product development and manufacturing solutions to customers and offer high levels of customer service. Finally, the Group expects to generate enhanced margins through its Brands business from selling products to customers that have been manufactured within the Group.

The acquisition has been accounted for using the acquisition method. The Group Consolidated Financial Statements include the results of Biokosmes for the period 28 March 2014 to 31 December 2014.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

14. Business combinations continued

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

	Fair value £m
Assets	
Non-current assets:	
Product formulations	0.8
Customer relationships	2.0
Property, plant and equipment	0.9
Current assets:	
Inventories	2.0
Trade and other receivables	2.8
Cash and cash equivalents	0.7
Total assets	**9.2**
Liabilities	
Current liabilities:	
Trade and other payables	(3.1)
Current portion of borrowings	(1.0)
Non-current liabilities:	
Borrowings	(0.8)
Employee liability provisions	(0.5)
Deferred tax liabilities	(0.8)
Total liabilities	**(6.2)**
Net assets acquired	**3.0**
Goodwill	9.8
Total consideration	**12.8**

Satisfied by:	
Cash	3.5
Convertible loan note issued	1.7
Initial shares issued to vendors	1.5
Further shares issued to vendors	6.1
Total consideration	**12.8**

Cash flows from business combination	
Cash and cash equivalents included in undertaking acquired	0.8
Cash consideration paid	–
Net cash inflow arising on acquisition and in Consolidated Statement of Cash Flows	**0.8**

Fair value of consideration

Under IFRS 3, the fair value of the consideration paid is determined with reference to the fair value of the underlying instruments used to settle the consideration. The consideration for the purchase of Biokosmes was settled through the issue of 10,218,866 ordinary 0.3p shares. Of these, 3,221,288 shares were redeemed for cash at the time of admission to produce £3.5 million of cash of which £0.16 million was paid out in broker's commission. A convertible loan note with a nominal value of €2.0 million and a coupon rate of 3% per annum was also issued.

The shares of Venture Life Group plc were admitted to AIM at the time of the acquisition of Biokosmes and the fair value of the new shares issued was deemed to be the issue price of all the new shares issued at the time of admission to AIM, being 109p per share. Accordingly the fair value of the 10,218,866 0.3p shares was £11,138,564.

The value of the convertible loan was determined at the present value of future loan payments discounted at the yield from a similar high yield bond such as the Bloomberg EUR High Yield Corporate bond with an effective yield of 3.99%.

The value of the convertible loan notes was determined with reference to the present value of the principal amount of the loan note (€2.0 million) to be settled in the future, together with the present value of the future interest payments to be made under the terms of the loan note. Accordingly, the convertible loan note is valued at £1.64 million.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

14. Business combinations continued

The total fair value of the consideration is calculated as follows:	£m
Fair value of new shares issued	11.14
Fair value of loan note issued	1.64
Total fair value	12.78

Biokosmes contributed £1.0 million to the consolidated profit before tax for the nine months from 28 March 2014 to 31 December 2014.

If Biokosmes had been acquired on 1 January 2014, revenue of the Group for 2014 would have been £8.9 million. However, due to lack of IFRS-specific data prior to the acquisition of Biokosmes, pro-forma profit or loss of the combined entity for the complete 2014 reporting period cannot be reliably determined.

Acquisition of PermaPharm AG

On 30 November 2014, the Company completed the acquisition of 100% of the share capital of PermaPharm AG, a private company based in Switzerland. The Group and PermaPharm had previously entered a trademark licensing agreement in 2010 under which the Group acquired from PermaPharm the rights to the Bioscalin trademark in certain countries. The Group acquired PermaPharm in order to own outright the trademarks.

The consideration payable for the share capital of PermaPharm amounts to CHF109,515, representing the cash held by PermaPharm at the date of acquisition (CHF116,015), less its liabilities (CHF6,500). As at 31 December 2014, consideration payable to the vendors was due but still outstanding.

The acquisition has been accounted for using the acquisition method. The Group Consolidated Financial Statements include the results of PermaPharm for the period 30 November 2014 to 31 December 2014.

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

	Fair value £'000
Assets	
Current assets:	
Cash and cash equivalents	76
Total assets	**76**
Liabilities	
Current liabilities:	
Trade and other payables	(4)
Total liabilities	(4)
Net assets acquired	**72**
Satisfied by:	
Cash payable to the vendors	72
Total consideration	**72**
Cash flows from business combination	
Cash and cash equivalents included in undertaking acquired	72
Cash consideration paid at 31 December 2014	–
Net cash inflow arising on acquisition and in cash flow statement	72

Fair value of consideration

Under IFRS 3, the fair value of the consideration paid is determined with reference to the fair value of the underlying instruments used to settle the consideration. The consideration for the purchase of PermaPharm is due to be settled through the payment of £72,000 in cash and the fair value of the consideration was therefore deemed to be £72,000.

PermaPharm recognised no revenue and incurred no material expense in the one month from 30 November 2014 to 31 December 2014 and therefore the Group's revenue and profits were not affected by the acquisition.

If PermaPharm had been acquired on 1 January 2014, the Group would have incurred additional losses in the year to 31 December 2014 of £4,000. However, due to lack of IFRS-specific data prior to the acquisition of PermaPharm, pro-forma profit or loss of the combined entity for the complete 2014 reporting period cannot be reliably determined.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

15. Intangible assets

	Development costs £'000	Patents and trademarks £'000	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost or valuation:					
At 1 January 2013	–	484	–	–	484
Additions	120	20	–	–	140
Disposals	–	–	–	–	–
At 1 January 2014	120	504	–	–	624
Additions	1,192	40	9,796	1,995	13,023
Disposals	–	–	–	–	–
Foreign exchange	10	–	–	–	10
At 31 December 2014	**1,322**	**544**	**9,796**	**1,995**	**13,657**
Amortisation:					
At 1 January 2013	–	111	–	–	111
Charge for the year	–	56	–	–	56
At 1 January 2014	–	167	–	–	167
Charge for the year	141	68	–	299	508
At 31 December 2014	**141**	**235**	**–**	**299**	**675**
Carrying amount:					
At 31 December 2013	120	337	–	–	457
At 31 December 2014	**1,181**	**309**	**9,796**	**1,696**	**12,982**

Included within patents and trademarks is an amount for £207,221 (2013: £243,195) relating to a licence agreement between the Group and PermaPharm entered into on 30 September 2010. As at 31 December 2014, this licence had a remaining amortisation period of five years.

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

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

Other intangible assets currently comprise customer relationships and product formulations acquired through the acquisition of Biokosmes. These assets were recognised at their fair value at the date of acquisition and are being amortised over a period of five years.

Goodwill represents the future economic benefits arising from the acquisition of Biokosmes that are not individually identified and separately recognised. To determine the value in use of the goodwill, the Directors have produced detailed monthly profit and loss and cash flow forecasts for the three years ended December 2017 and produced annual estimates of profit after tax for the six year period from 2018 to 2023 given the long-term and stable nature of the expected cash flows.

The key judgements used in relation to the impairment review are as follows:

– The estimates of profit after tax for Biokosmes for the three year period from 2015 to 2017 are based on the expectation that Biokosmes will grow its revenues and profitability more quickly than in previous years. This is expected to be achieved in part through increasing volumes and value of manufacturing orders being fulfilled for other Group companies, in part through excess manufacturing capacity being utilised to generate improved gross margins, and in part through investment in new business development resource and manufacturing capacity enabled through funding made available by the Group to Biokosmes.
– The estimates of profit after tax from 2018 onwards assume that Biokosmes is capable of achieving 5% per annum growth in profit after tax, which the Directors estimate to be a conservative growth rate but appropriate given the nature of the contract manufacturing industry of which Biokosmes is a part.
– The Group has applied a discount rate to the future cash flows of Biokosmes using a pre-tax weighted average cost of capital of 21%.

These estimates and judgments are subjective and relate to future events and circumstances. The actual results may vary, and accordingly may cause adjustments to the Group's valuation in future financial years.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

16. Property, plant and equipment

	Plant and equipment £'000	Other equipment £'000	Total £'000
Cost or valuation:			
At 1 January 2013	–	14	14
Additions	–	7	7
At 1 January 2014	–	21	21
Additions	1,102	61	1,163
Disposals	(7)	–	(7)
Foreign exchange movements	(57)	(3)	(60)
At 31 December 2014	**1,038**	**79**	**1,117**
Depreciation:			
At 1 January 2013	–	7	7
Charge for the year	–	4	4
At 1 January 2014	–	11	11
Charge for the year	121	18	139
Additions	–	–	–
Disposals	(4)	–	(4)
Foreign exchange movements	(4)	–	(4)
At 31 December 2014	**113**	**29**	**142**
Carrying amount:			
At 31 December 2013	–	10	10
At 31 December 2014	**925**	**50**	**975**

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

17. Available for sale financial assets

	Unlisted investments £'000
Cost or valuation:	
At 1 January 2014	31
Additions	5
At 31 December 2014	**36**
Accumulated impairment:	
At 1 January 2014	–
Charge for the year	(36)
At 31 December 2014	**(36)**
Carrying amount:	
At 31 December 2013	31
At 31 December 2014	**–**

The available for sale investments were acquired on 23 December 2013 for a consideration of €37,500 (£31,224). The Directors became aware in July 2014 that G2S Cosmetics SAS, the subject of the investment, was likely to be declared insolvent, although efforts would be made to sell the company as a going concern. In January 2015, the Group sold its shareholding in G2S for €1. As a result of this the investment has been impaired in full at 31 December 2014.

Notes to the Consolidated Financial Statements continued

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18. Inventories

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Raw materials	1,130	86
Finished goods	726	88
	1,856	174

An amount of £2,938,055 (2013: £44,408) was recognised in respect of expenditure on inventory in the Statement of Comprehensive Income.

19. Trade and other receivables

	At 31 December 2014 £'000	At 31 December 2013 £'000
Trade receivables	2,807	82
Prepayments and accrued income	72	674
Other tax recoverable	65	41
Other receivables	313	77
	3,257	874

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

The following is an analysis of trade receivables that are past due. These relate to a number of customers for whom there is no recent history of defaults. The ageing analysis of these trade receivables is as follows:

	At 31 December 2014 £'000	At 31 December 2013 £'000
31 to 60 days	108	–
60 to 90 days	43	8
90 to 120 days	67	–
> 120 days	142	1
Overdue trade receivables – gross	360	9
Provision for overdue receivables	(35)	–
Overdue trade receivables – net	325	9

The Directors consider that the carrying value of trade and other receivables represents their fair value. As at the reporting date, a provision of £35,000 for overdue receivables has been made and is included in the carrying value of trade and other receivables (2013: nil). 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 of the Group's credit risk management policies, refer to note 34(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 amounts of trade and other receivables denominated in currencies other than pounds sterling are shown in note 34(c).

20. Cash and cash equivalents

	At 31 December 2014 £'000	At 31 December 2013 £'000
Cash and cash equivalents	4,933	453

The Group holds sterling and euro denominated balances in the UK. The Group's subsidiaries hold US dollar and euro accounts in Italy and a Swiss franc account in Switzerland.

The Directors consider that the carrying value of cash and cash equivalents approximates their fair value. For details on the Group's credit risk management policies, refer to note 34(d).

The amounts of cash and cash equivalents denominated in currencies other than pounds sterling are shown in note 34(c).

Notes to the Consolidated Financial Statements continued

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21. Share capital and share premium

Share capital

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

	Ordinary shares of 0.3p each Number	£	Share premium £'000	Merger reserve £'000
At 1 January 2013	14,494,000	1,450	1,507	50
Share issue	2,467,424	807	1,210	–
Bonus issue	–	48,627	(49)	–
At 1 January 2014	16,961,424	50,884	2,668	50
New shares issued for cash	10,444,532	31,333	9,158	–
New shares issued for acquisition	6,997,578	20,993	–	7,606
At 31 December 2014	**34,403,534**	**103,210**	**11,826**	**7,656**

The Company undertook a number of share issues during 2014:

New shares issued for cash

1. On 27 March 2014 the Company issued 821,421 ordinary 0.3p shares following the conversion of previously issued convertible loan notes into equity. Details of the loan notes, which had a nominal value of £375,000, can be found in note 23.
2. On 27 March 2014 the Company issued 168,526 ordinary 0.3p shares in respect of agreements it had entered into with suppliers for services that had been provided to the Company.
3. On 28 March 2014 the Company issued six shares to The Orr Mackintosh Foundation Limited, a charitable organisation, following the rounding down of individual shareholdings pursuant to the share capital reorganisation and of the Company's share capital.
4. On 28 March 2014 the Company issued 4,954,579 ordinary 0.3p shares pursuant to a share placing at the time of the Company's admission of its shares to trading on AIM. Costs relating directly to the new issue of shares have been deducted from the share premium account. Attributable IPO costs are allocated between share premium account and the statement of comprehensive income in proportion to the number of shares created on admission.
5. On 3 December 2014 the Company issued 4,500,000 ordinary 0.3p shares pursuant to a share placing with two of the Company's existing shareholders.

New shares issued in business combination

6. On 28 March 2014 the Company issued 1,358,185 ordinary 0.3p shares pursuant to the acquisition of Biokosmes.
7. On 6 June 2014 the Company issued a further 5,639,393 ordinary 0.3p shares in the form of Additional Consideration Shares pursuant to the acquisition of Biokosmes.

In a change to the treatment adopted in the Group's Interim Results for the six months to 30 June 2014 announced on 29 September 2014, the excess over nominal value of shares issued to acquire Biokosmes of £7.6 million is reported in the merger reserve (previously share premium).

22. Merger reserve

The merger reserve is also used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006. The balance on the reserve of £7,656,000 (2013: £50,000) has arisen through the acquisition of Venture Life Limited in 2010 (£50,000) and Biokosmes in March 2014 (£7,606,000).

23. Convertible loan notes and loan notes reserve

During the year to 31 December 2014 there were two transactions involving convertible loan notes:

Redemption of convertible loan notes

Loan notes previously issued in 2013 were convertible into ordinary shares of the Company at any time between 31 December 2013 and the notes settlement date, and automatically on the occurrence of certain events including the admission of the Company's shares to trading on a recognised stock exchange.

Therefore, shortly before admission of the Company's shares to trading on AIM on 28 March 2014, the loan notes (with a nominal value of £375,000) were converted into 821,421 ordinary 0.3p shares.

Issue of new convertible loan notes

Pursuant to the acquisition of Biokosmes in March 2014, the Company issued to the vendors of Biokosmes convertible loan notes with a face value of €2.0 million and which paid an annual coupon of 3%. Under the terms of the loan notes, the loan notes are due to be repaid in full in July 2016. If the Company defaults on repayment then the loan note holders may elect to defer repayment of the loan notes or to receive a pre-determined number of new 0.3p shares in the Company.

Interest amounting to £12,000 has accrued on the loan notes during the period and is still payable at the period end. Interest is payable on these loan notes in October and April each year.

Notes to the Consolidated Financial Statements continued

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24. Foreign currency translation reserve

The Foreign currency reserve represents unrealised cumulative net gains and losses arising on the translation and consolidation of the financial statements of the Group's Italian subsidiary.

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

Share options are held by option holders in either the Venture Life Group plc Enterprise Management Incentive Share Option Plan ("EMI Plan") or under the Venture Life Group plc Unapproved Share Option Plan ("Unapproved Plan"). All options in both plans are settled in equity when the options are exercised.

Options under both Plans vest according to time employed at Venture Life. Additionally some options granted under the EMI Plan vest according to achievement of certain non-market performance targets.

The maximum term of options granted under both Plans is ten years.

The IFRS 2 share option charge for the year was £130,000 (2013: £111,000) and is included in administrative expenditure in the Statement of Comprehensive Income.

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

	2014 Number	**2014 WAEP (p)**	2013 Number	2013 WAEP (p)
Total outstanding at beginning of the year	**3,842,440**	**56**	1,566,400	45
Granted during the year	**116,972**	**109**	2,276,040	60
Exercised	**–**	**–**	–	–
Forfeited	**(330,000)**	**73**	–	–
Total outstanding at 31 December	**3,629,412**	**53**	3,842,440	56
Exercisable at 31 December	**2,073,417**	**47**	1,000,935	45

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

	2014 Number	2013 Number
Range of exercise prices		
0p-49p	**2,852,440**	2,932,440
50p-99p	**660,000**	910,000
100p-149p	**116,972**	–
Total	**3,629,412**	3,842,440

At 31 December 2014, the weighted average remaining contractual life of options exercisable is 8.00 years (2013: 9.67 years).

The weighted average fair value of options granted in the year is 109p (2013: 56p).

The non-market performance conditions for all share options outstanding at 31 December 2014 and with a vesting date of 31 December 2014 or before have been achieved.

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

The inputs into the Black-Scholes model are as follows:	**2014**	2013
Weighted average share price (p)	**96.5**	41
Weighted average exercise price (p)	**109**	60
Weighted average expected volatility (%)	**22.4**	37.6
Weighted average expected life (years)	**4 years**	5-6 years
Weighted average risk free rate (%)	**1.50**	1.47
Expected dividends	**0.004%**	0.1%

a. The risk-free rate is based on the UK Gilt rate as at the grant date with a period to maturity commensurate with the expected term of the relevant option tranche.

b. The fair value charge is spread evenly over the period between the grant of the option and the earliest exercise date.

c. The expected volatility is based on the historical volatility of similar companies share prices over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The range of comparable companies has been reviewed for grants in the current year resulting in the decrease in expected volatility.

The share-based payment reserve represents charges made to the Income Statement in respect of share-based payments under the Group's share-option schemes.

Notes to the Consolidated Financial Statements continued

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26. Retained earnings

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

27. Trade and other payables

	At 31 December 2014 £'000	At 31 December 2013 £'000
Trade payables	**1,659**	421
Accruals and deferred income	**1,196**	569
Social security and other taxes	**83**	24
Loans from Directors	**–**	4
Other payables	**397**	33
	3,335	1,051

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 amounts of trade and other payables denominated in currencies other than pounds sterling are shown in note 34(c).

28. Interest bearing borrowings

	At 31 December 2014 £'000	At 31 December 2013 £'000
Current		
RiBa financing	**208**	–
Finance lease	**4**	–
Unsecured bank loans due within one year	**368**	–
	580	–
Non-current		
Finance lease	**1**	–
Unsecured bank loans due after one year	**1,722**	–
	1,723	–

All bank loans are held by the Group's Italian wholly-owned subsidiary, Biokosmes. RiBa (or 'Ricevuta Bancaria') is a means of payment settlement used on occasions by Biokosmes by which it entrusts one of its banks with responsibility for sending an instruction to a participating Italian customer authorising the customer's bank to settle an invoiced debt by an agreed due date. The balance shown above of £208,000 reflects the amount that had been settled in Biokosmes's account under RiBa as at the reporting date.

The bank debt repayable within one year is due to Banca Nazionale del Lavolo and is due to be repaid in April 2015. It is unsecured and there are no covenants attaching to this loan.

The finance lease was acquired with the Biokosmes acquisition during the year and is repayable by April 2016. A summary showing the contractual repayment of interest bearing borrowings is shown below:

	At 31 December 2014 £'000	At 31 December 2013 £'000
Amounts and timing of non-current debt repayable		
Between 1 January 2016 and 31 December 2016	**1**	–
Between 1 January 2017 and 31 December 2017	**156**	–
Between 1 January 2018 and 31 December 2018	**940**	–
Between 1 January 2019 and 31 December 2019	**313**	–
Between 1 January 2020 and 31 December 2020	**313**	–
	1,723	–

The long-term bank debt is held by Biokosmes and provided by Banca Intesa and UniCredit Bank, both in Italy. Repayment of this debt is due to commence in 2017. These loans are unsecured. There are two covenants relating to these bank facilities, one of which relates to a minimum level of net assets to be maintained by Biokosmes and the other which limits the level of dividend that may be distributed by Biokosmes.

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28. Interest bearing borrowings continued

	At 31 December 2014 £'000	At 31 December 2013 £'000
Analysis of net cash		
Cash at bank and in hand	**4,933**	453
Balance on RiBa (invoice discounting with recourse)	**(208)**	–
Finance lease	**(5)**	–
Unsecured bank loans due within one year	**(368)**	–
Unsecured bank loans due after one year	**(1,722)**	–
Convertible loan notes (see note 23)	**(1,554)**	(348)
Net Cash	**1,076**	105

29. Deferred licence provision

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

	At 31 December 2014 £'000	At 31 December 2013 £'000
Current	**–**	8
Non-current	**–**	35
	–	43

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

	2014 £'000	2013 £'000
At 1 January	**43**	195
Payments	**(2)**	(5)
Settled through share issue	**–**	(150)
Release of royalty obligation	**(39)**	–
Foreign exchange movements	**(2)**	3
At 31 December	**–**	43

The deferred licence provision related to a licence agreement between the Group and PermaPharm entered into on 30 September 2010 for the rights to certain Bioscalin products and their associated intellectual property. On 30 November 2014 the Group acquired PermaPharm for a nominal sum. Following the acquisition the Group only has the obligation to pay royalties on sales of Bioscalin products when sales of Bioscalin products are made.

As at 31 December 2014 the provision for deferred licence payments is nil (2013: £43,130)

30. Employee severance provision

Employee severance provision includes the liability for severance indemnities related to employees of the Group's Italian subsidiary. The severance indemnity liability arises under Italian law and is calculated with reference to each employee's length of service, employment category and remuneration. There is no vesting period or funding requirement associated with the liability. The liability recorded at the reporting date is based on the aggregate amount that the employees of the Group's Italian subsidiary would be entitled to on termination of employment for whatever reason.

31. Deferred tax liability

A deferred tax liability has been recognised in respect of a deferred tax liability assumed as part of the acquisition of Biokosmes.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

32. Operating lease arrangements

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

	At 31 December 2014 £'000	At 31 December 2013 £'000
Within one year	**477**	43
After one year and within five years	**1,583**	5
	2,060	48

The operating lease payments are in respect of:

> The Group's UK head office in Bracknell which is renewable on an annual basis in November each year and does not have any contingent lease payments or restriction.

> The company car provided to the Group's Chief Executive Officer. This lease has a two year term whereupon the leased asset is required to be returned to the lessor.

> The Group's Italian subsidiary has one operating location with attaching storage facility and a storage location in Lecco, near to Milan. The operating location has a long-term rental agreement until November 2019. The rental obligation on the Lecco storage location terminates in December 2015. Rental obligations on the storage location attaching to the operating location continue until September 2020.

33. Contingent liabilities

In August 2010 and before Biokosmes became part of the Group, the Group entered into two manufacturing and licence agreements with Biokosmes for the rights to certain skincare products. Under the terms of the two agreements the Group is required to pay royalties to Biokosmes on sales of the products covered by the agreements, with the maximum royalties payable under the agreements being €380,000. Since the Group is only obligated to pay royalties once the underlying products are sold no liability for future royalties has historically been recognised.

Following the acquisition of Biokosmes in March 2014, the Group has been evaluating the relevance of this agreement and a decision is expected to be taken in 2015 as to whether to terminate these agreements by mutual consent. In the meantime, the Group continues not to recognise any liability until underlying products are sold and liabilities are created.

34. Financial instruments

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

a. Principal financial instruments

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

> Trade and other receivables (excluding prepayments).

> Cash and cash equivalents.

> Trade and other payables (excluding accruals and deferred revenue).

> Deferred licence provisions.

> Convertible loan notes.

> Interest bearing debt.

Details of financial instruments by category are set out below:

	31 December 2014 £'000	31 December 2013 £'000
Financial assets		
Loans and receivables:		
Trade and other receivables	**3,185**	200
Cash and cash equivalents	**4,933**	453
	8,118	653
Financial liabilities		
Other financial liabilities:		
Trade and other payables	**2,140**	482
Deferred licence provisions	**–**	43
Convertible loan notes and interest bearing debt	**3,857**	348
	5,997	873

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

34. Financial instruments continued

The 2014 carrying values of the principal financial instruments are derived in accordance with the related accounting policies as follows:

	Designated to FVTPL £'000	Loans and other receivables (amortised cost) £'000	Other liabilities (amortised cost) £'000	Total £'000
At 31 December 2014				
Assets				
Trade and other receivables	–	3,185	–	3,185
Cash and cash equivalents	–	4,933	–	4,933
	–	**8,118**	**–**	**8,118**
Liabilities				
Trade and other payables	–	–	2,140	2,140
Convertible loan notes and interest bearing debt	1,554	–	2,303	3,857
	1,554	**–**	**4,443**	**5,997**

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 the section on Principal Risks and Uncertainties in the Strategic Report on pages 16 and 17.

c. Market risk

Foreign exchange risk

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

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities in euros, US dollars and Swiss francs are shown below in the Group's presentational currency, (£).

At 31 December 2014	US$ £'000	CHF £'000	Euro £'000	**Total £'000**
Assets				
Trade and other receivables	–	–	2,807	**2,807**
Cash and cash equivalents	–	76	1,146	**1,222**
	–	76	3,953	**4,029**
Liabilities				
Trade and other payables	54	–	1,639	**1,693**
Convertible loan notes and interest bearing debt	–	–	3,857	**3,857**
	54	–	5,496	**5,550**
Net position	(54)	76	(1,543)	**(1,521)**

At 31 December 2013	US$ £'000	CHF £'000	Euro £'000	Total £'000
Assets				
Trade and other receivables	–	25	45	70
Cash and cash equivalents	–	–	35	35
	–	25	80	105
Liabilities				
Deferred licence provisions	–	–	43	43
Trade and other payables	66	–	233	299
	66	–	276	342
Net position	(66)	25	(196)	(237)

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

34. Financial instruments continued

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

	Effect of foreign currency strengthening £'000	Effect of foreign currency weakening £'000
At 31 December 2014		
Assets	**366**	**(366)**
Liabilities	**(504)**	**504**
At 31 December 2013		
Assets	11	(11)
Liabilities	(34)	34

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 evidenced 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 2014, the concentration of credit risk held with these banks was £3,767,902 (2013: £453,108).

The Group considers its credit risk by counterparty and geography.

At 31 December 2014, the Group was also owed £1,021,348 (2013: £68,387) from three (2013: four) 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 reporting dates.

The carrying amount of financial assets recorded represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. In the 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. Interest rate risk

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

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

i) that it has sufficient liquidity in its investments. For this purpose it will use its cash flow forecasts for determining the maximum periods for which funds may prudently be committed; and

ii) that it maintains a policy covering both the categories of investment types in which it will invest, and the criteria for choosing investment counterparty.

The interest rate risk profile of the Group's financial assets, excluding trade and other receivables, as at 31 December 2014 was:

	Fixed rate		Floating rate		Total	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Sterling	**–**	–	**3,711**	418	**3,711**	418
Euro	**–**	–	**1,146**	35	**1,146**	35
Swiss franc	**–**	–	**76**	–	**76**	–
Total	**–**	–	**4,933**	453	**4,933**	453

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

f. 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

34. Financial instruments continued

g. Maturity of financial assets and liabilities

All of the Group's financial assets and financial liabilities at each reporting date are either payable or receivable within one year, with the exception of the non-current interest-bearing borrowings as detailed in note 28.

h. Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The Group is funded by interest bearing borrowings, loan notes and equity comprising issued capital and retained profits. The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital and retained profits. The Group has no externally imposed capital requirements, but maintains an efficient overall financing structure while avoiding excessive leverage.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	At 31 December 2014 £'000	At 31 December 2013 £'000
Total equity	**15,647**	557
Cash and cash equivalents	**(4,933)**	(453)
Capital	**10,714**	104
Total equity	**15,647**	557
Borrowings	**3,857**	348
Overall financing	**19,504**	905
Capital to overall financing ratio	**0.55**	0.11

35. Related party transactions

The following transactions were carried out with related parties:

(a) Transactions with Directors

Total dividends paid to Directors in the year ending 31 December 2014 were £4,791 (2013: £nil).
Interest totalling £983 (2013: £2,584) was paid on convertible loan notes issued to Directors with a par value of £55,000.

There were no unsecured loans from Directors with a balance owing at year end (2013: £4,087).

Gianluca Braguti, a director and shareholder of the Group, was provided with services by the Group totalling £3,031. At 31 December 2014, Gianluca Braguti owed the Group £5,886.

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 year end the amount due to the Company under the indemnity totalled €250,935, of which Gianluca Braguti's liability is €248,426.

(b) Transactions with subsidiaries:

Venture Life Limited

During the year the Company charged Venture Life Limited £1,244,344 (2013: £339,420) for corporate services provided and provided funding to Venture Life Limited totalling £3,996,063 (2013: £1,140,600). At the year end an amount of £7,903,651 (2013: £2,636,005) was due from Venture Life Limited.

Lubatti Limited

During the year the Company charged Lubatti Limited £90,000 (2013: £16,499) for corporate services provided and provided funding to Lubatti Limited totalling £8,000 (2013: £43,201). At year end an amount of £471,197 (2013: £390,100) was due from Lubatti Limited.

The Company did not have any transactions or balances with Tracey Malone Originals Limited or Soffto Lubatti Limited.

(c) Transactions between subsidiaries

Venture Life Limited and Lubatti Limited

During the year Venture Life Limited provided funding to Lubatti Limited totalling £5,000 (2013: £34,921). At the year end an amount of £174,431 (2013: £169,524) was due to Venture Life Limited.

Lubatti Limited and Tracey Malone Originals Limited

During the year Tracey Malone Originals Limited charged Lubatti Limited nil (2013: £4,964) for the use of its product licences. Lubatti Limited provided funding to Tracey Malone Originals Limited totalling nil (2013: £3,931). At the year end an amount of £5,951 (2013: £5,551) was due to Lubatti Limited.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

35. Related party transactions continued

(d) Transactions with other related parties

Services purchased from Avantis UK Limited totalled £nil (2013: £48,000). At 31 December 2014, the Group owed Avantis UK Limited £nil (2013: £nil). Control of Avantis UK Limited is held by J Randall, a shareholder and director of the Company.

Services purchased from The Digital Bandit totalled £nil (2013: £1,700). At 31 December 2014, the Group owed The Digital Bandit £nil (2013: £nil). Control of The Digital Bandit is held by a shareholder and relative of Dr M J Flynn, a former director of the Company.

Services purchased from Dr M J Flynn a shareholder and former director of the Group for consultancy services totalled £4,420 of exceptional IPO costs (2013: £38,250). At 31 December 2014, the Group owed Dr M J Flynn £nil (2013: £27,377).

Services purchased from Immobiliare Cremasca Di Parati Lucia e c. S.a.S, a company 15% owned by Gianluca Braguti, a director and shareholder of the Group, totalled £nil. At 31 December 2014, the Group owed Immobiliare Cremasca Di Parati Lucia e c. S.a.S £27,325.

Services purchased from Biokosmes Immobiliare Srl, a company 70% owned by Gianluca Braguti, a director and shareholder of the Group, totalled £396,684. At 31 December 2014, the Group owed Biokosmes Immobiliare Srl £718,306.

Services purchased from Biogenico Srl, a company 43% owned by Gianluca Braguti, a director and shareholder of the Group, totalled £39,507. At 31 December 2014, the Group owed Biogenico Srl £38,215. Services provided to Biogenico Srl totalled £29,271. At 31 December 2014, Biogenico Srl owed the Group £11,731.

Services purchased from A. Erre, a company 10% owned by Gianluca Braguti, a director and shareholder of the Group who is also a director of A. Erre, totalled £65,566. At 31 December 2014, the Group owed A. Erre £9,155.

Services purchased from BMG Pharma Srl, a company 15% owned by Gianluca Braguti, a director and shareholder of the Group, totalled £37,694. At 31 December 2014, the Group owed BMG Pharma Srl £37,694. Services provided to BMG Pharma Srl, totalled £374,308. At 31 December 2014, BMG Pharma Srl owed the Group £167,718.

Services provided to Delife Srl, a company 15% owned by Gianluca Braguti, a director and shareholder of the Group who is also a director of Delife, totalled £83,295. At 31 December 2014, Delife Srl owed the Group £21,496.

Services provided to Farmacia San Francesco, a company of which Gianluca Braguti, a director and shareholder of the Group, is a director, totalled £352. At 31 December 2014, Farmacia San Francesco owed the Group £nil.

36. Post balance sheet events

In January 2015 the Group disposed of its investment in the company G2S. The investment was fully provided for during 2014.

There were no other events after the balance sheet date.

Parent Company Balance Sheet

at 31 December 2014

	Notes	At 31 December 2014 £'000	At 31 December 2013 £'000
Fixed assets			
Investments	6	**13,261**	743
		13,261	743
Current assets			
Debtors	7	**8,469**	3,429
Cash at bank		**46**	78
		8,515	3,507
Creditors			
Amounts falling due within one year	8	**(277)**	(765)
Net current assets		**8,238**	2,742
Total assets less current liabilities		**21,499**	3,485
Creditors			
Amounts falling due after one year	9	**(1,507)**	(298)
		(1,507)	(298)
Net Assets		**19,992**	3,187
Capital and reserves			
Called up share capital	10	**103**	51
Share premium account	11	**11,826**	2,668
Merger reserve	11	**7,656**	50
Convertible loan note reserve	11	**–**	39
Share-based payment reserve	11	**318**	338
Profit and loss account	11	**89**	41
Shareholders' funds		**19,992**	3,187

The financial statements on pages 60 to 64 were approved and authorised for issue by the Board on 24 March 2015 and signed on its behalf by:

Jerry Randall
Director

James Hunter
Director

Notes to the Parent Company Balance Sheet

for the year ended 31 December 2014

1. Basis of preparation

The Company Balance Sheet and related notes have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

As permitted by s408 of the Companies Act 2006, the profit and loss account of the Company is not presented in this Annual Report. As permitted by FRS 1, Cash Flow Statements, no cash flow statement for the Company has been included on the grounds that the Group includes the Company in its own published consolidated financial statements. The Company has taken advantage of the exemption in FRS 8, Related Party Disclosures not to disclose related party transactions with other wholly-owned members of the Group.

These financial statements present information about the Company as an individual undertaking and not about its Group.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements:

a) Investment in subsidiary undertakings and impairment review

Investments in subsidiary undertakings where the Company has control are stated at cost less any provision for impairment. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

b) Share-based payments

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

In accordance with UITF 44, when the Company grants options over equity instruments directly to the employees of a subsidiary undertaking, the effect of the share-based payment, as calculated in accordance with FRS 20, is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity.

c) Taxation

Corporation taxes are recorded on taxable profits at the current rate.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the reporting date, except as required by FRS19 – Deferred Taxation.

Deferred tax is measured at the rates that are expected to apply in the period when the timing differences are expected to reverse, based on the tax rates and law enacted or substantially enacted at the reporting date.

Deferred tax assets are only recognised to the extent that the company is certain that there will be sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

d) Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are charged/credited to the profit and loss account.

e) Leases and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

3. Profit attributable to members of the parent Company

As permitted by s408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The profit dealt with in the financial statements of the parent Company was £60,000 (2013: profit – £47,000).

The current and former auditors' remuneration in respect of audit services provided to the Company is disclosed in note 7 of the Notes to the Consolidated Financial Statements of the Group.

4. Directors' remuneration

Details of Directors' remuneration are disclosed in note 8 to the Consolidated Financial Statements of the Group.

Notes to the Parent Company Balance Sheet continued
for the year ended 31 December 2014

5. Prior year adjustment
In reviewing the treatment of the accounting for share premium on acquisition of the Italian business in the current year, the Directors have aligned the prior year accounting for share premium that related to the Company's investment in Venture Life Limited in 2010. The changes that result from this are a reduction in the Company's investment in subsidiary undertakings and a reduction in share premium. As at 31 December 2013 the adjustment resulted in an increase in the Merger reserve of £50,000, a decrease in the Share premium account of £262,000 and a decrease in Investments of £212,000.

6. Investments

	Investments in subsidiary undertakings Shares £'000	Loan £'000	Capital contributions from share-based payments £'000	Other investments £'000	Total £'000
Cost					
At 1 January 2013	263	–	41	–	304
Additions	–	390	230	31	651
	263	390	271	31	955
	(212)	–	–	–	(212)
At 1 January 2014	51	390	271	31	743
Additions	12,942	–	–	–	12,942
Disposals	–	(390)	(3)	–	(393)
At 31 December 2014	**12,993**	**–**	**268**	**31**	**13,292**
Accumulated Impairment					
At 1 January 2013	–	–	–	–	–
Charge for the year	–	–	–	–	–
At 1 January 2014	–	–	–	–	–
Charged during the year	–	–	–	(31)	(31)
At 31 December 2014	**–**	**–**	**–**	**(31)**	**(31)**
Net book value					
At 31 December 2013	51	390	271	31	743
At 31 December 2014	**12,993**	**–**	**268**	**–**	**13,261**

Venture Life Group plc has four UK subsidiary undertakings, Venture Life Limited (Company number 07186207), Lubatti Limited (Company number 06704099), Tracey Malone Originals Limited (Company number 06703243) and Soffto Lubatti Limited (Company number 08203367), which are all incorporated in England. It also has one Italian subsidiary and one Swiss subsidiary.

Name of subsidiary	Class of holding	Proportion held directly	Location
Venture Life Limited	Ordinary	100%	UK
Lubatti Limited	Ordinary	100%	UK
Tracey Malone Originals Limited	Ordinary	100%	UK
Soffto Lubatti Limited (dormant)	Ordinary	100%	UK
Biokosmes Srl	Ordinary	100%	Italy
PermaPharm AG	Ordinary	100%	Switzerland

During 2014, the Directors reviewed the accounting treatment of the investments made by the Company in Lubatti Limited, its wholly-owned subsidiary and the holder of the rights to the Lubatti trademark. This followed the negotiations during 2014 and subsequent distribution agreement signed in January 2015 between the Group and Gialen, a Chinese skincare retailer, under which the Group, initially through Lubatti Limited, will be supplying Gialen with significant volumes of Lubatti branded product. In light of the expected value of this contract and the likelihood that Lubatti Limited will be in a position to repay loans previously advanced to it by the Company sooner than had been previously expected, the loans classified under Investments in 2013 have been reclassified as intercompany loans in the Company's balance sheet.

The other investment is made up of the acquisition of 33.57% holding in G2S Cosmetics SAS (company number B489533596) which is incorporated in France. The Company does not have any control over that company and is not able to exercise significant influence over its operations. In July 2014 the Directors had been advised by the management of G2S Cosmetics SAS that G2S Cosmetics SAS was likely to be declared insolvent, although efforts would be made to sell the company as a going concern. In January 2015, the Group sold its shareholding in G2S for €1 having determined that this represented the fair value of the shares. As a result of this the investment of £31,000 has been impaired in full at the reporting date.

Notes to the Parent Company Balance Sheet continued

for the year ended 31 December 2014

7. Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Other debtors	**68**	63
Prepayments and accrued income	**27**	730
	95	793
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	**8,374**	2,636
Aggregate amounts	**8,469**	3,429

8. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	**47**	248
Other taxation and social security costs	**2**	5
Directors' loans	**–**	4
Dividend payable	**–**	–
Accruals and deferred income	**117**	427
Convertible loan notes	**47**	50
Other payables	**64**	31
	277	765

9. Convertible loan notes

Pursuant to the acquisition of Biokosmes in March 2014, the Company issued to the vendors of Biokosmes convertible loan notes with a face value of €2.0 million and which paid an annual coupon of 3%. Under the terms of the loan notes, the loan notes are due to be repaid in full by the Company in July 2016. If the Company defaults on repayment then the loan note holders may elect to defer repayment of the loan notes or to receive a pre-determined number of new 0.3p shares in the Company.

	£'000
Fair value of loan notes at date of issue	1,641
Interest charged	23
Foreign exchange movements	(110)
Fair value of loan notes at 31 December 2014	1,554
Current element of loan note liability	47
Non-current element of loan note liability	1,507
	1,554

The interest expensed for the year is calculated by applying an effective interest rate of 3% from the date the loan notes were issued. The liability is measured at amortised cost.

10. Share capital

	2014 £'000	2013 £'000
Allotted, issued and fully paid:		
34,403,534 (2013: 16,961,424) Ordinary shares of 0.3p each	**103**	51

The Company has removed the Authorised Share capital from its Memorandum and Articles of Association as allowed by the Companies Act 2006.

Notes to the Parent Company Balance Sheet continued

for the year ended 31 December 2014

11. Reconciliation of movement in reserves

	Share premium £'000	Merger reserve £'000	Convertible loan note reserve £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2013	1,769	–	–	77	(6)	1,840
Profit for the year	–	–	–	–	47	47
Share-based payments	–	–	–	261		261
Issue of convertible loan notes	–	–	39	–	–	39
Issue of share capital	1,210	–	–	–	–	1,210
Issue of bonus shares	(49)	–	–	–	–	(49)
	2,930	–	39	338	41	3,348
Prior year adjustment	(262)	50	–	–	–	(212)
Balance at 31 December 2013	2,668	50	39	338	41	3,136
Profit for the year	–	–	–	–	60	60
Share-based payments	–	–	–	130	–	130
Issue of share capital	10,137	7,606	(39)	(150)	–	17,554
IPO and other fund-raising costs recognised through equity	(979)	–	–	–	–	(979)
Dividends	–	–	–	–	(12)	(12)
Balance at 31 December 2014	**11,826**	**7,656**	**–**	**318**	**89**	**19,889**

12. Reconciliation of shareholders' funds

	2014 £'000	2013 £'000 As restated
Profit for the year	**60**	47
Share-based payments	**130**	261
Issue of convertible loan notes	**–**	39
Issue of ordinary share capital	**16,627**	1,211
Dividends paid	**(12)**	–
Increase in shareholders' funds for the year	**16,805**	1,558
Opening shareholders' funds	**3,187**	1,629
Closing shareholders' funds	**19,992**	3,187

13. Post balance sheet events

In January 2015 the Group disposed of its investment in the company G2S. The investment was fully provided for during 2014. There were no other events after the balance sheet date.

Shareholder Information

Company contact details and registered office
Venture House
2 Arlington Square
Bracknell
Berkshire
RG12 1WA

Company Secretary
James Hunter

Incorporated and registered in England and Wales with No. 05651130

Website
Further information on the Group can be found on our website at www.venture-life.com

Share price information
The latest Venture Life share price can be obtained via a number of financial information websites.
Venture Life's London stock exchange code is VLG.

Shareholder enquiries
Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's registrars:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone: 0870 162 3100
(Calls cost 10p/minute plus network extras. Lines are open 8.30am-5.30pm Mon-Fri. If calling from outside the UK please dial: +44 (0)20 8639 3399)

Investor relations
Any shareholders with enquiries regarding the Group are welcome to contact James Hunter on +44 (0)1344 742 870. Alternatively, they can e-mail their enquiry to ir@venture-life.com.

Copies of this report are being sent to all shareholders. Copies are also available at the registered office of the Company, Venture House, Arlington Square, Bracknell, Berkshire RG12 1WA.

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Venture
Life
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Venture Life Group plc
Venture House
2 Arlington Square
Bracknell
Berkshire
RG12 1WA

T +44 (0) 1344 742 870
E info@venture-life.com
W www.venture-life.com