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Venn Life Sciences
Think Research

Venn Life Sciences Holdings Plc

Annual Report 2017

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Venn Life Sciences Holdings Plc

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Venn Life Sciences Holdings Plc

Company Information

Directors:	Allan Wood (Chairman) Anthony Richardson (Chief Executive Officer) Christian Milla (Chief Operating Officer) Michael Ryan (Non-Executive Director) Mary Sheahan (Non-Executive Director)
Company Secretary:	Anthony Richardson BPE Secretaries Limited
Registered office:	1 Berkeley Street, London, W1J 8DJ
Head office:	19 Railway Road Dalkey Dublin, Ireland
Place of incorporation:	England and Wales (Company number – 07514939)
Auditors:	Jeffreys Henry LLP Finsgate 5 – 7 Cranwood Street London EC1V 9EE
Nominated Advisor and Co-broker:	Davy Davy House 49 Dawson Street Dublin 2
Co-broker	Hybridan LLP 20 Ironmonger Lane London EC2V 8EP
Solicitors to the Company:	BPE Solicitors LLP St James' House St James' Square Cheltenham GL50 3PR
Registrars:	SLC Registrars Limited 42 – 50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Bankers:	Ulster Bank Victoria Square 11 – 16 Donegall Square East Belfast, BT1 5UB
Public relations:	Walbrook PR Limited 4 Lombard Street London EC3V 9HD
Website:	www.vennlifesciences.com

Venn Life Sciences Holdings Plc

Chairman's Statement

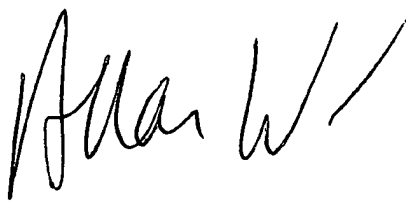
For the year ended 31 December 2017

Dear Fellow Shareholder,

I am pleased to report that 2017 has been another year of progress for Venn, delivering improved EBITDA and a differentiated positioning for the business that we believe will drive sustainable order book growth. The completion of certain key integration initiatives during 2017 has delivered a strong common identity across all service lines and facilitated the generation of new opportunities utilising the full spectrum of services on offer in Venn. We continue to invest in knowledge development in order to increase our value-add for clients and secure longer lasting relationships.

We have underpinned our initiatives on integration and business positioning with a significant investment in business development and marketing, adding experienced new business professionals with proven track records and supporting them with additional lead generation resources. Our plan includes the broadening of our revenue base and delivering a better-balanced book of business. I am pleased to report that we are making progress in this regard with the progression of certain smaller accounts to key account status.

During the year we completed a strategic review of growth options for the business and concluded that it makes sense to better leverage the infrastructure we have, through delivering both organic and inorganic business growth. We will look at inorganic opportunities that extend both our footprint and service lines, consistent with our objective of positioning the business as full service and full coverage in Europe.



Allan Wood
Chairman

5 June 2018

Venn Life Sciences Holdings Plc

Chief Executive's Statement For the year ended 31 December 2017

Dear Fellow Shareholder,

Results and Commentary

Total income for the full year was €17.8m (2016: €18.2m). The revenue mix remained similar year on year across the two principal service lines in the business. Early Development Services (EDS) delivered revenues of €6m and Clinical Research Services (CRS) delivered revenues of €11.8m. EBITDA before exceptional charges was €1.0m (2016: €0.4m). Improved EDBITDA was driven principally by greater operational efficiency resulting in improved project margins. We expect that increased billable resources and continued improvements in operational efficiency will drive further growth in EBITDA during 2018. Exceptional charges have been minimised at €0.03m (2016: €0.1m). The consolidated balance sheet as at 31 December 2017 had gross assets of €12.2m (2016: €14.7m), €1.2m (2016: €3.5m) of which was represented by cash and cash equivalents.

Group operating profit for the year was €0.1m (2016: loss €0.6m). Loss after tax was €1.5m (2016: Loss €0.7m) accounted for by our share of losses in Integumen plc and a write down to market value in the carrying value of our investment. The combined share of losses and investment write down was €1.7m (2016: €0.36m). In future periods we will mark this investment to market.

We continue to see benefits and opportunities from the integration of EDS and CRS and have secured projects spanning all service areas of the business. We have strengthened our business development team and now have a fully integrated offering with a common Venn identity.

We are focussed on deepening our connections and engagement with our clients offering higher value adding consulting in the early days of the engagement resulting in committed, longer lasting relationships. There are clear opportunities with a number of clients to develop a genuine partner relationship. In recent months we have participated in consortia focussed on collaborative drug development initiatives. This approach supports an innovative business model moving from transactional relations with our clients to R&D partnerships supported by our unique drug development capabilities.



Anthony Richardson
Chief Executive Officer

5 June 2018

Venn Life Sciences Holdings Plc

The Board

Anthony Richardson, Chairman and Chief Executive Officer (aged 53)

Tony Richardson is a Fellow of the Association of Chartered Certified Accountants. He co-founded Alltracel Pharmaceuticals Plc in 1996 and acted as CFO for the company until 2004 at which stage he assumed the role of CEO. During his tenure as CEO Alltracel headcount increased from twenty to two hundred and fifty and revenues increased from €3 million to €33 million. Alltracel listed on AIM in 2001 and successfully used this platform to complete and integrate two acquisitions in the area of Oral Health before a trade sale in 2008 to Hemcon Medical Technologies Inc. Tony joined Venn Life Sciences in 2007 as Non-Executive Chairman. In 2010 he assumed the role of CEO and in that year Venn completed two acquisitions that provided the basis for the current business. He is an alumnus of Stanford University where he completed an executive program in Leadership for Growth.

Michael Ryan, Non-Executive Director (aged 60)

Mike has a B.Eng. (Hons), Master Industrial Eng. (1st Hons), spent 7 years working with major OEMs in Ireland and has 4 years' experience with the Irish Trade Board. He was a founding partner and major shareholder in Excal AB from 2000 until 2011. Mike headed a group of investors who bought Artema Medical AB in Stockholm, the global leaders in the development, supply and marketing of medical breathing gas analysers and related accessories. Mike is on the board of a number of other companies and in 2010 co-founded Irrus Investments, the first angel investment syndicate in Ireland. Mike is currently a shareholder and CEO of Sedana Medical AB, a Swedish med-tech company.

Allan Wood, Chairman (aged 54)

Allan Wood, aged 52, was previously Managing Director of Xansa Plc, an outsourcer of business processing solutions. Since then he has held a number of positions as a Non-Executive Director and Chairman of multiple companies across a variety of industries where he has acquired a broad range of business skills. Allan is a seasoned Healthcare Chairman and has chaired the board of 5 healthcare and 8 venture/private equity backed companies, culminating in 8 successful exits. Allan has broad expertise in urgent & primary healthcare, care at home & care homes, as well as direct experience partnering with NHS and Life Science Majors.

Mary Sheahan, Non-Executive Director (aged 45)

Mary is a senior leader with over 20 years of experience working with multinational, publicly-listed biopharmaceutical companies at operational and Executive Committee level. Mary was Senior Vice President of Global Integration and Country Manager for Ireland with NYSE-listed Perrigo Company plc, a leading global healthcare supplier. In this role, she was responsible for the integration of the \$4.5 billion acquisition of a leading European OTC Healthcare Company with operations in 35 countries. Prior to Perrigo Mary led various functions at Elan Corporation, plc in Finance, Tax and Treasury, and most recently was Executive Vice President and Group Head of Human Resources, Information Technology, Facilities & Portfolio Assessment Management. Mary started her career as an accountant in the audit department of KPMG. Mary holds Bachelor of Commerce and Master in Accountancy degrees from University College Dublin and is a Fellow of Chartered Accountants Ireland.

Christian Milla, Non-Executive Director (aged 55)

Christian Milla holds a PhD in Neuropharmacology from the University of Paris and has more than 20 years' experience in the Drug Development and Clinical Trials Industry. Christian has also contributed to the foundation and development of several innovative start-up companies in the healthcare area. He joined Venn from Oncodesign Biotechnology, a leader in preclinical evaluations for anticancer, based in France, where he was Chief Operating Officer. He was also a Board member of Croomsources, a provider of outsourced services to the pharmaceutical, biotechnology and medical device industries. From 2004 until 2007 Christian was CEO of OSMO Accovion SA, a niche Oncology Site Management and CRO. Prior to this, he held roles with Parexel, Staticon International and Abbott Laboratories.

Venn Life Sciences Holdings Plc

Strategic Report

For the year ended 31 December 2017

Review of the business

A comprehensive review of the year is given in the Chairman and Chief Executive's Statements on pages 2 and 3.

Principal risks and uncertainties

The Directors continually identify, monitor and manage the risks and uncertainties of the Group. Risk is inherent in all businesses. Set out below are certain risk factors which could have an impact on the Group's long-term performance and mitigating factors adopted to alleviate these risks. This list does not purport to be an exhaustive summary of the risks affecting the Group.

Management and employees

The Group's future success will be dependent on key employees and their on-going relationships with customers. It is believed that the Group is of a size that the departure of no one individual represents a significant risk to the Group. The Group also encourages customer contacts to be maintained by more than one individual. Key employees are incentivised through a mixture of sales commission and profit related bonuses. Main Board Directors are incentivised as detailed in the Directors' Remuneration Report.

Political risk

The Group's strategy of establishing itself across European countries could potentially have an effect if there is any political instability in those countries.

Regulatory risk

There can be no guarantee that any of the Group's services will be able to obtain or maintain the necessary regulatory approvals in any or all of the territories in respect of which applications for such approvals are made. Where regulatory approvals are obtained, there can be no guarantee that the conditions attached to such approvals will not be considered too onerous by the Group or its partners in order to be able to market their products effectively. The Group seeks to reduce this risk by developing products using safe, well-characterised active compounds with known risk profiles, by seeking advice from regulatory advisers, consultations with regulatory approval bodies and by working with experienced distribution partners.

Competition risk

The Group's current and future potential competitors include, amongst others, major multinational pharmaceutical and healthcare companies with substantially greater resources than those of the Group. There can be no assurance that competitors will not succeed in developing systems and products that are more effective or economic than any of those developed by the Group, with its partners, or which would render the partners' products obsolete or otherwise non-competitive. The Group seeks to reduce this risk by ensuring that a professional and better standard service is provided to its partners for registering their products, maintaining confidentiality agreements and selecting leading businesses in their respective fields as partners capable of addressing significant competition, should it arise.

Effect of foreign currency

The Group in general does not hedge the foreign currency risk arising from sales by an operation denominated in a currency other than its functional currency. In most cases substantial deposits on such sales are received at the time of the order and the remaining balances are, to a large extent, matched by overseas costs. In respect of the translation of foreign currency assets, where these are significant, the Group endeavours to match the amount of foreign currency assets by funding overseas operations through financing denominated in the local currency.

Financial risk management

The Group has instigated certain financial risk management policies and procedures which are set out in note 3 to the financial statements.

Future outlook

The Chairman's and Chief Executive's Statements on pages 2 and 3 gives information on the future outlook of the Group.

Key Performance Indicators (KPIs)

The key performance indicators currently used by the Group are revenue, adjusted EBITDA and cash resources. The Group intends to establish other key performance indicators in due course once the Group has matured sufficiently. The Group does not use and does not at present intend to use non-financial key performance indicators. The KPIs are disclosed on the Chief Executive's Statement on page 3.

Venn Life Sciences Holdings Plc

Strategic Report (Continued)

For the year ended 31 December 2017

Review of strategy and business model

The Board of Directors judge the Group's financial performance by reference to the internal budget which it establishes at the beginning of each financial year.

Venn's strategy is to create a mid-sized clinical research organisation (CRO) in Europe. The strategy involves combining a number of small European CROs to build a mid-sized CRO focussed on the European market, offering customers a full service, multi-centred capability in Phase II – IV trials and across a range of principle disease areas. Conducting trials across Europe is challenging for any customers due to linguistics, cultural, logistical and regulatory differences. Venn Group is perfectly positioned to deal with these differences.

The acquisition of Kinesis Pharma BV in October 2016 highly differentiates Venn within the CRO market as it can now offer services from pre-clinical and early clinical evaluation through to Phase IV. This deepens its service capability and enables Venn to offer a complete end-to-end service.

In addition, the Group will benefit from better, more professional and central management in bringing synergies and contacts to the larger group.

Environment

The Directors consider that the nature of the Group's activities is not inherently detrimental to the environment.

Employees

The Group places value on the involvement of its employees and they are regularly briefed on the Group's activities. The Group closely monitors staff attrition rates which it seeks to maintain at current low levels and aims to structure staff compensation levels at competitive rates in order to attract and retain high calibre personnel.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the specific aptitudes of the applicant involved. It is the policy of the Group that the training, career development and promotion of disabled persons, as far as possible, be identical with that of other employees.

Social, community, and human rights

The Board recognises that the Group has a duty to be a good corporate citizen and to respect the laws, and where appropriate the customs and culture of the territories in which it operates. It contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices.

The Strategic Report was approved by the Board on 5 June 2018 and signed on its behalf by:



Anthony Richardson
Chief Executive Officer

Venn Life Sciences Holdings Plc

Report of the Directors

For the year ended 31 December 2017

The Directors have pleasure in submitting this report together with the audited financial statements of Venn Life Sciences Holdings Plc for the year ended 31 December 2017.

Directors

The Directors who held office during the year and as at the date of signing the financial statements were as follows:

Anthony Richardson

Michael Ryan

Allan Wood

Mary Sheahan

Cornelis Groen (Resigned 22 March 2017)

Paul Kennedy (Resigned 5 April 2017)

Gracielle Beijerbacht-Schutjens (Resigned 16 August 2017)

Christian Milla (Appointed 16 August 2017)

Jonathan Hartshorn (Resigned 21 March 2018)

Principal activities

The principal activity of the Group continued to be that of a Clinical Research Organisation (CRO) providing a suite of consulting and clinical trial services to pharmaceutical, biotechnology and medical device organisations.

Dividends

There were no dividends paid or proposed by the Company in either year.

Going concern

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results which show, taking into account reasonably probable changes in financial performance that the Group should be able to operate within the level of its current funding arrangements.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of preparation for its consolidated financial statements.

Creditors' payment policy

It is the policy of the Group to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individual negotiated contracts) and for payment to be made in accordance with these terms provided the supplier has complied with its obligations. The average number of day's credit taken by the Group as at 31 December 2017 was 59 days (2016 - 47 days).

Directors' interests

The interests of those Directors serving at 31 December 2017 and as at the date of signing of these financial statements, all of which are beneficial, in the share capital of the Company were as follows:

	On 31 December 2017 Ordinary Shares of 0.1p each	On 1 January 2017 Ordinary Shares of 0.1p each or on appointment if later
Anthony Richardson	621,667	621,667
Michael Ryan	158,859	158,859
Paul Kennedy	480,035	480,035
Jonathan Hartshorn	44,685	44,685
Allan Wood	230,000	230,000

Venn Life Sciences Holdings Plc

Report of the Directors (continued) For the year ended 31 December 2017

Substantial shareholdings

As at 30 April, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

Shareholder	Number of shares	Percentage of issued share capital
CHASE NOMINEES Ltd.	13,081,337	21.60%
MEZZANINE VENTURES BV	4,780,320	7.89%
FERLIM NOMINEES Ltd.	4,539,907	7.50%
BNY /OCS/ NOMINEES LIMITED	2,660,460	4.39%
SHARE NOMINEES LIMITED	2,214,226	3.66%

Post balance sheet events

The following events have taken place since the year end:

- (a) On 21 March 2018 the Board accepted the resignation of Jonathan Hartshorn from his Executive Directorship of the Company.
- (b) An additional 11.03% of the shares in Venn Life Sciences (France) S.A.S was purchased with effect from 1 January 2018, bringing the total proportion of shares held in that company to 100%. 277,550 Shares in Venn Life Sciences Holdings Plc were issued in consideration for the purchase.
- (c) The percentage holding in Integumen PLC fell from 22.19% to 18.89% on 6 January 2018 as a result of Integumen PLC issuing new shares.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Company and the Group 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 Company's website (www.vennlifesciences.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' liability insurance

The Company has entered into deeds of indemnity for the benefit of each Director of the Company in respect of liabilities to which they may become liable in their capacity as Director of the Company and of any Company in the Group. Those indemnities are qualifying third party indemnity provisions for the purposes of Section 234 of the Companies Act 2006 and have been in force during the whole of the financial year and up to the date of approval of the financial statements.

Auditors

Jeffreys Henry LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Venn Life Sciences Holdings Plc

Report of the Directors (continued) For the year ended 31 December 2017

Disclosure of information to the Auditors

The Directors who hold office at the date of approval of this report confirm that so far as they are each aware, there is no relevant audit information of which the group and Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make him aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The resolutions to be proposed at the forthcoming Annual General Meeting are set out in the formal notice of the meeting, as set out on page 54.

Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and it is unanimously recommended that shareholders support these proposals as the Board intends to do in respect of their own holdings.

The Directors' report was approved by the Board on 5 June 2018 and signed on its behalf by.



Anthony Richardson
Chief Executive Officer

Venn Life Sciences Holdings Plc

Corporate Governance Statement For the year ended 31 December 2017

Compliance

The Directors recognise the value of the principles of the UK Corporate Governance Code (the Code). Although, as an AIM Company, compliance with the Code is not required.

The following statement describes how the Group seeks to address the principles underlying the Code where practicable and appropriate for a company of this size.

Board composition and responsibility

The Board currently comprises a non-executive Chairman, two executive Directors and two non-executive Directors. The Board notes that the Combined Code guidance recommends that at least half the Board should comprise independent non-executive Directors. The Board has determined that Allan Wood, Mary Sheahan and Michael Ryan are independent in character and judgement and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement. The Board is satisfied with the balance between executive and non-executive Directors which allows it to exercise objectivity in decision making and proper control of the Group's business. The Board considers this composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between executives and non-executives.

All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and are subject to re-election at least every three years. Non-executive Directors are appointed for a specific term of office which provides for their removal in certain circumstances, including under section 168 of the Companies Act 2006. The Board does not automatically re-nominate non-executive Directors for election by shareholders. The terms of appointment of the non-executive Directors can be obtained by request to the Company Secretary.

The Board's primary objective is to focus on adding value to the assets of the Group by identifying and assessing business opportunities and ensuring that potential risks are identified, monitored and controlled. Matters reserved for Board decisions include strategic long-term objectives and capital structure of major transactions. There is a division of responsibilities between the Non-Executive Chairman, who is responsible for the overall strategy of the Group, and the CEO, who is responsible for implementing the strategy and day to day running of the Group. He is assisted by the COO and CFO.

Board meetings

8 Board meetings were held during the year. The Directors' attendance record during the year is as follows:

Anthony Richardson (Chief Executive Officer)	8
Allan Wood (Chairman)	8
Mary Sheahan (Non-Executive Director)	8
Jonathan Hartshorn (Chief Financial Officer) – Resigned 21 March 2018	8
Michael Ryan (Non-Executive Director)	8
Gracielle Beijerbacht-Schutjens (Chief Operating Officer) – Resigned 16 August 2017	4
Paul Kennedy (Non-Executive Director) – Resigned 5 April 2017	2
Christian Milla (Chief Operating Officer) – Appointed 16 August 2017	2
Cornelis Groen (Executive Director) – Resigned 22 March 2017	0

Audit and Risk Committee

This comprises Mary Sheahan as Chairman and Allan Wood as the other member of the committee. Mary Sheahan is an independent Director and has recent and relevant finance experience. The principal duties of the committee are to review the half-yearly and annual financial statements before their submission to the Board and to consider any matters raised by the auditors. The Committee also reviews the independence and objectivity of the auditors. The terms of reference of the Committee reflect current best practice, including authority to:

- Recommend the appointment, re-appointment and removal of the external auditors;
- Ensure the objectivity and independence of the auditors including occasions when non-audit services are provided; and
- Ensure appropriate 'whistle-blowing' arrangements are in place.

Venn Life Sciences Holdings Plc

Corporate Governance Statement (continued)

For the year ended 31 December 2017

The Chairman may seek information from any employee of the Group and obtain external professional advice at the expense of the Company if considered necessary. Due to the relatively low number of personnel employed within the Group, the nature of the business and the current control and review systems in place, the Board has decided not to establish a separate internal audit department.

Remuneration Committee

The Company has established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding his own remuneration.

This committee comprises Allan Wood as Chairman and Mary Sheahan and Mike Ryan as the other members of the committee. The committee considers the employment and performance of individual executive Directors and determine their terms of service and remuneration. It also has authority to grant options under the Company's Executive Share Option Scheme. The Committee intends to meet at least twice a year.

Board appointments

The Nomination Committee comprises Tony Richardson as Chairman and Mike Ryan and Allan Wood as the other members of the committee. It identifies and nominates for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee intends to meet at least twice a year.

Internal control

The Directors are responsible for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that the assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, but not absolute, assurance with respect to the preparation of financial reporting and the safeguarding of assets.

The Group, in administering its business has put in place strict authorisation, approval and control levels within which senior management operates. These controls reflect the Group's organisational structure and business objectives. The control system includes clear lines of accountability and covers all areas of the organisation. The Board operates procedures which include an appropriate control environment through the definition of the above organisation structure and authority levels and the identification of the major business risks.

Internal financial reporting

The Directors are responsible for establishing and maintaining the Group's system of internal reporting and as such have put in place a framework of controls to ensure that the on-going financial performance is measured in a timely and correct manner and that risks are identified as early as is practicably possible. There is a comprehensive budgeting system and monthly management accounts are prepared which compare actual results against both the budget and the previous year. They are reviewed and approved by the Board, and revised forecasts are prepared on a regular basis.

Relations with shareholders

The Company reports to shareholders twice a year. The Company dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 days before the meeting. Each substantially separate issue is the subject of a separate resolution and all shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The Chairman of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their work. The Chairman advises the meeting of the details of proxy votes cast on each of the individual resolutions after they have been voted on in the meeting.

The Chairman and the non-executive Directors intend to maintain a good and continuing understanding of the objectives and views of the shareholders.

Corporate social responsibility

The Board recognises that it has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment, contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices.

Venn Life Sciences Holdings Plc

Report of the Remuneration Committee For the year ended 31 December 2017

Statement of compliance

This report sets out the Group policy on Directors' remuneration, including emoluments, benefits and other share-based awards made to each Director.

Policy on Executive Directors' remuneration

Remuneration packages are designed to motivate and retain executive Directors to ensure the continued development of the Company and to reward them for enhancing value to shareholders. The main elements of the remuneration package for executive Directors are basic salary or fees, performance related bonuses, benefits and share option incentives.

Directors' remuneration

The remuneration of the Directors for the year ended 31 December 2017 is shown below:

	2017 €'000	2016 €'000
Non-Executive Directors		
Michael Ryan	28	28
Paul Kennedy (Resigned March 2017)	7	26
Allan Wood	56	21
Mary Sheahan	28	8
	119	83
Executive Directors		
Anthony Richardson	236	237
Gracielle Beijerbacht-Schutjens (Resigned March 2018)	140	223
Jonathan Hartshorn (Resigned March 2018)	147	152
Cornelis Groen (Resigned 22 March 2017)	-	220
Christian Milla (Appointed August 2017)	91	-
	614	832
Total fees and emoluments	733	915

(1) Michael Ryan's remuneration was paid through the company Techscan Ireland Ltd.

Directors' share options

As at 31 December 2017 the following options had been granted:

Director	Date Granted	No. of Ordinary Shares under option
Tony Richardson	28/01/2015	910,000
	14/09/2017	2,340,000
		<u>3,250,000</u>
Jonathan Hartshorn	3/11/2015	770,000
Christian Milla	14/09/2017	770,000
Allan Wood	14/09/2017	550,000
Mary Sheahan	14/9/2017	200,000
Mike Ryan	14/9/2017	200,000

All stock options (new and existing) vest in equal thirds once the share price has reached 25p, 35p and 45p for 20 consecutive days.

Venn Life Sciences Holdings Plc

Independent auditor's report to the members of Venn Life Sciences Holdings Plc

Opinion

We have audited the financial statements of Venn Life Sciences Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2017 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006;

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Venn Life Sciences Holdings Plc

Independent auditor's report to the members of Venn Life Sciences Holdings Plc (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments, intangibles and financial assets – Group and Company The Group had intangible assets of €4,034,000 (2016: €4,499,000) at 31 December 2017. During the year there were net additions of €360,000 to intellectual property rights. The group had net assets of €8,755,000 (2016: €10,432,000) at 31 December 2017. The company had net assets of €16,400,000 (2016: €15,916,000) at 31 December 2017. The company had investments of €7,778,000 (2016: €7,908,000) at 31 December 2017.	Our audit procedures: - we tested the additions to intellectual property and checked that the conditions for capitalisation had been met; - where an impairment test was necessary, we audited management's assumptions and sensitivities; - we considered whether management had exercised any bias in assumptions used or the outputs produced in the forecasts prepared; - we performed an analytical review to compare the profitability of components and discussed the findings with management; - we considered whether components had the ability to finance and repay the debts incurred and to trade successfully in the future; - we performed analytical review procedures and understood any significant movements that were not consistent with our expectations; - we reviewed component auditor workings and carried out additional testing on high risk areas; - we reviewed the latest management accounts and considered the trading performance during the 2018 financial year.
Going concern assumption The Group is dependent upon its ability to generate sufficient cash flows to meet continued operational costs and hence continue trading. Due to the slim profit margins, foreign exchange risk continues to be a key risk which can affect results. The management of employee and contractor costs is also key to profitability of the group. The going concern assumptions is dependent on future growth of the current business. No future capital raises were being considered to maintain the business.	Our audit procedures: - obtained and reviewed the directors' assessment, including challenging the liquidity position; - agreeing the assumed cash flows to the business plan and walking through the business planning process and testing the central assumptions and external data; - auditing the key assumptions; - assessing the sensitivities of the underlying assumptions - comparing future cashflows with historical data

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follow

	Group financial statements	Company financial statements
Overall materiality	€150,000 (2016: €110,000).	€50,000 (2016: €60,000).
How we determined it	Based on the average of 1% of revenue, 10% of loss before tax and 1% of gross assets.	Based on the average of 10% of profit before tax and 1% of gross assets.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Company, and is a generally accepted auditing benchmark.

Venn Life Sciences Holdings Plc

Independent auditor's report to the members of Venn Life Sciences Holdings Plc (Cont'd)

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €5,500 and €130,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €5,000 (2016: €4,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 11 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Venn Life Sciences Holdings Plc, Venn Life Sciences Limited and Venn Life Sciences (Ireland) Limited, reporting units, which were individually financially significant and accounted for 48% of the Group's revenue and 0% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at the 11 reporting units.

The Group engagement team performed all audit procedures, with the exception of the audit of Venn Life Sciences (France) S.A.S. (France), Venn Life Sciences (Germany) GmbH (Germany) and Venn Life Sciences (EDS) B.V. (Netherlands). These components were audited by component auditors and we reviewed and controlled the audit work undertaken in those components.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Venn Life Sciences Holdings Plc

Independent auditor's report to the members of Venn Life Sciences Holdings Plc (Cont'd)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

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.

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Sachin Ramaiya (Senior Statutory Auditor)

For and on behalf of

Jeffreys Henry LLP (Statutory Auditor)

Finsgate

5-7 Cranwood Street,

London EC1V 9EE

5 June 2018

Venn Life Sciences Holdings Plc

Consolidated Statement of Comprehensive Income For the year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Continuing operations			
Revenue	5	17,405	17,909
Direct Project and Administrative Costs	6	(17,763)	(18,805)
Other operating income	36	410	335
Operating profit/(loss)		52	(561)
Depreciation	6,16	(99)	(133)
Amortisation	6,17	(792)	(689)
Exceptional items	7	(25)	(125)
EBITDA before exceptional items	5	968	386
Finance income	12	-	12
Finance costs	12	-	-
Impairment of Financial Asset Investments	18b	(874)	-
Share of loss of associate accounted for using the equity method	18b	(843)	(364)
(Loss) before income tax		(1,665)	(913)
Income tax credit	13	127	169
(Loss) for the year from continuing operations		(1,538)	(744)
Discontinued operations			
Profit for the year from discontinued operations		-	1,295
(Loss)/Profit for the year		(1,538)	551
(Loss)/Profit for the year is attributable to:			
Owners of the parent		(1,538)	570
Non-controlling interests		-	(19)
		(1,538)	551
Other comprehensive income			
Currency translation differences		(139)	(36)
Total comprehensive (loss)/gain for the year		(1,677)	515
Total comprehensive (loss)/gain for the year is attributable to:			
Owners of the parent		(1,677)	534
Non-controlling interests		-	(19)
		(1,677)	515
Total comprehensive (loss)/gain for the year attributable to owners of the parent arises from:			
Continuing operations		(1,677)	(761)
Discontinued operations		-	1,295
		(1,677)	534

Venn Life Sciences Holdings Plc

Consolidated Statement of Comprehensive Income (continued) For the year ended 31 December 2017

Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year			
Basic (loss)/profit per ordinary share			
From continuing operations	14	(2.78c)	(1.26c)
From discontinued operations	14	-	2.14c
From (loss)/profit for the year	14	(2.78c)	0.88c
Diluted (loss)/profit per ordinary share			
From continuing operations	14	(2.56c)	(1.19c)
From discontinued operations	14	-	2.02c
From (loss)/profit for the year	14	(2.56c)	0.83c

The notes on pages 22 to 53 are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement account.

The profit for the parent Company for the year was €483,000 (2016 – profit of €527,000).

Venn Life Sciences Holdings Plc

Consolidated and Company's Statement of Financial Position

As at 31 December 2017

	Notes	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Assets					
Non-current assets					
Property, plant and equipment	16	312	191	-	-
Intangible assets	17	4,034	4,499	-	-
Investments in subsidiaries	18	-	-	7,778	7,908
Assets held for sale	18	680	2,007	-	-
Investments	20	31	31	31	31
Total non-current assets		5,057	6,728	7,809	7,939
Current assets					
Trade and other receivables	21	5,874	4,402	8,960	8,664
Income tax recoverable		107	43	-	-
Cash and cash equivalents	22	1,175	3,541	15	206
Total current assets		7,156	7,986	8,975	8,870
Total assets		12,213	14,714	16,784	16,809
Equity attributable to owners					
Share capital	26	155	155	155	155
Share premium account	27	14,026	14,026	14,026	14,026
Group re-organisation reserve	29	(541)	(541)	-	-
Merger relief reserve	29	-	-	3,531	3,531
Reverse acquisition reserve	29	45	45	-	-
Foreign currency reserves	29	(126)	13	-	-
Share option reserve	35	-	28	-	28
Retained earnings	28	(4,804)	(3,294)	(1,312)	(1,824)
		8,755	10,432	16,400	15,916
Non-controlling interest		-	-	-	-
Total equity		8,755	10,432	16,400	15,916
Liabilities					
Non-current liabilities					
Borrowings	25	-	25	-	-
Total non-current liabilities		-	25	-	-
Current liabilities					
Trade and other payables	23	2,999	3,661	384	893
Deferred taxation	24	434	561	-	-
Borrowings	25	25	35	-	-
Total current liabilities		3,458	4,257	384	893
Total liabilities		3,458	4,282	384	893
Total equity and liabilities		12,213	14,714	16,784	16,809

The notes on pages 22 to 53 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 5 June 2018.



Anthony Richardson
Chief Executive Officer

Venn Life Sciences Holdings Plc
Registered no: 07514939

Venn Life Sciences Holdings Plc

Consolidated and Company's Statement of Cash Flows For the year ended 31 December 2017

	Notes	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Cash Flow from operating activities					
Continuing operations					
Cash used in operations	30	(1,282)	(219)	(321)	(377)
Interest paid		-	-	-	-
Income tax received/(paid)		(64)	38	-	-
Net cash used in operating activities		(1,346)	(181)	(321)	(377)
Cash flow from investing activities					
Investment in Associate		(465)	-	-	-
Purchase of Intellectual Property		(327)	-	(7)	-
Exceptional Costs		-	(79)	-	-
Refund of Escrow		-	-	137	-
Purchase of property, plant and equipment		(193)	-	-	-
Interest received		-	12	-	-
Net cash used in investing activities		(985)	(67)	130	-
Cash flow from financing activities					
Proceeds from issuance of ordinary shares & options	26,27,35	-	15	-	30
Repayments on borrowings		(35)	(27)	-	-
Net cash generated by financing activities		(35)	(12)	-	30
Net (decrease) in cash and cash equivalents		(2,366)	(260)	(191)	(347)
Cash and cash equivalents at beginning of year		3,541	3,798	206	554
Exchange losses on cash and cash equivalents		-	3	-	(1)
Cash and cash equivalents at end of year	22	1,175	3,541	15	206

Venn Life Sciences Holdings Plc

Consolidated and Company's Statement of Changes in Shareholders' Equity

Group

	Share capital €'000	Share premium €'000	Re-organisation & Reverse acquisition reserve €'000	Share Option reserve €'000	Foreign currency reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total €'000
At 1 January 2016	155	14,011	(496)	13	49	(3,864)	9,868	19	9,887
Changes in equity for the year ended 31 December 2016									
Profit/ (Loss) for the year	-	-	-	-	-	570	570	(19)	551
Currency translation differences	-	-	-	-	(36)	-	(36)	-	(36)
Total comprehensive profit / (loss) for the year	-	-	-	-	(36)	570	534	(19)	515
Transactions with the owners									
Shares issued	-	15	-	-	-	-	15	-	15
Options issued	-	-	-	15	-	-	15	-	15
Total contributions by and distributions to owners	-	15	-	15	-	-	30	-	30
At 31 December 2016	155	14,026	(496)	28	13	(3,294)	10,432	-	10,432
Changes in equity for the year ended 31 December 2017									
(Loss) for the year	-	-	-	-	-	(1,538)	(1,538)	-	(1,538)
Currency translation differences	-	-	-	-	(139)	-	(139)	-	(139)
Total comprehensive profit / (loss) for the year	-	-	-	-	(139)	(1,538)	(1,677)	-	(1,677)
Transactions with the owners									
Shares issued	-	-	-	-	-	-	-	-	-
Share option provision reversed	-	-	-	(28)	-	28	-	-	-
Total contributions by and distributions to owners	-	-	-	(28)	-	28	-	-	-
At 31 December 2017	155	14,026	(496)	-	(126)	(4,804)	8,755	-	8,755

Company

	Share capital €'000	Share premium €'000	Share Option reserve €'000	Merger relief reserve €'000	Retained earnings €'000	Total €'000
As at 1 January 2016	155	14,011	13	3,531	(2,351)	15,359
Changes in equity for the year ended 31 December 2016						
Total comprehensive gain for the year	-	-	-	-	527	527
Issued in year	-	15	15	-	-	30
At 31 December 2016	155	14,026	28	3,531	(1,824)	15,916
Changes in equity for the year ended 31 December 2017						
Total comprehensive gain for the year	-	-	-	-	484	484
Share option provision reversed	-	-	(28)	-	28	-
At 31 December 2017	155	14,026	-	3,531	(1,312)	16,400

Venn Life Sciences Holdings Plc

Notes to the Financial Statements For the year ended 31 December 2017

1. General information

Venn Life Sciences Holdings Plc is a company incorporated in England and Wales. The Company is a public limited company listed on the AIM market of the London Stock Exchange. On 18 January 2016, the company also listed on the ESM market of the Irish Stock Exchange. The address of the registered office is 1 Berkeley Street, London, W1J 8DJ.

The principal activity of the Group is that of a Clinical Research Organisation providing a suite of consulting and clinical trial services to pharmaceutical, biotechnology and medical device organisations. The Group has a presence in the UK, Ireland, France, Netherlands, Germany and Singapore.

The financial statements are presented in Euros, the currency of the primary economic environment in which the Group's trading companies operate. The Group comprises Venn Life Sciences Holdings Plc and its subsidiary companies as set out in note 18.

The registered number of the Company is 07514939.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied throughout the year, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Venn Life Sciences Holdings Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. Practice is continuing to evolve on the application and interpretations of IFRS.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

The changes to new standards for the current period and effective from 1 January 2017 include:

IAS 7 Statement of Cash Flows (amendment)

IAS 12 Income Taxes

2015 Amendments to IFRS for SMEs

Improvements to IFRSs Annual Improvements 2012-14 Cycle

Improvements to IFRSs Annual Improvements 2014-16 Cycle: Amendments to IFRS 12

New standards and amendments to IFRSs effective as of 1 January 2017 have been reviewed by the Group and there has been no material impact on the financial statements as a result of these standards and amendment. The Group has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

Standards issued but not yet effective

There were a number of standards and interpretations which were in issue at 31 December 2017 but were not effective at 31 December 2017 and have not been adopted for these Financial Statements. IFRS 16, Leases, was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17, Leases, and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The standard has yet to be endorsed by the EU. The adoption of IFRS 16 is not expected to have a significant impact on the Group's net results or net assets, although the full impact will be subject to further assessment. The new standards will not be early adopted by the Group and will be incorporated in the preparation of the Group Financial Statements from the effective dates noted below.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements For the year ended 31 December 2017

2. Summary of significant accounting policies (Cont'd)

The new standards include:

IFRS 2 Share-based Payment¹

IFRS 4 Insurance Contracts¹

IFRS 9 Financial Instruments^{1,2}

IFRS 15 Revenue from Contracts with Customers¹

IFRS 16 Leases²

IFRS 17 Insurance Contracts³

IAS 19 Employee Benefits (amendment)²

IAS 28 Investment in associates and joint ventures (amendment)^{1,2}

IAS 40 Transfer of Investment Property (amendment)¹

IFRIC 22 Foreign Currency transactions and Advance Consideration¹

IFRIC 23 Uncertainty over Income Tax Treatments²

Improvements to IFRSs Annual Improvements 2014-2016 Cycle¹: Amendments to IFRS 1 and IAS 28

Improvements to IFRSs Annual Improvements 2015-2017 Cycle²: Amendments to 4 IFRSs

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

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.

Going concern

The Group meets its day-to-day working capital requirements through the use of cash reserves and existing bank facilities. The Group has maintained its liquidity profile through the year. The market in which the Group operates continues to show double digit growth and Venn believes it is well positioned to benefit from this. Capital infrastructure investments in the business are largely completed and with no debt to be serviced, the company anticipates a significant conversion from EBITDA to cashflow. The group has invested significantly in business development capability and developed a strong pipeline of new opportunities which will drive further growth.

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results which show, taking into account reasonably probable changes in financial performance that the Group should be able to operate within the level of its current funding arrangements.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, they have adopted the going concern basis in the preparation of the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary and associated undertakings. Subsidiaries are all entities over which the Group has the power to govern their financial and operating policies generally accompanying a shareholding of more than fifty per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the group's share of the profit or loss of the associate after the date of acquisition.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in thither comprehensive income with a corresponding adjustment in the carrying amount of the investment.

(a) Acquisition accounting

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

(b) Associates

Associates are all entities over which the group has significant influence but not control or joint control as defined under IAS28. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see equity method below), after initially being recognised at cost less any fair value adjustment.

Equity Method:

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in page 27.

(c) Group re-organisation

The Group re-organisation of common control transaction is scoped out under IFRS 3. The results of the Group and all of its subsidiary undertakings affected by the group re-organisation are accounted using the merger accounting method. The method of accounting for such business combination is treated to take place before the transition of IFRS. The investment is recorded at the nominal value of the shares issued, together with the fair value of any additional consideration paid.

Merged subsidiary undertakings are treated as if they had always been a member of the Group. This treatment is permitted under the exemption in IFRS 1 to not restate acquisitions before transition.

The corresponding figures for the previous period include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the company to acquire them is taken to reserves as re-organisation reserve.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

(d) Reverse acquisition accounting

The acquisition of Venn Life Sciences Limited and its subsidiaries by Venn Life Sciences Holdings Plc (formerly known as Armscote Investment Company Plc) on 14 December 2012 has been accounted using the principles of reverse acquisition accounting. Although the Group financial statements have been prepared in the name of the legal parent, Venn Life Sciences Holdings Plc, they are in substance a continuation of the consolidated financial statements of the legal subsidiary, Venn Life Sciences Limited. The following accounting treatment has been applied in respect of the reverse accounting:

The assets and liabilities of the legal subsidiary, Venn Life Sciences Limited are recognised and measured in the Group financial statements at the pre-combination carrying amounts, without restatement of fair value. The retained earnings and other equity balances recognised in the Group financial statements reflect the retained earnings and other equity balances of Venn Life Sciences Limited immediately before the business combination and the results of the period from 1 January 2012 to the date of the business combination are those of Venn Life Sciences Limited. However, the equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, Venn Life Sciences Holdings Plc, including the equity instruments issued in order to effect the business combination.

Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements 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 statements are presented in Euro, which is the functional and presentational currency of the main operating entities.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within 'administrative expenses', except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to its working condition for its intended use.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Any borrowing costs associated with qualifying property plant and equipment are capitalised and depreciated at the rate applicable to that asset category.

Depreciation on assets is calculated using the straight-line method or reducing balances method to allocate their cost to its residual values over their estimated useful lives, as follows:

Fixtures and fittings	20%–25%
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The assets' residual values and useful economic lives are reviewed regularly, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on the disposal of assets are determined by comparing the proceeds with the carrying amount and are recognised in administration expenses in the income statement.

Intangible assets

(a) Goodwill

Goodwill represents the excess amount of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired underlined businesses at the date of the acquisition. Goodwill on acquisitions of businesses is included in 'intangible assets'. In normal cases Goodwill has an indefinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Trade secrets

Trade secrets, including technical know-how, operating procedures, contact network, methods and processes, acquired in a business combination are recognised at fair value at the acquisition date. Trade secrets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trade secrets over their estimated useful lives of 10 years and is charged to administrative expenses in the income statement.

(c) Customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of 5 years and is charged to administrative expenses in the income statement.

(d) Workforce

Workforce acquired in a business combination are recognised at fair value at the acquisition date. The workforce has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 5 years and is charged to administrative expenses in the income statement.

(e) Intellectual property rights

Intellectual property rights relates to patents acquired by the Group. Amortisation is calculated using the straight-line method over the expected life of 10 years and is charged to administrative expenses in the income statement

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

Impairment of non-financial assets

Assets that have an indefinite life such as goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's 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 the money and the risks specific to the asset which the estimates of future cash flows have not been adjusted.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in the prior period. A reversal of an impairment loss is recognised in the income statement immediately. If goodwill is impaired however, no reversal of the impairment is recognised in the financial statements.

Financial assets

Classification

The Company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired and management determines the classification of its financial assets at initial recognition

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase the asset. Assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the risk and rewards of ownership have been transferred.

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Financial liabilities

Debt is measured at fair value, being net proceeds after deduction of directly attributable issue costs, with subsequent measurement at amortised cost. Debt issue costs are recognised in the income statement over the expected term of such instruments at a constant rate on the carrying amount.

Trade and other receivables

Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Trade receivables that are less than three months past due date are not considered impaired unless there are specific financial or commercial reasons that lead management to conclude that the customer will default. Older debts are considered to be impaired unless there is sufficient evidence to the contrary that they will be settled. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of less than three months, reduced by overdrafts to the extent that there is a right of offset against other cash balances.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above net of outstanding bank overdrafts.

Share capital

Ordinary Shares and Deferred shares are classified as equity. Proceeds in excess of the nominal value of shares issued are allocated to the share premium account and are also classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are deducted from the share premium account.

Merger relief reserve

The reserve represents a premium on the issue of the ordinary shares for the acquisition of subsidiary undertakings. The relief is only available to the issuing company securing at least a 90% equity holding in the acquired undertaking in pursuance of an arrangement providing for the allotment of equity shares in the issuing company on terms that the consideration for the shares allotted is to be provided by the issue to the issuing company of equity shares in the other company.

Group re-organisation reserve

On Group re-organisation the reserve represents a difference between the nominal value of the shares acquired by the acquiring company and those issued by the acquiring company in exchange.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed in the consolidated Group income statement under the heading 'finance costs'. Arrangement and facility fees together with bank charges are charged to the income statement under the heading 'administrative costs'.

Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income where the associated tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is disclosed in accordance with IFRS14 and recognised using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in respect of all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill in business combinations.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be sufficient taxable profits against which the future reversal of the underlying temporary differences can be deducted.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

The carrying value of the amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

Leases which transfer substantially all the risks and rewards of ownership of an asset are treated as a finance lease. Assets held under finance leases are capitalised at their fair value at the inception of the lease and depreciated over the estimated useful economic life of the asset or lease term if shorter. The finance charges are allocated to the income statement in proportion to the capital amount outstanding.

All other leases are classified as operating leases. Operating lease rentals are charged to the income statement in equal annual amounts over the lease term.

Employee benefits

Pension obligations

Group companies operate a pension scheme with defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity with the pension cost charged to the income statement as incurred. The Group has no further obligations once the contributions have been paid.

Revenue recognition

(a) Revenue from services to customers

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue represents the fees and commissions, net of discounts, derived from services provided to and invoiced to customers. Revenue is recognised in the period in which the service is performed, in accordance with contractual arrangements. Income billed in advance of the performance of service is deferred and income in respect of work carried out but not billed at the period end is accrued. In these cases, revenue is recognised by reference to the stage of completion which is measured by reference to labour hours incurred to the period end as a percentage of the total estimated labour hours for the contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(b) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(c) Royalty and license income

Royalty and license income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Exceptional items

These are items of an unusual or non-recurring nature incurred by the Group and include transactional costs and one-off items relating to business combinations, such as acquisition expenses.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and cash flow interest rate risk), credit risk, liquidity risk, capital risk and fair value risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by the head office finance team. It evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management whilst the head office finance team provides specific policy guidance for the operating units in terms of managing foreign exchange risk, credit risk and cash and liquidity management.

(a) Market risk

(i) Foreign exchange – cash flow risk

The Group's presentational currency is Euro although it operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily between Euro, USD and the GBP such that the Group's cash flows are affected by fluctuations in the rate of exchange between Euro and the aforementioned foreign currencies.

Management do not use derivative financial instruments to mitigate the impact of any residual foreign currency exposure not mitigated by the natural hedge within the business model. The Group does not speculate in foreign currencies and no operating Company is permitted to take unmatched positions in any foreign currency.

(ii) Foreign exchange – Fair value risk

Translation exposures that arise on converting the results of overseas subsidiaries are not hedged. Net assets held in foreign currencies are hedged wherever practical by matching borrowings in the same currency. The principal exchange rates used by the Group in translating overseas profits and net assets into Euro are set out in the table below.

Rate compared to Euro	Average rate 2017	Average rate 2016	Year end rate 2017	Year end rate 2016
GBP	0.88	0.82	0.89	0.85
US Dollar	1.13	1.11	1.20	1.05

As a guide to the sensitivity of the Group's results to movements in foreign currency exchange rates, a one cent movement in the GBP to Euro rate would impact annual earnings by approximately €1k due to natural hedging (2016 - €3,200).

(iii) Cash flow and fair value interest rate risk

The Group has assets in the form of cash and cash equivalents and limited interest-bearing liabilities which relate to long-term borrowing. Interest rates on cash and cash equivalents are currently zero whilst interest rates on borrowings have been fixed and therefore expose the Group to fair value interest rate risk. The Group does not speculate on future changes in interest rates.

Where overseas acquisitions are made, it is the Group's policy to arrange any borrowings required in local currency.

It is the Group's policy not to trade in derivative financial instruments. The Group does not use interest rate swaps.

(b) Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local subsidiary and operating business unit is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. It is the Group policy to obtain deposits from customers where possible, particularly overseas customers. In addition, the Group will seek confirmed letters of credit for the balances due. Credit risk is managed at the operating business unit level and monitored at the Group level to ensure adherence to Group policies. If there is no independent rating, local management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

(c) Liquidity risk

Cash flow forecasting is performed in the individual operating entities of the Group and is aggregated by Group finance. Group finance monitors cash and cash flow forecasts and it is the Group's liquidity risk management policy to maintain sufficient cash and available funding through an adequate amount of cash and cash equivalents and committed credit facilities from its bankers. Due to the dynamic nature of the underlying businesses, the head office finance team aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents available to fund the requirements of the Group.

The Group's policy in relation to the finance of its overseas operations requires that sufficient liquid funds be maintained in each of its territory subsidiaries to support short and medium-term operational plans. Where necessary, short-term funding is provided by the holding Company. In the UK, the working capital bank facility and the management of liquid funds in excess of operational needs are controlled centrally. Typically excess funds are placed as short-term deposits, to provide a balance between interest earnings and flexibility.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Less than one year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 31 December 2017:						
Borrowings	25	25	-	-	-	25
Trade and other payables	23	2,999	-	-	-	2,999
At 31 December 2016:						
Borrowings	25	35	25	-	-	60
Trade and other payables	23	3,661	-	-	-	3,661

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is the sum of net debt plus equity.

The Group is currently largely un-gearred, having net cash at 31 December 2017. It is the stated strategy of the Group to grow both organically and through acquisition with acquisitions to be funded through a mixture of debt and equity funding.

4. Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made accounting judgements in the determination of the carrying value of certain assets and liabilities. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates. The following judgements have the most significant effect on the amounts recognised in the financial statements.

(a) Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill. However, in applying the reverse acquisition accounting method this has necessitated the Group to recognise the unallocated portion as deemed

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

acquisition costs as required under IFRS 3 – Business Combinations.

(b) Impairment of goodwill and cost of investments

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as set out in note 17. In addition, the Group has also considered the impairment of the investments in the subsidiaries undertakings.

(c) Impairment of receivables

Trade and other receivables are carried at the contractual amount due less any estimated provision for non-recovery. Provision is made based on a number of factors including the age of the receivable, previous collection experience and the financial circumstances of the counterparty.

(d) Deferred tax assets

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. There were approximately €0.434m (2016 - €0.561m) of deferred tax assets not recognised (note 24).

(e) Intangible assets

The Group amortises intangible assets over their estimated useful life. The useful lives of Trade Secrets, Customer relationships, Workforce and Intellectual Property Rights have been estimated by the Group as stated in note 2. The Group tests annually whether there is any indication that Intangible assets have been impaired.

5. Segmental reporting

Management has determined the Group's operating segments based on the monthly management reports presented to the Chief Operating Decision Maker ('CODM'). The CODM is the Executive Directors and the monthly management reports are used by the Group to make strategic decisions and allocate resources.

The principal activity of the Group is that of a Clinical Research Organisation (CRO) providing a suite of consulting and clinical trial services to pharmaceutical, biotechnology and medical device organisations. Prior to 2015, the CODM considered the Group's operating segments to be the individual countries of operation. However, as the majority of the Group's contracts are now larger, multi-country contracts, pulling resources from many different locations, the CODM, since 2016, now considers this a single business unit.

Prior to 2016, the Group had an innovation division focussed on human skin technologies that was considered by the CODM as a separate segment. This division was sold to Integumen Plc during 2016 and is disclosed in the consolidated statement of comprehensive income as discontinued operations. As such, no comparatives are provided for 2016 in the segmental analysis.

Currently the key operating performance measures used by the CODM are Revenue and adjusted EBITDA (before exceptionals).

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

The segment information provided to the Board for the reportable segments for the year ended 31 December 2017 is as follows:

	2017	2016
	Total	Total
	€'000	€'000
Income statement		
External revenue and other income	17,815	18,244
Adjusted EBITDA	968	386
Exceptional items	(25)	(125)
EBITDA	943	261
Depreciation	(99)	(133)
Amortisation	(792)	(689)
Operating profit/(loss)	52	(561)
Net finance income/ (costs)	-	12
Impairment of Financial Asset Investments	(874)	-
Share of loss of investments	(843)	(364)
Retained profit/(loss) before tax	(1,665)	(913)
Segment assets		
Intangibles, Goodwill,	4,034	4,499
PPE	312	191
Investments	711	2,038
Trade and other debtors	5,981	4,445
Inter segment debtors	-	-
Cash	1,175	3,541
Total assets	12,213	14,714
Segment liabilities		
Operating liabilities	(3,433)	(4,222)
Borrowings	(25)	(60)
Total liabilities	(3,458)	(4,282)

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

6. Expenses – analysis by nature

	2017	2016
	€'000	€'000
Employee benefit expense (note 10)	11,185	11,280
Depreciation and amortisation	891	822
Exceptional items (note 7)	25	125
Foreign exchange losses/ (gains)	(7)	134
Operating lease payments (note 34)	466	663
Professional fees	807	607
Travel	296	339
Printing, postage, stationary	103	118
Subcontractors and freelancers	2,148	3,196
Other expenses	1,849	1,521
Total direct project and administrative costs	17,763	18,805

7. Exceptional items

Included within Administrative expenses are exceptional items as shown below:

	2017	2016
	€'000	€'000
Exceptional items include:		
– Transaction costs relating to business combinations and acquisitions	25	79
– office relocation	-	46
Total exceptional items	25	125

8. Auditor remuneration

Services provided by the Company's auditor and its associates. During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2017	2016
	€'000	€'000
Fees payable to Company's auditor for the audit of the parent Company and consolidated financial statements	34	30
Fees payable to the Company's auditor and its associates for other services:		
– The audit of Company's subsidiaries pursuant to legislation	53	59
– Other services	14	12
– Tax services	7	4
Total auditor's remuneration	108	105

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

9. Directors emoluments

	2017 €'000	2016 €'000
Aggregate emoluments	709	896
Contribution to defined contribution pension scheme	24	19
Total directors' remuneration	733	915

See further disclosures within the Remuneration Report on page 12.

Highest paid Director	2017 €'000	2016 €'000
Total emoluments received	225	230
Defined contribution pension scheme	11	7

10. Employee benefit expense

	2017 €'000	2016 €'000
Wages and salaries	8,759	8,803
Social security costs	1,969	2,061
Pension costs	457	416
Total employee benefit expense	11,185	11,280

11. Average number of people employed

	2017 No	2016 No
Average number of people (including Executive Directors) employed was:		
Administration	28	28
Clinical research	113	129
Sales and marketing	8	9
Total average number of people employed	149	166

The total number of employees at 31 December 2017 was 157 (2016 - 183).

12. Finance income and costs

	2017 €'000	2016 €'000
Interest expense:		
– Bank borrowings	-	-
– Interest on other loans	-	-
Finance costs	-	-
Finance income		
– Interest income on cash and short-term deposits	-	12
Finance income	-	12
Net finance income/ (expense)	-	12

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

13. Income tax expense

	2017	2016
Group	€'000	€'000
Current tax:		
Current tax for the year	-	(38)
Overprovision of prior year tax charge	-	-
Total current tax (credit)	-	(38)
Deferred tax (note 24):		
Origination and reversal of temporary differences	(127)	(131)
Total deferred tax	(127)	(131)
Income tax (credit)	(127)	(169)

The tax on the Group's results before tax differs from the theoretical amount that would arise using the standard tax rate applicable to the profits of the consolidated entities as follows:

	2017	2016
	€'000	€'000
(Loss) before tax	(1,665)	(913)
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19.25% (2016 - 20%)	(321)	(183)
Tax effects of:		
– Expenses not deductible for tax purposes	28	26
– Temporary timing differences	(127)	(131)
– Losses carried forward/(utilised)	293	119
Income tax (credit)	(127)	(169)

There are no tax effects on the items in the statement of comprehensive income. The effect of losses is discussed in note 24.

14. Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
	€'000	€'000
(Loss) from continuing operations attributable to equity holders of the Company	(1,677)	(761)
Profit from discontinued operations attributable to equity holders of the Company	-	1,295
Total	(1,677)	534
Weighted average number of Ordinary Shares in issue	60,284,263	60,264,907

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Details of share options are given in note 35. Details of warrants outstanding are given in note 26.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

	2017	2016
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	60,284,263	60,264,907
Adjustments for calculation of diluted earnings per share:		
Options	4,985,288	3,675,000
Warrants	166,666	166,666
Total	65,436,217	64,106,573

15. Dividends

There were no dividends paid or proposed by the Company in either year.

16. Property, plant and equipment Group

	Fixtures & fittings €'000
Cost	
At 1 January 2016	659
Additions	103
Disposals	-
On disposal of subsidiary undertaking (note 33)	(169)
Exchange differences	(8)
At 31 December 2016	585
Depreciation	
At 1 January 2016	278
Charge for the year	189
Elimination on disposal	-
On disposal of subsidiary undertaking (note 33)	(56)
Exchange differences	(17)
At 31 December 2016	394
Net book value	
At 31 December 2016	191
Cost	
At 1 January 2017	585
Additions	195
Disposals	(1)
Exchange differences	(1)
At 31 December 2017	778

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

Depreciation	
At 1 January 2017	394
Charge for the year	99
Elimination on disposal	(27)
Exchange differences	-
At 31 December 2017	466
Net book value	
At 31 December 2017	312

The Company had no property, plant and equipment.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

17. Intangible fixed assets

Group	Customer relationships €'000	Trade secrets €'000	Goodwill €'000	Intellectual Property Rights €'000	Workforce €'000	Total €'000
Cost						
At 1 January 2016	1,639	712	1,400	740	1,449	5,940
Addition	-	29	440	-	-	469
Exchange differences	(5)	(6)	(22)	(57)	-	(90)
On disposal of subsidiary	-	-	-	(683)	-	(683)
At 31 December 2016	1,634	735	1,818	-	1,449	5,636
Amortisation						
At 1 January 2016	258	104	-	54	86	502
Charge for the year	328	71	-	-	290	689
On disposal of subsidiary	-	-	-	(54)	-	(54)
At 31 December 2016	586	175	-	-	376	1,137
Net book value						
At 31 December 2016	1,048	560	1,818	-	1,073	4,499
Cost						
At 1 January 2017	1,634	735	1,818	-	1,449	5,636
Addition	-	-	-	360	-	360
Exchange differences	1	(2)	(3)	-	(1)	(5)
Disposal	-	(28)	-	-	-	(28)
At 31 December 2017	1,635	705	1,815	360	1,448	5,963
Amortisation						
At 1 January 2017	586	175	-	-	376	1,137
Charge for the year	326	71	-	105	290	792
Disposal	-	-	-	-	-	-
At 31 December 2017	912	246	-	105	666	1,929
Net book value						
At 31 December 2017	723	459	1,815	255	782	4,034

No amortisation charge has been charged on the goodwill in the income statement (2016 – €nil).

On 24th October 2016 the group disposed of Innovenn UK Limited (note 33). In 2016, the company recognised an additional €440,000 of goodwill relating to the Venn Life Sciences EDS (formerly Kinesis) acquisition.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to operating segment. An operating segment-level summary of the goodwill allocation is presented below.

	2017	2016
	€'000	€'000
CRO	1,815	1,818
Total	1,815	1,818

Goodwill is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2017 was assessed on the basis of value in use. As this exceeded carrying value no impairment loss was recognised.

The key assumptions in the calculation to assess value in use are the future revenues and the ability to generate future cash flows. The most recent financial results and forecast approved by management for the next three years were used followed by an extrapolation of expected cash flows at a constant growth rate for a further seven years. The projected results were discounted at a rate which is a prudent evaluation of the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating units.

The key assumptions used for value in use calculations in 2017 were as follows:

	%
Longer-term growth rate (from 2019 onwards)	10
Discount rate	15

The Group has been loss making for the last number of years and in 2014 the Directors transformed the infrastructure and capabilities of the Group in order to work as a Group in providing services to clinical research and development markets as one unit rather than separate units. This meant that the impairment review is prepared on the group basis rather than a single unit basis. The Directors have made significant estimates on future revenues and EBITDA growth over the next ten years based on the Group's budgeted investment in recruiting key employees and marketing the services.

The Directors have performed a sensitivity analysis to assess the impact of downside risk of the key assumptions underpinning the projected results of the Group. The projections and associated headroom used for the group is sensitive to the EBITDA growth assumptions that have been applied. A 30% reduction in EBITDA growth in the first three years of the management projections would not result in any impairment at the group level.

The Company has no intangible assets.

18a. Investments in subsidiaries

Company	2017	2016
Shares in Group undertakings	€'000	€'000
At 1 January	7,908	7,468
Increase in shareholding in VLS (France) S.A.S	7	440
Release of Escrow re Venn ED B.V	(137)	-
At 31 December	7,778	7,908

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid. No impairment provision has been made to the investments.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

On 17 May 2017 the Company bought a further 3.77% shareholding in Venn Life Sciences (France) S.A.S. for €7,600.

The subsidiaries of Venn Life Sciences Holdings Plc are as follows:

Name of Company	Note	Proportion Held	Class of Shareholding	Nature of Business
Venn Life Sciences Limited	1	100% (direct)	Ordinary	Intermediate holding company
Venn Life Sciences (Ireland) Limited	1	100% (indirect)	Ordinary	Head office
Venn Life Sciences B.V.	2	100% (indirect)	Ordinary	Clinical Research Organisation
Venn Synergie S.A.S.	3	100% (indirect)	Ordinary	Clinical Research Organisation
Venn Life Sciences UK Limited	4	100% (indirect)	Ordinary	Clinical Research Organisation
Venn Life Sciences (NI) Limited	5	100% (direct)	Ordinary	Clinical Research Organisation
Venn Life Sciences (Germany) GmbH	6	100% (direct)	Ordinary	Clinical Research Organisation
Venn Life Science (France) S.A.S.	3	88.97% (direct)	Ordinary	Data management and randomisation systems
Venn Life Sciences (EDS) B.V.	2	100% (direct)	Ordinary	Pre-clinical & early clinical Research Organisation
Kinesis Singapore Pte.	7	100% (indirect)	Ordinary	Pre-clinical & early clinical Research Organisation

Notes

1. Incorporated and registered in Ireland.
2. Incorporated and registered in the Netherlands.
3. Incorporated and registered in France.
4. Incorporated and registered in England and Wales
5. Incorporated and registered in Northern Ireland
6. Incorporated and registered in Germany
7. Incorporated and registered in Singapore

All the subsidiaries are included in the consolidation. The proportions of voting shares held by the parent Company do not differ from the proportion of Ordinary Shares held.

The assets of Venn Synergie S.A.S were acquired by Venn Life Sciences (France) S.A.S on 1 January 2017 and the company was dissolved on 11 September 2017.

18b. Investments in associates

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Shares in associated undertakings				
At 1 January	2,007	-	-	-
Additions	465	2,371	-	-
Share of losses of associate	(843)	(364)	-	-
Currency translation	(75)			
Impairment (Mark to Market)	(874)	-	-	-
At 31 December	680	2,007	-	-

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

Investment in associate: Integumen Plc

On 24 October 2016 the Company's wholly owned subsidiary Venn Life Sciences Limited acquired a 41.51% holding in Integumen Plc, as consideration for the disposal of its holding in Innovenn UK Limited.

After the IPO of Integumen Plc on 5 April 2017, Venn Life Sciences invested an additional €465k to offset dilution of the original stake post IPO down to 25.59%. The stake was further diluted to 22.19% after a round 2 investment in which Venn Life Sciences did not participate.

The final valuation of the Integumen Plc investment of €680k was determined based on the market price as at 31 December 2017.

The group has no other associates.

Name of Company	Note	Proportion Held	Class of Shareholding	Nature of Business
Integumen Plc	1	22.19% (indirect)	Ordinary	Human Surface Science

Notes

1. Incorporated and registered in England and Wales.

Summarised financial information for Integumen Plc

Set out below is the summarised financial information for Integumen Plc. The information disclosed reflects the amounts presented in the financial statements of Integumen Plc and not the group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy. (Note 2016 comparatives have been restated to reflect final 2016 figures – provisional figures were reported in the prior year).

Summarised Balance Sheet	2017	2016 (Restated)
31 December	£'000	£'000
Total current assets	354	350
Total current liabilities	(1,966)	(1,648)
Total non-current assets	2,220	4,646
Total non-current liabilities	(721)	(760)
Net assets	(113)	2,588

	2017	2016 (Restated)
Reconciliation to carrying amounts:	£'000	£'000
Opening net assets 1 January	2,588	(121)
(Loss) for the period	(8,640)	(1,046)
Net assets acquired	5,939	3,755
Closing net assets	(113)	2,588
Group's share in %	22.19%	41.51%
Group's share in £	1,318	1,559
Carrying amount	604	1,805

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

Summarised statement of comprehensive income for the year	2017 £'000	2016 (Restated) £'000
Revenue	176	(11)
Pre-tax loss from continuing operations	(9,581)	(1,094)
Post-tax loss from continuing operations	(8,640)	(1,046)
Total comprehensive expense	(8,858)	(1,067)

The group has included its share of the associate's total comprehensive loss, being €918k (2016 – €364k) in the Consolidated Income Statement using the equity method.

19. Financial instruments by category

(a) Assets

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
31 December				
Assets as per balance sheet				
Trade and other receivables	3,594	2,634	8,904	8,629
Cash and cash equivalents	1,175	3,541	15	206
Total	4,769	6,175	8,919	8,835

(b) Liabilities

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
31 December				
Liabilities as per balance sheet				
Borrowings	25	60	-	-
Trade and other payables	3,426	4,222	384	893
Total	3,451	4,282	384	893

Liabilities in the analysis above are all categorised as 'other financial liabilities at amortised cost' for the Group and Company.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

(c) Credit quality of financial assets

The Group is exposed to credit risk from its operating activities (primarily for trade receivables and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at 31 December 2017 and 31 December 2016, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the accompanying balance sheets.

Trade receivables

The credit quality of trade receivables that are neither past due date nor impaired have been assessed based on historical information about the counterparty default rate. The Group does not hold any other receivable balances with customers, whose past default has resulted in the non-recovery of the receivables balances.

Cash at bank

The credit quality of cash has been assessed by reference to external credit ratings, based on reputable credit agencies' long-term issuer ratings:

Rating	2017 €'000	2016 €'000
A – AAA	832	1,937
Sub-A rating	343	1,604
Total	1,175	3,541

20. Investments

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Beginning of the year	31	31	31	31
End of the year	31	31	31	31

At the year end the investments consisted of a minority shareholding in Arcis Biotechnology Holdings Limited, a privately held company operating in the biotechnology industry. The investment in Integumen Plc associate (note 18b), is disclosed within assets held for resale.

21. Trade and other receivables

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Trade receivables	2,899	2,395	-	-
Less: provision for impairment of trade receivables	(-)	(99)	-	-
Trade receivables – net	2,899	2,296	-	-
Prepayments and accrued income	2,280	1,768	56	35
Amounts owed by subsidiary undertakings	-	-	8,896	8,629
Other receivables	695	338	8	-
	5,874	4,402	8,960	8,664

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

As of 31 December 2017, trade receivables of €Nil (2016 - €99,000) were impaired and provided for.

The carrying amounts of the Group's trade and other receivables denominated in foreign currencies were as follows:

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
UK Sterling	45	111	60	-
Euros	5,829	4,291	8,900	8,664
	5,874	4,402	8,960	8,664

22. Cash and cash equivalents

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Cash at bank and on hand	1,175	3,541	15	206
Cash and cash equivalents (excluding bank overdrafts)	1,175	3,541	15	206

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Cash and cash equivalents	1,175	3,541	15	206
Cash and cash equivalents	1,175	3,541	15	206

The Group's cash and cash equivalents are held in non-interest-bearing accounts. The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

23. Trade and other payables

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Trade payables	1,170	1,060	12	35
Amounts due to subsidiary undertakings	-	-	314	483
Social security and other taxes	-	761	-	-
Other payables	308	282	-	-
Accrued expenses and deferred income	1,521	1,558	58	375
	2,999	3,661	384	893

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

24. Deferred income tax

Deferred tax liabilities

Deferred tax balances were as follows:

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Deferred tax liabilities	434	561	-	-
	434	561	-	-
Deferred tax liabilities were made up as follows:				
Accelerated tax depreciation	434	561	-	-
	434	561	-	-

Deferred tax assets

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately €1.4m (2016 - €1.3m), mainly in respect of estimated tax losses amounting to approximately €7.0m (2016 - €6.4m) that can be carried forward against future taxable income. A tax rate of 20% has been used. There was no deferred tax asset recognised for the Company. The gross movement on the deferred income tax account is as follows:

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
At 1 January	561	692	-	-
Income statement movement (note 13)	(127)	(131)	-	-
At 31 December	434	561	-	-

25. Borrowings

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Non-current				
Bank borrowings	-	25	-	-
	-	25	-	-
Current				
Bank borrowings	25	35	-	-
	25	35	-	-

The Company has no borrowings.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

The maturity profile of borrowings was as follows:

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Amounts falling due				
Within 1 year	25	35	-	-
Between 1 and 2 years	-	25	-	-
Between 2 and 5 years	-	-	-	-
Total borrowings	25	60	-	-

Bank borrowings

Bank borrowings are due within one year and bear a 0% coupon rate. The borrowings have utilised a notional effective interest rate of 4.9%.

Bank borrowings are secured against certain assets of the Group and are denominated in Euro.

The Group is not exposed to interest rate changes or contractual re-pricing dates at the end of the reporting period, as the borrowings are fixed in nature.

26. Share capital

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
60,284,263 (2016 – 60,284,263) Ordinary shares of £0.001	78	78	78	78
62,833,339 (2016 – 62,833,339) Deferred shares of £0.001	77	77	77	77
Total	155	155	155	155

Deferred shares have no rights to income, capital or voting and the Company has the right to acquire all such shares for an aggregate price of £1.

During the year the Company issued no ordinary shares. On 7 June 2016 45,000 shares were issued at 26p under a contract for services.

Warrants and share option schemes

166,666 warrants existed at 31 December 2017 (2016: 166,666). These warrants were granted on 7 June 2011 exercisable from the date of grant to 6 June 2021. The exercise price was €0.334 (30p) per ordinary share under warrant.

27. Share premium

Group and Company	2017 €'000	2016 €'000
At 1 January	14,026	14,011
Premium on shares issued – net of expenses	-	15
At 31 December	14,026	14,026

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

28. Retained earnings

	Group €'000	Company €'000
At 1 January 2016	(3,864)	(2,351)
Profit for the year	570	527
At 31 December 2016	(3,294)	(1,824)
At 1 January 2017	(3,294)	(1,824)
Share Option Provision reversed	28	28
(Loss)/Profit for the year	(1,538)	484
At 31 December 2017	(4,804)	(1,312)

29. Other reserves

Group

	Foreign currency reserve €'000	Group re- organisation reserve €'000	Reverse acquisition reserve €'000	Total €'000
At 1 January 2016	49	(541)	45	(447)
Currency translation differences	(36)	-	-	(36)
At 31 December 2016	13	(541)	45	(483)
At 1 January 2017	13	(541)	45	(483)
Currency translation differences	(139)	-	-	(139)
At 31 December 2017	(126)	(541)	45	(622)

The Group re-organisation reserve was a result of the group re-organisation of the Old Venn Group. Venn Life Science Limited was formed before the acquisition by Venn Life Sciences Holdings Plc to hold the four trading subsidiaries. The difference between the nominal value of the shares acquired of the four trading subsidiaries and the value of the shares issued by Venn Life Sciences Limited in exchange is taken as a reserve movement.

The reverse acquisition reserve was as result of the reverse acquisition of Venn Life Sciences Limited by Venn Life Sciences Holdings Plc.

Company

Merger relief reserve €'000

At 31 December 2017 and 31 December 2016

3,531

The premium paid by the Company on the acquisition of Venn Life Sciences Limited and its subsidiaries has been accounted as Merger relief reserve as allowed under s612 of the Companies Act 2006 and IFRS. The total consideration in acquiring the subsidiaries was paid in exchange for shares in the Company.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

30. Cash used in operations

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Loss before income tax	(1,665)	(913)	484	565
Discontinued operations	-	1,295	-	-
Adjustments for:				
– Depreciation and amortisation	864	822	-	-
– Foreign currency translation of net assets	(139)	134	-	(38)
– Exceptional Item	-	79	-	137
– Net finance costs	-	(12)	-	-
– Share options provision movement	-	15	-	-
– Share in associated undertakings loss	843	(364)	-	-
Changes in working capital				
-Decrease/(Increase) in financial asset fair value	949	(2,007)	-	-
– (Increase)/Decrease Trade and other receivables	(1,472)	1,289	(296)	(967)
– (Decrease)/Increase Trade and other payables	(662)	(557)	509	(74)
Net cash used in operations	(1,282)	(219)	(321)	(377)

31. Related Party Disclosures

Directors

Director's emoluments are set out in the Report of the Remuneration Committee Report.

Key management compensation for the year was as follows:

	2017 €'000	2016 €'000
Aggregate emoluments	709	896
Employer contribution to pension scheme	24	19
	733	915

Key management includes the Directors only.

Group

On 10 November 2016 the group signed a contract worth €2.5m with Sedana Medical AB ("Sedana Medical"). The CEO of Sedana Medical, Michael Ryan, is also a director of Venn Life Sciences. Accordingly, Michael Ryan is a related party of Venn Life Sciences as defined in the AIM Rules and ESM Rules. As a result, the contract is treated as a "related party transaction" under the AIM Rules and the ESM Rules.

The Independent Directors, at that date, being Allan Wood, Anthony Richardson, Jonathan Hartshorn, Gracielle Schutjens, Cornelius Groen, Paul Kennedy and Mary Sheahan, who are not related parties under the AIM Rules and ESM Rules for the purpose of the contract, having consulted with Davy, the Company's NOMAD and ESM adviser, for the purpose of the AIM Rules and ESM Rules, considered the contract to be fair and reasonable insofar as the shareholders of the Company are concerned. Michael Ryan did not take part in the Board's consideration of these matters.

There were no other related party transactions during the year.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

The Company

During the year the Company charged management charges of €94,000 (2016 - €828,000) to its subsidiary undertakings. At 31 December 2017 the Company was owed a net amount of €8,581,000 (2016 - €8,146,000) by its subsidiaries.

32. Capital commitments

The Group had no capital commitments at 31 December 2017.

33. Discontinued Operations

There were no discontinued operations in 2017. In the prior year there was the disposal of Innovenn.

Disposal of Innovenn

On 24 October 2016 the Company's wholly owned Subsidiary Venn Life Sciences Limited disposed of its 70% holding of Innovenn UK Limited, and its wholly owned subsidiary Innovenn Limited, to Integumen Plc, a newly incorporated UK organisation focussing on human surface science (the integumentary system). The total fair value consideration of €2,371,318 was settled by the allotment of 3,057,557 ordinary shares of £1.00 each in the capital of Integumen Plc, representing a 41.51% holding. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Prior to the transaction, the Subsidiary converted its loan to Innovenn of €1,392,623 into ordinary shares of £0.001 each of Innovenn, increasing its shareholding to 70% of the issued share capital of Innovenn.

The financial performance and cash flow information presented are for the period 1 January to 24 October 2016.

	2016 €'000
Revenue	48
Expenses	(1,105)
Loss before tax	(1,057)
Tax	55
Loss after tax of discontinued operation	(1,002)
Gain on sale of the subsidiary after tax	2,297
Profit /(loss) from discontinued operation	1,295
Net cash outflow from operating activities	(619)
Net cash inflow from investing activities	-
Net cash inflow from financing activities	986
Net increase in cash generated by the subsidiary	367
Details of the sale of the subsidiary	2016 €'000
Consideration received:	
Total consideration	2,371
Carrying amount of net assets sold	(74)
Gain on sale before tax	2,297
Income tax expense on gain	-
Gain on sale after income tax	2,297

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

33. Discontinued Operations (Cont'd)

Disposal of Innovenn

	€'000
The carrying amounts of assets and liabilities as at the date of sale (24 October 2016) were:	
	587
Intangibles	
Property, plant and equipment	112
Current assets	815
Total assets	1,514
Trade and other liabilities	(1,440)
Total liabilities	(1,440)
Net assets	74

34. Finance & Operating Lease Payable

Operating Leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

GROUP	Operating Lease Payments	
	2017 €'000	2016 €'000
Within one year	907	706
Within second to fifth year inclusive	3,393	2,799
	4,300	3,505

The Group and Company have no finance leases.

35. Share options

On 28 January 2015, 2,870,000 options were issued to the Group's Directors and key management personnel, which were exercisable at 25p per share from 28 January 2018 until 27 January 2025. Of these, 1,680,000 options were to vest when the share price reached 40p. The remaining options were to vest over the 3-year period up to the start of the exercise period.

On 3 November 2015, a further 1,120,000 options were issued, which were exercisable at 23p per share from 3 November 2018 until 2 November 2025.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

35. Share options (Cont'd)

On 14 September 2017 a further 4,310,00 options were issued to the Group's Directors and key management personnel. These new options vest in equal thirds at a share price of 25p, 35p and 45p when the share price is held at that share price or higher for 20 consecutive days. Existing options already in place have had their pricing and vesting criteria adjusted to the same pricing and vesting criteria as the new options.

Number of outstanding options at 31 December 2017:

Date of Grant	# of Options Granted	Vested	Forfeited	# Options at 31/12/2017
28/01/2015	2,870,000	-	280,000	2,590,000
03/11/2015	1,120,000	-	-	1,120,000
14/09/2017	4,310,000	-	-	4,310,000
Total	8,300,000	-	280,000	8,020,000

The estimated fair value of the options issued as at 31 December 2016 was calculated by applying the Black-Scholes option pricing model. The assumptions used in the calculation were as follows as at 31 December 2016:

Grant Date	28/01/2015	28/01/2015	03/11/2015
Options in issue 31/12/2016	1,680,000	910,000	1,120,000
Exercise price	40p	25p	23p
Expected volatility	21%	21%	21%
Expected dividend	0%	0%	0%
Contractual life	3.5 years	3.5 years	3.5 years
Risk free rate	0.42%	0.42%	0.42%
Estimated fair value of each option	£0.0164	£0.0164	£0.0164

Following the grant of the new share options, and the existing options having their pricing and vesting criteria adjusted in 2017, the assumptions used in the calculation were as follows as at 31 December 2017:

Grant Date	14/09/2017
Options in issue 31/12/2017	8,020,000
Exercise price	25p/35p/45p
Expected volatility	28%
Expected dividend	0%
Contractual life	3.5 years
Risk free rate	0.95%
Estimated fair value of each option	£0.0201

Charge for year was Nil (2016 – €15,000). The accumulated share option reserve of €28,000 at 1 January 2017 was released in 2017 on the basis that current share options had no value. During the year the change in the vesting criteria meant that the Company has used the Monte Carlo model to value the options at 31 December 2017. This method simulates a range of possible future share price scenarios and calculates the average of net present value of the option across those scenarios and which captures the effect of the market-based performance conditions applying to such awards. None of the options are expected to vest in the period to 31 December 2017.

Venn Life Sciences Holdings Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2017

36. Other Income

Other income represents government grants received to fund Research and Development activities.

37. Post balance sheet events

The following events have taken place since the year end:

1. Jonathan Hartshorn resigned from his position as Director on 21 March 2018.
2. An additional 11.03% of the shares in Venn Life Sciences (France) S.A.S was purchased with effect from 1 January 2018, bringing the total proportion of shares held in that company to 100%. 277,550 Shares in Venn Life Sciences Holdings Plc were issued in consideration for the purchase.
3. The percentage holding in Integumen Plc fell from 22.19% to 18.89% on 6 January 2018 as a result of Integumen PLC issuing new shares.