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Venture Life Group PLC
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VENTURE LIFE GROUP PLC

("Venture Life", "VLG" or the "Group")

Final Results for year ended 31 December 2022

Venture Life (AIM: VLG), a leader in developing, manufacturing and commercialising products for the international self-care market, announces its audited results for the year ended 31 December 2022.

Financial Headlines

- Revenues increased 34.2% to £44.0m (2021: £32.8m), +17.1% on a proforma[1] basis (2021 proforma £37.6m).
- Gross profit increased 36.3% to £17.7m (2021: £13.0m).
- Adjusted EBITDA[2] increased 35.8% to £9.0m (2021: £6.6m).
- Operating profit before exceptional items increased 29.7% to £3.5m (2021: £2.7m).
- Adjusted profit before tax[6] increased to £5.5m (2021: £4.6m) and Profit before tax decreased to £0.7m (2021: £0.9m)
- Cash generated from operations increased to £6.2m (2021: £2.0m).
- Group net leverage[3] at period end was 1.4x net debt[5] to Adjusted EBITDA[2] (2021: 0.4x).

Commercial Headlines

Group:
- 12 new long-term international distribution agreements signed.
- 16 new in-market product launches through our international partners.
- 3 new approved product registrations.
- Order book at period end was +114% ahead of the same point in previous year.
- VLG Brands accounted for 57.4% of overall Group revenue on a proforma basis, including the new HL Healthcare Limited acquisition (2021: 54.8%).

Acquisition of HL Healthcare Limited on 30 November 2022:
- Three new products in a new therapy area for VLG: Ear, Nose and Throat management.
- Acquisition of the highly cash generative Earol brand.

Post period end:
- 15 partner product launches across seven countries.
- Registration for Gelclair obtained in Brazil.
- Current trading tracking ahead of previous year and in line with management's expectation.
- Group net leverage reduction to 1.3x as at 28 February (31 Dec 2022: 1.4x).
- Strong order book providing good visibility over first half revenues.

1 *Proforma basis i.e. if the acquisitions had been in place for the whole of the prior year*

2 *Adjusted EBITDA is EBITDA before deduction of exceptional items and share based payments. This term is applied throughout the document.*

3 *Group net leverage calculated as net debt (excluding finance leases) and using proforma Adjusted EBITDA on a trailing 12-month basis*

[4] *Adjusted earnings per share is profit after tax excluding amortisation, exceptional items and share-based payments*

[5] *Net debt calculated as gross debt excl. finance leases and deferred contingent consideration on acquisitions, less cash & cash equivalents. This term is applied throughout the document.*

[6] *Adjusted profit before tax is profit before tax excluding amortisation and exceptional items (see note 3 for breakdown of exceptional items)*

Jerry Randall, CEO of Venture Life commented:*"I am delighted that the whole team at Venture Life has delivered strong growth in both revenue and adjusted EBITDA, ahead of market expectations. This has been achieved in very challenging trading conditions and, in particular, our Italian procurement team has managed the extremely difficult supply chain issues ensuring that our production facilities continued to run unhindered. Whilst these challenges have not disappeared, they have begun to reduce and we remain confident in our ability to manage these going forward. The commercial teams also delivered growth in the face of market headwinds with Customer Brands delivering exceptional performance, with sales growth 41% ahead of last year. The year finished with another immediately earnings enhancing acquisition, HL Healthcare, which brings another suite of excellent niche products into our portfolio, which we can leverage with all our usual levers. We have welcomed both Paul McGreevy and Mark Adams to our Board, who have both brought excellent experience, expertise and insight to our Board. The launch of our Sustainable Life initiative in the year has significantly boosted our drive to sustainability and our target to be net zero by 2030. With the momentum from a strong 2022 also continuing into 2023, we remain cautiously optimistic about the outlook for the year."*

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About Venture Life (www.venture-life.com)

Venture Life is an international consumer self-care company focused on developing, manufacturing and commercialising products for the global self-care market. With operations in the UK, Italy, The Netherlands and Sweden, the Group's product portfolio includes some key products such as the UltraDEX and Dentyl oral care product ranges, the Balance Activ range in the area of women's intimate healthcare, the Lift and Glucogel product ranges for hypoglycaemia, Gelclair and Pomi-T for oncology support, Earol for ear wax removal, products for fungal infections and proctology, and dermo-cosmetics for addressing the signs of ageing. Its products are sold in over 90 countries worldwide.

The products, which are typically recommended by pharmacists or healthcare practitioners, are available primarily through pharmacies and grocery multiples. In the UK and The Netherlands these are supplied direct by the company to retailers, elsewhere they are supplied by the Group's international distribution partners.

Through its two Development & Manufacturing operations in Italy and Sweden, the Group also provides development and manufacturing services to companies in the medical devices and cosmetic sectors.

Chairman's Statement

I'm delighted for our investors and the team at Venture Life that we have delivered results ahead of market expectations. Difficulties in supply chain, challenges of the Ukraine conflict, spiralling energy costs and consumer economic pressures have been proactively managed to ensure security of supply and delivery of the highest quality.

External stresses have demonstrated the robustness and resilience of our business, the competence and professionalism of our teams and the advantage of a vertically integrated model.
Agility in our manufacturing centres and the support of our customers has enabled a strong year for ourselves and our partners, and I would like to take the opportunity to thank the entire team at VLG for their unwavering dedication, and our customers for their significant support.

Customers ordered further ahead and enabled effective purchasing in securing materials during this challenging period. Whilst this resulted in carrying higher levels of inventory, this is against a secured order book and the inventory will convert to revenue. Having delivered like for like proforma[1] revenue growth of 17.1% in 2022, there is of course a natural increase in working capital requirements on top of this exceptional inventory investment.

There are significant changes in Medical Device Regulations (MDR) which have been effectively managed, and have become a further differentiator for the Group due to the strength of our regulatory teams. We continue to invest in automation with rising labour costs and also to meet the increased demands of our production efficiencies, with a significantly enhanced focus on our ESG objectives.

The BBI and oncology support brands acquired in 2021 are now fully integrated and showing growth with substantial distribution agreements at the end of the year. Similarly, we have confidence in the growth potential of the Earol brand acquisition in 2022 and the opportunities for brand distribution and product development.

In the latter part of the year, we were joined by Mark Adams as an Non-Executive Director. Mark has extensive public company experience, also in the areas of M&A and finance, and has become Chair of the Audit Committee. Mark has already demonstrated his value and experience as part of the Board. Mark replaced Peter Bream, who has been a Non-Executive Director of the business for 7 years. The Board gives its thanks to Peter for his time with the Group and wishes him well for the future.

I would also like to take the opportunity to thank our shareholders for their continuing support of the business and the valuable insights and constructive challenge they provide.

We enter 2023 with a strong order book and good momentum. Our focus for 2023 will be the organic growth of our Brands, where I believe we have significant opportunity to expand their presence and value. This continued growth track is expected to result in stronger Adjusted EBITDA margins and cash generation, which will drive down our net debt and strengthen the balance sheet further. The Board remains cautiously optimistic about the outlook for the year ahead.

Paul McGreevy
Non-executive Chair
3 April 2023

Chief Executive Officer's Statement

Operating review

2022 delivered another year of organic growth for the Company and in which the Group benefited from the full year impact of earnings enhancing acquisitions made in 2021. This growth was achieved against a backdrop of another twelve months of challenging market conditions. The challenges presented to our supply chain were met with vigour and enthusiasm by the whole team, demonstrating remarkable resilience. The Group delivered better than expected revenue growth of 34% over 2021 to £44.0 million (2021: £32.8 million), 17% on a like for like proforma basis, and the business saw growth in its own Venture Life Brands as well as our Customer Brands. This growth in revenue delivered strong growth in both gross profit and Adjusted EBITDA.

Venture Life Brand revenues grew 29% to £23.1 million (2021: £17.9 million) and, on a like for like proforma basis, growth was 2% and predominantly came from the products acquired in 2021. The oral care brands were weaker than expected in 2022, mainly due to lost revenue during the negotiation of customer price increases in the UK in H1, although UK revenues did pick up in the rest of the year but not enough to offset the decrease.

Customer Brand revenues had exceptional growth of 41% to £20.8 million (2021: £14.8 million). This growth was a combination of increased consumer end-user demand, as well as partners' increasing their stock levels back to normal levels to ensure business continuity. We think part of this growth was driven by re-stocking that we would not expect to repeat in 2023.

Venture Life Brands represented 53% of the overall Group revenues in the year (2021: 55%), despite the 29% increase in revenues, due to the 41% growth in Customer Brand revenues. However, on a run-rate basis, reflecting the impact of the Earol acquisition, Venture Life Brands currently represent 57% of overall Group revenues, and we expect this percentage to grow through 2023.

The order book as at 31 December 2022 was 114% ahead of that at the same time in the prior year. This increase reflects both growth in underlying sell out of our customers' products, but also our customers ordering further ahead to ensure that they can receive their product. Supply chain disruptions still persist, and we continue to order our raw materials and packaging further out than historically, to both lock in prices and ensure supply.

Acquisition of HL Healthcare Limited

On 30 November 2022, we acquired the entire issued share capital of HL, for a total consideration of £13.0 million. This consideration comprised:

- £8.0 million in cash on 30 November 2022, funded by drawing down on the Group's RCF.
- £2.0 million by way of a fully sub-ordinated loan note, which is redeemable on the second anniversary following completion and accrues interest at SONIA plus 5.0%.
- Up to a further £3.0 million based on the performance of the acquired business in the year ending 31 March 2023.

In the year ended 31 March 2022, HL delivered revenues of £4.5 million and EBITDA of £1.7 million.

HL was a small virtually run business with only 2 employees, owning assets related to three products:

- Earol - an olive oil based spray, which is used to help remove excess and unwanted earwax.
- Earol Swim- an olive oil based spray also containing Teatree oil, to help protect ears from bacteria when swimming.
- Sterinase - a saline based spray to help in the relief of nasal congestion.

The vast majority of revenues in the year ended 31 March 2022 (93%) relate to the sales of Earol (also sold under the brand name Vaxol outside of the UK, by certain customers to whom HL distributes). The revenues of Earol Swim and Sterinase represented 3% and 4%, respectively, of HL sales in the year ended 31 March 2022.

Earol is registered as a Medical Device (originally under the Medical Device Directive but now under the new Medical Device Regulations); fitted with a metered dose spray nozzle, and with a patented delivery system, the oil mix can be sprayed into the ear to naturally soften, break up and loosen earwax, either on a regular prophylactic basis or in advance of ear wax removal by audiologists. Sold in the UK, Scandinavia and a small number of other territories, the Group expects to leverage its operating and commercial position to increase revenues and margins for the brand and introduce product innovation through new product development.

Currently Earol is sold in the UK through major pharmacy and grocery retailers, but is receiving increasing prominence in independent pharmacies where it is recommended by pharmacists to patients for the removal of earwax.

The integration of HL into the Group has begun, being substantially complete for commercial operations. The integration into the technical and manufacturing part of the business is ongoing. The Group sees substantial upside opportunity for international expansion into new territories, brand revitalisation, expansion of listings in the UK and new product development ideas.

Venture Life Brands

The VLG Brand revenues grew 29% to £23.1 million (2021: £17.9 million) and, on a like for like proforma basis, growth was 2%. Revenues from the VLG brands comprised:

VLG Brands Revenue £'m	FY22 Actual	FY21 Actual	FY21 Proforma	% vs FY21 Reported	% vs FY21 Proforma
Balance Activ	5.5	3.4	5.1	63%	8%
Lift	4.2	1.7	3.1	147%	36%
Glucogel	2.2	1.4	2.1	54%	4%
Dentyl	2.1	2.8	2.8	(25%)	(25%)
Ultradex	2.1	2.4	2.4	(13%)	(13%)
Footcare	1.9	2.6	2.6	(25%)	(25%)
Gelclair	1.4	1.5	1.5	(10%)	(9%)
Pomi-T	1.3	0.6	1.3	104%	(2%)
Proctoeze	0.9	0.5	0.5	86%	86%
Earol	0.2	-	0.2	100%	(6%)
Other	1.4	1.0	1.2	34%	15%
Total	**23.1**	**17.9**	**22.7**	**29%**	**2%**

The ex-BBI brands, Balance Activ, Lift and Glucogel all showed very strong growth in the period of 83% to £11.9 million (2021: £6.5 million). On a like for like basis, growth of these brands was 16%.

Gelclair and Pomi-T were relatively flat during 2022 due to order phasing, however, also during this time the groundwork was being prepared to license these acquired products out in key territories such as Brazil and Canada; as a result, we expect to see the positive revenue impact of newly signed long-term agreements in 2023.

The oral care products had a more difficult time in 2022, in particular Dentyl in the UK, where the imposition of price increases on 1 January 2022 on our customers caused a reduction of orders while they ran inventories down and resisted the price increases. However, as the first quarter came to a close, they began to re-order at the new price, but the lost Q1 sales were not recovered in the year. Internationally, the exposure of the oral care products is limited, with partners in a handful of countries.

As our brands grow, the digital space is becoming increasingly important, and in particular, Amazon continues to be a very significant customer for the Group. In 2022, the Group launched Balance Activ on the Amazon platform in Germany, its first online market in the EU. The launch is in a nascent stage and the product is gaining good traction as brand awareness grows and so too the number of customer reviews. 2023 will further see the roll out of Balance Activ into other key EU countries, e.g., France, Spain and Italy and once consolidated, we will look to build on this expansion with other products. As well as using Amazon as our main e-commerce platform, all of our UK advertising and promotion is digital, as this remains the most efficient way to reach our target audience.

Footcare was lower than 2021 by 25% due to the loss of a partner in 2022 in Germany, where a change of ownership has caused a change in direction and a movement away from our product; as a result, we will look to replace this partner in 2023. Procto-eze had a very strong year with revenues of £0.9 million (2021: £0.5 million); this was mainly due to the continued success our partner is having in Austria, as well as other partners holding more inventory to ensure continued supply in these difficult times.

New contracts in key markets are also improving the international position for the Group, capitalising on the acquired products and confirming that our M&A strategy is working.

Balance Active (Revenue £5.5 million, +63%, LFL 8%)

Revenues for Balance Activ grew 63% to £5.5 million (2021: £3.4 million) on a reported basis, 8% on a like for like proforma basis. The revenues in the UK grew 53% to £2.2 million (2021: £1.5 million) on a reported basis, 0.4% on a proforma like for like basis.

In the UK, sales were impacted due to an issue with the Amazon Buy Box listing, which caused loss of sales to competitors for some weeks, but this was rectified by H2 and sales picked up back to normal levels. Distribution of the Balance Activ pessary was extended in two key grocery retailers, giving the product further reach in these key stores. In Q4 2022, new products were developed (Balance Activ Gel 14 pack, Thrush Cream and an Intimate Daily Foaming Wash) and launched in key UK retailers, and we also launched the entire Balance Activ range in Ireland via our existing partner. We will see the full impact of these in 2023.

Internationally, the revenues for Balance Activ (under both the Balance Activ brand and our partners' brands) grew 71% to £3.3 million (2021: £1.9 million), 14% on a like for like proforma basis. This growth benefited from new market launches, including Brazil.

In Q1 2022, we decided to withdraw availability of the product to our partner in the Russian and Belarussian markets as a result of the Ukraine conflict. This took approximately £0.5 million of revenues out of our expected 2022 numbers; without this unexpected reduction, the brand internationally would have grown 32% on a like for like basis.

Outside of the UK, the product is mostly sold through a number of distribution partners. During H2 2022, Balance Activ was also launched on Amazon in Germany, and 2023 will see the launch roll out into France, Spain and Italy via the Amazon platform.

Innovation remains a key part of this product portfolio and further new product development is underway with intended launches in H2 2023 and H1 2024.

Lift (Revenues £4.2 million, +147%, LFL 36%)

Revenues of Lift grew 147% to £4.2 million (2021: £1.7 million), 36% on a like for like proforma basis. £4.0 million of the revenues for this brand were generated in the UK and Ireland (2021: £1.6 million; £2.9 million on a like for like proforma basis).

The increased revenues of £1.1 million over the like for like proforma revenues for 2021 were due to a number of reasons: 1) increasing level of sales within the independent pharmacy channel, due to the recommendation by health care practitioners to diabetic patients post-COVID; 2) the rebound of sales on the High Street and in Grocery Retailers post-COVID as more usage occasions present themselves; and 3) the launch in Ireland with a new distribution partner - this 5 year agreement has minimum contractual obligations over this 5 year period.

This momentum has continued into 2023, which will seenew products into the Lift portfolio, as well as expansion into new related areas.

Earol, Earol Swim, Sterinase (Revenue £0.2 million, 2021 £nil)

Following the acquisition, these products only contributed one month's revenue of £0.2 million to the overall Group revenues for the year. In the year ended 31 March 2022, total revenues for these brands comprised £4.2 million, £0.1 million and £0.2 million respectively and comprised £2.2 million (50.1%) in the UK and £2.3 million (51.1%) outside of the UK.

Integration into the Venture Life Group has begun, and new marketing initiatives and new product development ideas are currently being explored.

Gelclair, Xonrid & Pomi-T (Revenue £2.8 million, LFL -3%)

These three oncology support products were acquired from Helsinn SA in August 2021, and all of these products are sold solely through distribution partners into the Hospital and Pharmacy channels. In 2022, good progress was made and a number of new long-term distribution agreements were signed, including Gelclair in Brazil, Canada and Vietnam and Pomi-T in Germany. A positive revenue impact is expected to be felt in 2023.

Some significant markets remain empty for these products, including the USA and some key European markets, as well as the Far East, and the business development team continues to progress discussions with potential new partners. The return to pre-COVID levels of oncology treatments is also expected to increase revenues for these brands in 2023.

Other VLG Brands (Revenue £10.4 million)

The revenues from the other VLG brands during the year were level overall, but there were two significant movements within the portfolio. Procto-eze did exceptionally well and delivered growth of 86% to £0.9 million, as a result of some partners increasing inventory levels to ensure business continuity during the supply chain disruption; whilst we don't expect this same level to be repeated in 2023, it will normalise in 2024. Against this, we lost ground on the fungal nail product revenues, where our main European partner in Germany stopped selling the product- we are in the process of identifying a new partner for this product in Germany as well as other markets.

In addition, there were 12 new distribution agreements signed in 2022. In general, there remains a good level of interest in our products and brands and we remain confident that further long-term licensing agreements can be delivered in 2023 and beyond.

Customer Brands (Revenue £20.8 million, +41% LFL)

Customer Brands delivered an exceptional year of 41% growth in revenues, delivered by a combination of both existing and new customers. In 2021, we had seen an element of de-stocking: in 2020 customers generally continued buying product from us at their pre-COVID levels, despite falling consumer demand due to Covid, concerned that the supply chain would be disrupted and they did not want to be out of stock. This resulted in higher levels of inventory with our customers at the end of 2020, which resulted in the de-stocking in 2021. In 2022, customers have returned to their normal levels of purchasing and inventory, and in addition we have seen growth in orders from a number of customers due to good sell out in their relevant markets. We did see some increasing of inventories in the customer base which is reflected in the 2022 revenues, which will not repeat in 2023, but even without this the Customer Brands saw growth of over 30% in the year over 2021.

The business development team in the Customer Brands business continue to generate new leads and interest in our offering to these type of customers where we can provide the service from concept, through innovation, development and registration, to full scale production of products, registered as either Medical Devices or cosmetics. This full-service offering continues to attract interest from both new and existing customers, and during 2022 we began to see more enquiries from such customers where existing contract manufacturing suppliers have not been able to manage the supply chain as well as us, and therefore they want to move to a more reliable supplier.

In addition to this revenue growth, we have seen a substantial increase on the order book. This applies to both Customer Brands and VLG Brands. The overall order book at 31 December 2022 was 114% higher than at 31 December 2021. This increased order book has arisen from both growth in revenues from increasing customer demand, as well as customers ordering further ahead than in previous years, at our request, to ensure that we can obtain raw materials and packaging in time and also lock in the price of components. Whilst the supply chain is improving, with some costs starting to fall and some availability improving, it still has a long way to go to be anywhere near the pre-Covid position, and we will continue to monitor the situation and be proactive. Customers ordering further ahead does not accelerate the timing of the revenues, but it does give us much greater visibility than before over future revenues.

Operating leverage and capacity

In 2022, we saw a significant increase in production volumes to 33 million pieces (2021: 29 million) which drove our growth in revenues. Despite this, we still have capacity for growth at both of our facilities. Our development and manufacturing expertise and capacity is fundamental to the operation and growth of the business.

The development team have circa 10-15 active projects running at any one time, from full development of a completely new Medical Device to flavour/colour/component changes to existing formulations. The development knowledge has also been invaluable over the last two years in supporting the procurement team to identify alternative sources of materials and packaging where existing supply has been unavailable or rapidly increasing in price. In conjunction with price increases to customers, this support has enabled us to minimise the impact of supply chain disruption on our input prices and move rapidly when needed on this.

Our factory in Italy, Biokosmes Srl, manufactures 69% of our products, operating with 6 turbo mixers and 13 filling lines. There is plenty of bulk mixing capacity, less so on the filling lines, but we have capacity at Biokosmes to insert more filling lines as needed, with modest capital investment. The machines at Biokosmes are mainly semi-automatic, and in the coming years we will look to automate this equipment more to combat rising labour costs. Currently, we use a significant number of external contract labourers to manage peaks and troughs in production within the facility, but it is expected with increasing automation, we will require increasingly less of this expensive resource.

Our site at Gnesta near Stockholm, Rolf Kullgren AB, manufactures products for the Women's Intimate Health portfolio- Balance Activ. This facility has a fully automated filling line that can fill tubes at 2-3 times the speed of our lines in Biokosmes, but at the moment is running only at 20% of its available capacity. This level of volume will grow as the Balance Activ brands grow, but we are also actively searching for additional new products to manufacture at this facility and have active projects in discussion.

In 2022, we also invested in our financial team by increasing resource and implementing new processes, and this has enhanced the quality and value of the reporting within the business. This enhanced function now has the capability to identify many more opportunities for value re-engineering and energy/cost saving initiatives across the Group, vital at a times of high inflation and input prices.

Sustainable Life

During 2022, we launched our Sustainable Life project, our Group wide initiative to become a more trusted, responsible and sustainable business. Whilst we were already undertaking many initiatives separately around this Group, we have now united the Group efforts to co-ordinate this project on a Group wide basis.

We have built our own internal team for this project, led by one of our long-term employees Ennio Schiro, based in our Biokosmes facility. Ennio is an experienced member of our Quality Assurance team, and has a passion to continually improve the sustainability of our business. Ennio is supported by various members round the Group in building out and developing the initiatives across the business.

In 2022, we undertook stakeholder research to identify our 6 priority Sustainable Development Goals.

In common with the United Nations directives on sustainability, it is our target as a Group to achieve net zero carbon emissions by 2030, and in 2023 we will be working to establish our carbon footprint and, in consultation with expert advisers, design our net zero plan, which will form the basis of our progression to net zero by 2030.

To date, we have already achieved some tremendous steps on this journey:

- A reduction of carbon emissions on transportation of product from the factory by 77% in 2022 compared to 2021, principally by significantly increasing the use of rail transport.
- A reduction of the amount of heating and power in Q3 2022 of 23% compared to the same period in 2021, through a reduction in factory temperature by 1 degree Celsius.
- 50% of staff in Italy registered on the Government sponsored Work Health promotion project.

Key activities during 2023 for the Sustainable Life team will be numerous. The initial focus will be at our Biokosmes site, where by far the largest part of our operations site. The work will then roll out to our other locations in subsequent years:

- Undertaking the life cycle analysis on a number of our key brand products.
- Assessing the carbon footprint of the Bioskosmes plant. The assessment of Gnesta and the rest of the Group will be undertaken in the subsequent year.
- Undertaking the process to become B Corp certified at Biokosmes, and then also to roll this out across the Group in subsequent years.
- Undertake the Ecovadis certification process again at Biokosmes - in 2021 we were awarded bronze accreditation.

We have an exceptional team of people within the Group, who have performed to an outstanding level in 2022. Our team continues to grow, and setting the right culture as well as identifying and developing our values is becoming more and more important to our business. We commenced a number of initiatives in the second half of the year with our people to assess and understand the culture of the business and identify areas of improvement. This will be a continuing theme into 2023 and beyond, as part of our Sustainable Life project, as well as establishing with the team the values that the Group subscribe to in our path forward.

Outlook

2022 has been a very rewarding year of growth for VLG. The full year effect of the acquisitions made in 2021 has contributed very positively to the overall growth of the Group, wit h those acquired assets also being in growth themselves.

The supply chain has continued to be one of the largest areas of challenge for the Group, where the impact of the Ukraine conflict at the start of 2022 compounded the already very difficult supply chain environment as a result of Covid. The first half of 2022 saw the most difficult part of the year for supply chain, with issues in terms of both availability and price arising on a daily basis, combined with the impact of rapidly increasing energy prices. The second half of the year saw the start of an improving situation for supply chain which has continued into 2023, where we are now seeing some downward movement in price and improving availability. Similarly, energy prices seem not to have risen as high as expected 6 months ago.

This all sets a backdrop for a period where we expect to see margins under less pressure, and where we expect that customers will still maintain their long look-forward on ordering.

We have started the year with an order book more than double the size of that at the same time last year, which reflects the continued growth and much greater visibility of forward revenues. 2023 is expected to see a year of continued organic growth, with many initiatives in terms of market penetration and new product development. Increasing volumes, easing supply chain pressures and the full year impact of the Earol acquisition are expected to improve gross margin again in 2023, despite the cost pressures that remain. The business remains focussed on the dual objective of profitable organic growth, hand in hand with improved sustainability, and the Board looks forward with confidence to the year ahead.

Jerry Randall
Chief Executive Officer
3 April 2023

Financial Review

Statement of Comprehensive Income

The Group reported 2022 revenues of £44.0 million, an increase of 34% over the £32.8 million reported in 2021. The Group comprises of two segments: Venture Life Brands and Customer Brands.

The Venture Life Brands business reported growth of 28.8% to £23.1 million (2021: £17.9 million) which was driven by the full-year impact of the acquisitions made in the previous year. The Venture Life brands part of the business includes brands which are owned by Venture Life, including the HL Healthcare business acquired on 30 November 2022 which delivered revenue of £0.2 million for the period post-acquisition.

The Customer Brands business reported revenues of £20.8 million, an improvement of 40.7% versus 2021. As well as developing and manufacturing the majority of the Venture Life brands, this part of the business is also focused on the development and manufacture of products on behalf of third parties, sold under their brands.

	2022 £'000	2021 £'000	Change %
Revenue	43,980	32,762	34.2%
Gross profit	17,665	12,958	36.3%
Gross profit margin	40.2%	39.6%	
Amortisation	(3,564)	(2,287)	
Other income	151	338	
Operating profit before exceptional items	3,505	2,702	29.7%
Operating profit margin	8.0%	8.2%	
Exceptional costs	(1,278)	(1,331)	
Operating profit	2,227	1,371	62.4%
Net Finance expense	(1,521)	(425)	
Profit before tax	706	946	(25.4)%
Tax	(186)	1,456	
Profit for the year	520	2,402	(78.4%)

	2022 £'000	2021 £'000	Change %
Operating profit before exceptional items	3,505	2,702	29.7%

Operating profit before exceptional items	3,505	2,702	29.7%
Depreciation	1,821	1,415	
Amortisation	3,564	2,287	
Share-based payments charge	72	196	
Adjusted EBITDA	8,962	6,600	35.8%

Gross profit for the year of £17.7 million increased 36.3% versus the previous year (2021: £13.0 million) and achieved a slight improvement in the gross margin percentage to 40.2% (2021: 39.6%).

The gross profit improvement was driven by higher revenues and whilst the overall revenue growth was pleasing to see, the mix was skewed more than expected towards the Customer Brands business due to an exceptional performance during the year. This resulted in a slightly lower gross margin percentage than expected at 40.2% (2021: 39.6%). Pressure continued on gross margin throughout 2022, as the supply chain continued to be very challenging, in terms of both price and availability. Lockdowns in China particularly impacted the supply of certain raw materials and packaging into Europe, as production ceased and also shipping channels were brought to a standstill.

Across the year we saw a reduction of 2.2ppts in our gross margin due to the impact of cost increases. We were able to mitigate the majority of this through the application of price increases to our customers, which recovered 1.7ppts of the cost impact that was seen. Increasing energy prices during the year caused a reduction of 0.5ppts in our gross margin, increases that we have not been able to pass on to customers as there was strong resistance. However, we are already seeing energy prices fall in Q1 2023, not back to anywhere near pre-2020 levels, but to lower than we had anticipated. We continue to explore alternative and green energy sources to improve margin and our carbon footprint. The full year impact of previous year acquisitions had a positive effect of 3.2ppts on the gross margin percentage as these products (Balance Activ, Lift, Glucogel, Gelclair and Pomi-T) generate a higher margin than Venture Life's more established portfolio but this was offset by the higher than expected mix element from the lower margin customer brands which diluted the gross margin by a further 1.6ppts, resulting in an overall gross margin of 40.2%, an improvement of 0.6ppts over the previous year.

The Euro strengthened against Sterling by 0.8% during 2022 (based on average FX rates), which had an overall positive impact on the reported revenue and operating profit of the Group as most of the Group's gross margins continue to be Euro denominated.

Administrative expenses increased in the period to £14.3 million from £10.6 million in 2021, an increase of £3.7 million comprising higher non-cash costs of amortisation £1.3 million and depreciation £0.4 million as well as £0.7 million of additional administrative costs arising from the full year impact of the previous year acquisitions. The balance of other cost increases amounting to £1.3 million reflected increased marketing expenditure of £0.5 million and an investment of £0.8 million in general administration costs to further strengthen our teams across the functions of commercial, finance and supply chain.

Tight control of our cost base ensured that the additional gross margin passed through the P&L and we were able to deliver an adjusted EBITDA slightly ahead of market expectations at £9.0 million, an increase of 35.8% over the prior year (2021: £6.6 million) at a margin of 20.4% (2021: 20.1%).

Exceptional costs of £1.3 million (2021: £1.3 million) were in line with the previous year and reflected legal and professional fees associated with the acquisition of HL Healthcare as well as integration costs incurred during the year in relation to the previous year acquisitions plus the acquisition of HL Healthcare on 30 November 2022.

Operating profit was £2.2 million (2021: £1.4 million) with the profit before tax for the Group of £0.7 million (2021: £0.9 million). The delta between operating profit and profit before tax is attributable to finance costs which increased to £1.5 million (2021: £0.4 million). The increased finance costs of £1.1 million includes an increase of £0.4 million comprising additional interest payable on the Group's revolving credit facility which accrues at SONIA +2.5%, plus £0.3 million of non-cash cost arising from balance sheet timing due to effective interest rate adjustments and £0.4 million of FX impact attributable to EUR borrowings. The Group reported profit after tax of £0.5 million (2021: £2.4 million) which translated into adjusted earnings per share[7] of 4.30 pence (2021: 4.94 pence).

Statement of Financial Position

	2022 £'000	2021 £'000
Intangible assets	78,694	65,079
Property, plant and equipment	10,090	9,737
Deferred Tax	2,443	2,349
Non-Current Assets	**91,227**	**77,165**
Inventories	11,998	9,019
Trade and other receivables	16,433	12,212

Cash and cash equivalents	5,631	5,235
Current Assets	**34,062**	**26,466**
Trade and other payables	11,725	9,717
Taxation	891	188
Interest-bearing borrowings	3,867	620
Current Liabilities	**16,483**	**10,525**
Interest-bearing borrowings	22,979	12,109
Statutory employment provision	1,461	1,236
Deferred tax liability	8,707	6,597
Non-Current Liabilities	**33,147**	**19,942**
Net Assets / (Liabilities)	**75,659**	**73,164**

Non-current assets including goodwill, increased by £14.1 million during the year to £91.2 million (2021: £77.2 million) which was driven by the acquisition of HL Healthcare Limited on 30 November 2022 for a consideration of £13.0 million.

Inventory increased by 33.0% to £12.0 million versus 2021, reflecting the Group's continued focus on ensuring supply of input materials and thus maintaining production at our facilities. The inventory build also reflected the strength of the Group's order book which ended the year 114% ahead of the same point in the previous year.

Trade and other receivables increased by 34.5% to £16.4 million (2021: £12.2 million) and Trade and other payables grew 20.6% to £11.7 million, with the movements being reflective of the growth of the business.

Cash and net debt

Net cash from operating activities increased to £5.6 million (2021: £0.6 million) which included outflows for cash exceptional items amounting to £0.5 million. Adding back these cash exceptional items increases the underlying net cash generated from operating activities to £6.1 million.

Operating cash conversion, calculated as net cash from operating activities excluding cash exceptional items as a proportion of Adjusted EBITDA, increased to 69.0% (2021: 29.6%).

During the year, there was a negative working capital outflow of £1.4 million (2021: £3.2 million negative) reflecting the growth of the business, timing of revenues and a significant inventory build of £3.0 million. Inventory build out was a vital investment protecting against rising input prices and ensuring supply and hence delivery of customer orders.

Cash used in investing activities amounted to £11.7 million (2021: £39.6 million) and comprised outflows of £9.9 million for the acqusiiton of subsidiaries of HL Healthcare Limited on 30 November 2022 and the final payment for the Helsinn brands acquired in the previous year, plus £0.9 million of capital investment into the manufacturing facilities in Italy and Sweden, plus £0.9 million of intangibles development costs.

Net cash from financing activities amounted to £6.9 million (2021: £1.5 million) and comprised £8.3 million of net drawdown on interest bearing borrowings from the Group's revolving credit facility, plus proceeds raised from share issuance of £0.2 million, less leasing obligation repayments of £0.9 million and associated interest thereon.

	2022 £'000	2021 £'000
Operating cash flow before movements in working capital	**7,544**	**5,135**
Change in working capital	(1,357)	(3,179)
Cash generated from operations	**6,187**	**1,956**
Income taxes paid	(621)	(1,355)
Net cash from operating activities	**5,566**	**601**
Cash outflow from investing activities - acquisitions	(9,860)	(35,917)
Cash outflow from investing activities - additions	(1,828)	(3,262)
Cash inflow from financing activities - equity raise	224	-
Cash inflow from financing activities - other financing	6,698	1,502
Increase in cash and cash equivalents	**800**	**(37,076)**
Cash and cash equivalents at beginning of year	5,235	42,095
Effect of foreign exchange rates	(404)	216
Cash and cash equivalents at end of year	**5,631**	**5,235**

Net debt, excluding finance lease obligations was £16.6 million at 31 December 2022 (2021: Net debt £3.2

million on the same basis). The increase in the net debt position derived principally from the payments made for acquisitions during 2022; the second and final instalment of the consideration for the acquisition of Gelclair, Pomi-T and Xonrid from Helsinn SA in 2021 of £2.2 million; and the payment of the first part of the consideration for the acquisition of HL Healthcare Limited ("HL") (including the Earol products) of £10.0 million which includes £2.0 million of loan notes. Also included in net debt is deferred contingent consideration of up to a maximum of £3.0 million for the acquisition of HL, which is dependent on the trading results of HL for the year ended 31 March 2023 and would become payable during 2023.

This net debt figure of £16.6 million represents an adjusted EBITDA (including the last 12 months for HL) to net debt (excluding IFRS 16 finance leases) leverage of 1.4x at 31 December 2022. Cash generation during 2023 is expected to reduce this to 1.0x or lower by the end of 2023. With an overall available RCF facility of £30 million (plus £20 million accordion), including an adjusted EBITDA to gross debt leverage limit of 2.5x, the Group retains access to meaningful funding.

The Group is financed by a revolving credit facility, secured against the assets and profits of most subsidiaries within the Group and with expiry in June 2024. This facility was established during 2021 in the committed sum of £30.0 million of which £17.3 million had been drawn at 31 December 2022. The revolving credit facility bears interest at a fixed rate of 2.5% plus SONIA on drawn funds as well as a commitment fee at the rate of 1.0% on the balance of undrawn funds up to the facility limit.

The Directors have prepared detailed forecasts looking beyond 12 months from the date of these financial statements which have been stress tested and show that the Group can continue to operate profitably in the foreseeable future with positive cashflow generation and stay within the existing lending facilities as set out in the going concern note of the annual report. The Directors therefore conclude that the Going Concern basis remains the appropriate basis upon which to prepare the Group's financial statements.

Daniel Wells
Chief Financial Officer
3 April 2023

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022
Company number 05651130

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue	5	43,980	32,762
Cost of sales		(26,315)	(19,804)
Gross profit		17,665	12,958
Administrative expenses			
Operating expenses		(10,927)	(8,441)
Impairment losses of financial assets	18	180	134
Amortisation of intangible assets	15	(3,564)	(2,287)
Total administrative expenses		(14,311)	(10,594)
Other income		151	338
Operating profit before exceptional items		3,505	2,702
Exceptional costs	6	(1,278)	(1,331)
Operating profit	7	2,227	1,371
Finance income		1	89
Finance costs		(1,522)	(514)
Profit before tax		706	946
Tax	10	(186)	1,456
Profit for the year		520	2,402
Other comprehensive income:			
Items that will be reclassified subsequently to profit			

or loss			
Foreign exchange gain / (loss) on translation of subsidiaries		1,679	(1,543)
Total comprehensive profit for the year attributable to equity holders of the parent		2,199	859

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

		Year ended 31 December 2022	Year ended 31 December 2021
Profit per share			
Basic profit / (loss) per share (pence)	12	0.41	1.91
Diluted profit / (loss) per share (pence)	12	0.39	1.79

Consolidated Statement of Financial Position
at 31 December 2022

Company number 05651130

	Notes	At 31 December 2022 £'000	At 31 December 2021 £'000
Assets			
Non-current assets			
Intangible assets	14, 15	78,694	65,079
Property, plant and equipment	16	10,090	9,737
Deferred Tax		2,443	2,349
		91,227	**77,165**
Current assets			
Inventories	17	11,998	9,019
Trade and other receivables	18	16,433	12,212
Cash and cash equivalents	19	5,631	5,235
		34,062	**26,466**
Total assets		**125,289**	**103,631**
Equity and liabilities			
Capital and reserves			
Share capital	20	379	377
Share premium account	20	65,960	65,738
Merger reserve	21	7,656	7,656
Foreign currency translation reserve	22	1,565	(114)
Share-based payments reserve	23	812	856
Retained earnings	24	(713)	(1,349)
Total equity attributable to equity holders of the parent		**75,659**	**73,164**
Liabilities			
Current liabilities			
Trade and other payables	25	11,725	9,717
Taxation		891	188
Interest-bearing borrowings	26	3,867	620
		16,483	**10,525**
Non-current liabilities			
Interest-bearing borrowings	26	22,979	12,109
Statutory employment provision	27	1,461	1,236
Deferred tax liability	11	8,707	6,597
		33,147	**19,942**
Total liabilities		**49,630**	**30,467**
Total equity and liabilities		**125,289**	**103,631**

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Share Capital £'000	Share Premium account £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Share-based payments reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2021	377	65,738	7,656	1,429	660	(3,751)	72,109
Profit for the year	-	-	-	-	-	2,402	2,402
Foreign exchange on translation	-	-	-	(1,543)	-	-	(1,543)
Total comprehensive income	-	-	-	(1,543)	-	2,402	859
Share-based payments charge	-	-	-	-	196	-	196
Transactions with Shareholders	-	-	-	-	196	-	196
Balance at 1 January 2022	377	65,738	7,656	(114)	856	(1,349)	73,164
Profit for the year	-	-	-	-	-	520	520
Foreign exchange on translation	-	-	-	1,679	-	-	1,679
Total comprehensive income	-	-	-	1,679	-	520	2,199
Share-based payments charge	-	-	-	-	72	-	72
Share-based payments charge recycling	-	-	-	-	(116)	116	-
Contributions of equity, net of transaction costs	2	222	-	-	-	-	224
Transactions with Shareholders	2	222	-	-	(44)	116	296
Balance at 31 December 2022	**379**	**65,960**	**7,656**	**1,565**	**812**	**(713)**	**75,659**

Consolidated Statement of Cash Flows
for the year ended 31 December 2022
Company number 05651130

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flow from operating activities			
Profit before tax		706	946
Finance (income)/expense		1,521	425
Operating profit		2,227	1,371
Adjustments for:			
- Depreciation of property, plant and equipment	16	1,821	1,415
- Impairment gains of financial assets	18	(180)	(134)
- Amortisation of intangible assets	15	3,564	2,287
- Loss on disposal of non-current assets	15	40	-
- Share-based payment expense		72	196
Operating cash flow before movements in working		7,544	5,135

capital			
(Increase) / decrease in inventories		(2,329)	718
(Increase) in trade and other receivables		(2,517)	(2,989)
Increase / (decrease) in trade and other payables		3,489	(908)
Cash generated from operations		6,187	1,956
- Tax paid		(674)	(1,472)
- Tax receipt		53	117
Net cash from operating activities		5,566	601
Cash flow from investing activities:			
Acquisition of subsidiaries, net of cash acquired	14	(7,482)	(35,917)
Purchases of property, plant and equipment	16	(860)	(371)
Expenditure in respect of intangible assets	15	(3,346)	(2,891)
Net cash used in investing activities		(11,688)	(39,179)
Cash flow from financing activities:			
Proceeds from issuance of ordinary shares	20	224	-
Drawdown of interest-bearing borrowings	26	14,985	16,336
Repayment of interest-bearing borrowings	26	(6,728)	(13,614)
Leasing obligation repayments	26	(922)	(728)
Interest paid		(637)	(492)
Net cash from financing activities		6,922	1,502
Net (decrease) / increase in cash and cash equivalents		800	(37,076)
Net foreign exchange difference		(404)	216
Cash and cash equivalents at beginning of period		5,235	42,095
Cash and cash equivalents at end of period	19	5,631	5,235

Notes to the Consolidated Statements
for the year ended 31 December 2022

Company number 05651130

1. Basis of the announcement

The financial information of the Group set out above does not constitute statutory accounts for the purposes of Section 435 of the Companies Act 2006. The financial information for the year ended 31 December 2022 has been extracted from the Group's audited financial statements which were approved by the Board of directors on 3 April 2022 and delivered to the Registrar of Companies for England and Wales following the Company's 2022 Annual General Meeting.

The financial information for the year ended 31 December 2022 has been extracted from the Group's financial statements for that period. The report of the auditor on the 2022 financial statements was unmodified and the auditors drew attention by way of emphasis to note 15 of the financial statements (see note 6 of this announcement) which explains, for the Dentyl brand, the international growth included as part of the annual impairment review is reliant on an existing partner in China placing orders for at least 65% of the agreed purchase predictions from 2024. The ultimate outcome of this matter is not certain, and the financial statements do not reflect any impairment that might be required against the Dentyl brand should the orders not be placed. The auditors opinion is not modified in respect of this matter.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with UK adopted international accounting standards, in conformity with the requirements of the Companies Act 2006, that are relevant to companies that report under these standards, this announcement does not itself contain sufficient information to comply with those standards. This financial information has been prepared in accordance with the accounting policies set out in the 2022 Report and Accounts.

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

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

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

2.1 Segment revenue and results

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

	Venture Life Brands £'000	Customer Brands £'000	Consolidated Group £'000
Year ended 31 December 2022			
Revenue			
Sale of goods	24,579	25,621	50,200
Intercompany sales elimination	(1,444)	(4,776)	(6,220)
Total external revenue	23,135	20,845	43,980
Results			
Operating profit before exceptional items and excluding central administrative costs	3,799	3,674	7,473
Year ended 31 December 2021			
Revenue			
Sale of goods *	18,853	19,070	37,923
Intercompany sales elimination*	(881)	(4,280)	(5,161)
Total external revenue	17,972	14,790	32,762
Results			
Operating profit before exceptional items and excluding central administrative costs	4,255	1,812	6,067

** Prior year figures have been re-presented to reflect the sales of goods and intercompany sales elimination. External revenues are unchanged.*

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

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Operating profit before exceptional items and excluding central administrative costs	7,473	6,067
Exceptional items	(1,278)	(1,331)
Central administrative costs	(3,968)	(3,365)
Finance income / (costs)	(1,521)	(425)
Profit before tax	706	946

One customer generated revenue of £8,327,607 which accounted for 10% or more of total revenue (2021: one customer generated revenue of £4,383,290 which accounted for 10% or more of total revenue).

2.2 Segmental assets and liabilities

	At 31 December 2022 £'000	At 31 December 2021 £'000
Assets		
Venture Life Brands	102,295	71,785
Customer Brands	22,149	28,783
Central Group assets	845	3,063
Consolidated total assets	125,289	103,631
Liabilities		
Venture Life Brands	19,669	13,500
Customer Brands	10,839	10,976
Central Group liabilities	19,122	5,991
Consolidated total liabilities	49,630	30,467

Consolidated total liabilities	49,630	30,467

2.3 Other segmental information

	Depreciation and amortisation £'000	Addition to non-current assets £'000
Year ended 31 December 2022		
Venture Life Brands	4,838	17,381
Customer Brands	490	811
Central administration	57	-
	5,385	18,192
Year ended 31 December 2021		
Venture Life Brands	2,868	44,038
Customer Brands	445	564
Central administration	389	-
	3,702	44,602

2.4 Geographical information

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue		
UK	20,338	15,888
Italy	13,000	8,882
Switzerland	1,830	1,842
Germany	485	951
Netherlands	1,391	658
Rest of Europe	3,469	2,444
USA	477	266
Ireland	1,297	460
Rest of the World	1,693	1,371
Total revenue *	43,980	32,762

** Prior year figures reanalysed to expand geographical analysis in line with current and future trading*

3. Exceptional items

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Costs incurred in the acquisition of HL Healthcare Ltd	860	-
Costs incurred in the Acquisition of BBI Healthcare Limited and Helsinn portfolio of assets	-	964
Integration of acquisitions	202	261
Restructure	216	106
Total exceptional items	**1,278**	**1,331**

During the period the Group incurred legal and professional fees in relation to the acquisition of HL Healthcare Ltd plus associated integration costs, as well as further integration costs in relation to the previous year acquisitions of BBI Healthcare Ltd and Helsinn portfolio of assets. Other exceptional items related to restructuring costs.

4. Income tax expense

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Current tax:		
Current tax on profits for the year	1,195	665
Adjustments in respect of earlier years	11	99
Total current tax expense	1,206	764
Deferred tax:		
Origination and reversal of temporary differences	(1,020)	(2,220)
Total deferred tax credit	(1,020)	(2,220)
Total income tax charge / (credit)	186	(1,456)

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit before tax	706	946
Profit before taxation multiplied by the local tax rate of 19% (2021: 19%)	134	180
Expenses not deductible for tax purposes	166	15
Change in recognised deferred tax liability	-	51
Change in unrecognised deferred tax asset	-	(2,183)
Current year losses for which no deferred tax asset has been recognised	117	166
Utilised losses	(112)	(213)
Previously recognised deferred tax	-	174
Other adjustments	-	65
Re-measurement of deferred tax balances	(281)	-
Higher rate on foreign taxes	151	190
Adjustments for current tax of prior periods	11	99
Income tax charge	186	(1,456)

In the Spring Budget 2021 the UK Government announced that from 1 April 2023 the corporation tax rate would rise from 19% to 25% on all profits in excess of £250,000. This new law was substantively enacted on 24 May 2021. The standard corporation tax rate in Italy is 24% and there is in addition a regional production tax of 3.9%. Corporation tax rates in the Netherlands are 25.8% on profits in excess of €395,000 and 15% on profits below this threshold. Corporation tax rates in the Sweden are 20.6%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

As at the reporting date, the Group has unused tax losses of £9,867,000 (2021: £9,938,000) available for offset against future profits generated in the UK. A deferred tax asset has been recognised on the losses which the company considers will be utilised against future profits in the UK however, there remain losses of £435,000 which a deferred tax asset has not be recognised on due to the uncertainty of their recoverability.

The tax charge of the Group is mainly driven by tax paid on the profits of Biokosmes Srl and PharmaSource B.V as profits from the UK entities are group relieved against current year and prior year losses within the UK Group. The Group recognises a deferred tax asset in relation to losses carried forward in the UK entities as the performance of these entities is expected to become more profitable in future following the integration of previous year acquisitions and new distribution agreements secured and consequently the deferred tax asset has reduced during the year. The deferred tax liabilities generated on the acquisition of HL Healthcare Ltd in the current year and previous years are released to the income statement over time.

5. Earnings per share

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
For basic EPS calculation	126,257,101	125,831,530
For diluted EPS calculation	133,393,929	133,819,347

The dilution reflects the inclusion of the options and LTIPs that have been issued, amounting to 6,582,713 stock options and 554,115 LTIPs.

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
For basic and diluted EPS calculation	520	2,402
Add back: Amortisation	3,564	2,287
Add back: Exceptional costs	1,278	1,331
Add back: Share based Payments	72	196
For adjusted EPS calculation	5,434	6,216

The resulting EPS measures are:

	Year ended 31 December 2022 Pence	Year ended 31 December 2021 Pence
Basic EPS	0.41	1.91
Diluted EPS	0.39	1.79
Adjusted EPS	4.30	4.94
Adjusted diluted EPS	4.07	4.65

6. Intangible assets

	Development costs £'000	Brands £'000	Patents and trademarks £'000	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost or valuation:						
At 1 January 2021	3,844	1,089	1,374	21,277	4,070	31,654
Acquired through business combinations	-	19,004	-	15,177	6,870	41,051
Additions	470	-	43	-	-	513
Disposals	(1)	-	(396)	-	-	(397)
Foreign exchange movements	(264)	-	(42)	(971)	(213)	(1,490)
At 31 December 2021	4,049	20,093	979	35,483	10,727	71,331
Acquired through business combinations	-	9,282	-	3,407	2,628	15,317
Additions	923		45	-		968
Disposals	(84)		-	-		(84)
Foreign exchange movements	231		35	762	168	1,196
At 31 December 2022	5,119	29,375	1,059	39,652	13,523	88,728
Amortisation:						
At 1 January 2021	1,837	-	740	-	2,053	4,630

Charge for the year	408	822	180	-	877	2,287
Disposals	(1)	-	(396)	-	-	(397)
Foreign exchange movements	(132)	-	(13)	-	(123)	(268)
At 31 December 2021	2,112	822	511	-	2,807	6,252
Charge for the year	585	1,522	164		1,293	3,564
Disposals	(46)		-		-	(46)
Foreign exchange movements	129		18		117	264
At 31 December 2022	2,780	2,344	693	-	4,217	10,034
Carrying amount:						
At 31 December 2021	1,937	19,271	468	35,483	7,920	65,079
At 31 December 2022	2,339	27,031	366	39,652	9,306	78,694

All capitalised development costs are amortised over their estimated useful lives, which is five years. All amortisation has been charged to administrative expenses in the Statement of Comprehensive Income.

All trademark, licence and patent renewals are amortised over their estimated useful lives, which is between five and ten years. All amortisation has been charged to administrative expenses in the Statement of Comprehensive Income.

Other intangible assets currently comprise customer relationships and product formulations acquired through the acquisition of Biokosmes Srl. and customer relationships acquired through the acquisitions of Periproducts, the Dentyl brand, the Pharmasource group, BBI Healthcare Ltd, the Helsinn Brands and HL Healthcare Ltd. These assets were recognised at their fair value at the date of acquisition and were being amortised over a period of between five and ten years. The weighted average remaining amortisation period for other intangible assets is 5.9 years (2021: 7.1 years)

Assets with indefinite economic lives as well as associated assets with finite economic lives are tested for impairment at least annually or more frequently if there are indicators that amounts might be impaired. The impairment review involves determining the recoverable amount of the relevant cash-generating unit, which corresponds to the higher of the fair value less costs to sell or its value in use.

The key assumptions used in relation to the Biokosmes (Customer Brands comprising one CGU), Periproducts, the Dentyl brand, Pharmasource group, BBI Healthcare Ltd, the Helsinn brands and HL Healthcare Ltd (part of the Venture Life Brands comprising six CGU's) impairment review are outlined below:

Biokosmes SRL

- In 2022, Biokosmes Srl achieved 34.0% revenue growth over the previous year with an EBIT (Earnings before interest and tax) improvement of 5.8%. The assets of the business increased significantly during the year due to an inventory build of £2.5m which was made in order to secure supply of key raw materials and packaging in light of a challenging supply chain backdrop. Management have forecasted revenue growth of CAGR 6.6% for the three years ending 31 December 2025.

- The Group has applied a discount rate to the future cash flows of Biokosmes for five years, with a terminal value reflecting future years. The rate is based upon the Group WACC of 12.4% and adjusted for specific segment, country and currency risk and then converted onto a pre-tax basis to derive a rate of 19.0%. These assumptions generate a headroom of £1.5m over the assets of the business held at the balance sheet date. The level of headroom would have been significantly higher if not for the level of the inventory build described.

- An increase in the Group WACC rate by 0.65ppt would have resulted in no headroom over the assets of the business held at the balance sheet date.

Periproducts Ltd

- In 2022, Periproducts Ltd revenue declined 2.2% versus the previous year with an EBIT improvement of 0.4%. Management have forecasted UK revenue growth of CAGR 6.5% and international revenue growth of CAGR 180.0% for the three years ending 31 December 2025.

- The growth in the international forecast is compared against a base of less than £0.05m revenue delivered in 2022. Approximately half of the forecasted revenue improvement, amounting to £0.3m annual revenue is due to materialise from existing EU based distribution partners where orders have already been placed for 2023. The other half of the forecasted revenue improvement, amounting to £0.3m annual revenue is reliant on the performance of Venture Life's existing partner in China recovering order volumes to 50% of the minimum purchase obligations set out in our agreement and it has been assumed that no orders will be placed until 2024 at the earliest.

- The Group has applied a discount rate to the future cash flows of Periproducts for five years, with a terminal value reflecting future years. The rate is based upon the Group WACC of 12.4% and adjusted for specific segment, country and currency risk and then converted onto a pre-tax basis to derive a rate of 15.9%. These assumptions generate a significant headroom of £2.9m over the assets of the business held at the balance sheet date.

- An increase in the Group WACC rate by 7.2ppt would have resulted in no headroom over the assets of the business held at the balance sheet date.

- Sensitivity analysis has been performed to exclude any future revenues from the China partner and shows that the future cashflows still generate a headroom of £2.1m over the assets of the business held at the balance sheet date.

Dentyl Brand

- In 2022, revenues from the Dentyl brand declined 15.7% versus the previous year following the implementation of a customer price increase in the UK. Management have forecasted UK revenue growth of CAGR 10.3% and international revenue growth of CAGR 98.4% for the three years ending 31 December 2025.

- The growth in the international forecast is reliant on the performance of Venture Life's existing partner in China recovering order volumes to 65% of the minimum purchase obligations set out in our agreement and it has been assumed that no orders will be placed until 2024 at the earliest. There is a material uncertainty around when the Chinese economy will recover back to the levels that existed prior to the Covid-19 pandemic. This uncertainty directly impacts our distribution partner for oral care products in this market and the level of growth rates in future.

- The Group has applied a discount rate to the future cash flows of the Dentyl Brand for five years, with a terminal value reflecting future years. The rate is based upon the Group WACC of 12.4% and adjusted for specific segment, country and currency risk and then converted onto a pre-tax basis to derive a rate of 15.9%. These assumptions generate a significant headroom of £0.8m over the assets of the business held at the balance sheet date.

- An increase in the Group WACC rate by 3.7ppt would have resulted in no headroom over the assets of the business held at the balance sheet date.

- Sensitivity analysis has been performed on scenarios to further reduce revenues from the China partner to 33% of the minimum purchase obligations in the agreement which shows that the future cashflows would result in an impairment of £0.6m arising. In a scenario where no further revenues were generated from the China partner, this would result in a significant impairment. Under either scenario, the Group would seek to mitigate this impact and the Directors are satisfied that the forecasts included in the original impairment assessment already apply a cautious approach.

Pharmasource BV

- In 2022, revenues from the Pharmasource Group declined 21.9% versus the previous year due primarily to the loss of a key distribution partner in Germany. Management have forecasted revenue growth of CAGR 10.9% for the three years ending 31 December 2025. The forecasted growth is reliant on finding a replacement partner for the German market on or before 1 January 2024. Excluding the revenue to be secured from a replacement partner, the forecasted revenue growth applied is a CAGR of 2.9% over the period.

- The Group has applied a discount rate to the future cash flows of the Pharmasource Group for five years, with a terminal value reflecting future years. The rate is based upon the Group WACC of 12.4% and adjusted for specific segment, country and currency risk and then converted onto a pre-tax basis to derive a rate of 14.5%. These assumptions generate a significant headroom of £1.8m over the assets of the business held at the balance sheet date.

- An increase in the Group WACC rate by 2.3ppt would have resulted in no headroom over the assets of the business held at the balance sheet date.

- Sensitivity analysis has been performed to model a scenario whereby no replacement partner is secured to replace the revenue lost from the previous partner in the German market and shows that the future cashflows would result in an impairment of £0.2m arising.

BBI Healthcare Ltd

- In 2022, BBI Healthcare Ltd achieved 16.1% revenue growth on a pro-forma[1] basis versus the previous year with an EBIT improvement of 1.3%. Management have forecasted revenue growth of CAGR 14.1% for the three years ending 31 December 2025.

- The level of projected growth is underpinned by key license and supply agreements and in particular the Groups' key women's health partner Bayer Consumer Care AG which provides revenue visibility in significant excess of the forecasts applied within the impairment assessment.

- The Group has applied a discount rate to the future cash flows of BBI Healthcare Ltd for five years, with a terminal value reflecting future years. The rate is based upon the Group WACC of 12.4% and adjusted for specific segment, country and currency risk and then converted onto a pre-tax basis to derive a rate of 15.9%. These assumptions generate a significant headroom of £0.8m over the assets of the business held at the balance sheet date.

- An increase in the Group WACC rate by 0.2ppt would have resulted in no headroom over the assets of the business held at the balance sheet date.

- Sensitivity analysis has been performed to reduce revenues of the UK business by 5.0% and shows that the future cashflows could result in an impairment of £1.0m arising. Management are of the view that there are significant upsides from existing customer agreements which would prevent this in reality and can be used to support a significant forecast improvement.

Helsinn Brands

- In 2022, revenues from the Helsinn brands declined 24.8% on a pro-forma[1] basis versus the previous year reflecting the loss of a key US distribution partner prior to the acquisition of the brand by Venture Life in August 2021. Management have forecasted revenue growth of CAGR 17.5% for the three years ending 31 December 2025.

- The level of projected growth is underpinned by newly secured customer agreements in Brazil and Canada during 2022 which become effective from 2023.

- The Group has applied a discount rate to the future cash flows of the Helsinn brands for five years, with a terminal value reflecting future years. The rate is based upon the Group WACC of 12.4% and adjusted for specific segment, country and currency risk and then converted onto a pre-tax basis to derive a rate of 15.9%. These assumptions generate a significant headroom of £7.3m over the assets of the business held at the balance sheet date.

- An increase in the Group WACC rate by 13.2ppt would have resulted in no headroom over the assets of the business held at the balance sheet date.

business held at the balance sheet date.

- Sensitivity analysis has been performed to reduce revenues from the new agreements by 50% as a prudent scenario and shows that the future cashflows still generate a significant headroom of £5.8m over the assets of the business held at the balance sheet date.

HL Healthcare Ltd (acquired 30 November 2022)

- In 2022, revenues from HL Healthcare Ltd increased 8.7% on pro-forma[1] basis versus the previous year. Management have forecasted revenue growth of CAGR 5.3% for the three years ending 31 December 2025.

- The Group has applied a discount rate to the future cash flows of HL Healthcare Ltd for five years, with a terminal value reflecting future years. The rate is based upon the Group WACC of 12.4% and adjusted for specific segment, country and currency risk and then converted onto a pre-tax basis to derive a rate of 15.9%. These assumptions generate a significant headroom of £7.6m over the assets of the business held at the balance sheet date.

The above impairment assessments of Biokosmes SRL, Periproducts Ltd, the Dentyl brand, the Pharmasource group, BBI Healthcare Ltd, the Helsinn brands and HL Healthcare Ltd have included assessment of all elements of intangible value regardless of whether their economic lives are finite or indefinite, and include Customer Relationships, acquired formulations, acquired Trademarks and Goodwill.

Intangible assets with indefinite useful lives allocated to operating segments:

		Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Goodwill	PeriProducts Ltd	3,337	3,337
	Dentyl	3,100	3,100
	Pharmasource BV	4,279	4,057
	BBI Healthcare Ltd	13,252	13,252
	The Helsinn brands	1,925	1,925
	HL Healthcare Ltd	3,406	-
	Venture Life Brands Total	29,299	25,671
	Biokosmes srl	10,351	9,812
	Customer Brands Total	10,351	9,812
	Total	39,652	35,483
Brands			
	Dentyl	-	1,089
	The Helsinn brands	2,010	2,010
	Venture Life Brands Total	2,010	3,099
	Customer Brands Total	-	-
	Total	2,010	3,099

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment.

Recoverable amount of each operating segment:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
PeriProducts Ltd	7,719	5,958
Dentyl	6,370	5,262
Pharmasource BV	9,509	7,332
BBI Healthcare Ltd	36,553	36,981
The Helsinn brands	12,749	6,433
HL Healthcare Ltd	20,735	-
Venture Life Brands Total	**93,635**	**61,966**
Biokosmes srl	28,501	14,435
Customer Brands	**28,501**	**14,435**

These assumptions are subjective and provide key sources of estimation uncertainty, specifically in relation to growth assumptions, future cashflows and the determination of discount rates. In particular, there is a material uncertainty around when the Chinese economy will recover back to the levels that existed prior to the Covid-19 pandemic which directly impacts on the impairment review of the Dentyl brand. The actual results may vary and accordingly may cause adjustments to the Group's valuation in future financial years.

Sensitivity analysis has been performed on the impairment review of all other operating segments and indicate sufficient headroom in the event of reasonably possible changes in key assumptions and these are unlikely to result in an impairment.

7. Business combinations

On 30 November 2022 the Company completed the acquisition of 100% of the equity of HL Healthcare Ltd, a UK based company engaged in the supply of ear, nose and throat products to customers in the UK and international partners. The acquisition consideration was £13.0 million, comprising £8.0 million payment on day one, £2.0 million by way of a fully sub-ordinated loan note which is redeemable on the second anniversary following completion and accrues interest at SONIA plus 5.0%, plus up to a further £3.0 million based on the performance of the acquired business in the year ending 31 March 2023. The goodwill reflects the future value that the Group can unlock from this business acquisition through (a) the trading of these acquired products into its network of existing Venture Life Brand customers, and (b) value creation through the application of the Group's internal R&D resources to broaden the product range.

The acquisition of HL Healthcare introduces additional strong brands and products into the Group and customers in the areas of ear, nose and throat care. The Group acquired the business to further strengthen the product portfolio and pursue opportunities within existing and new global markets. The inclusion of this additional business into its portfolio increases the leverage of its trading infrastructure. The acquisition has been accounted for under IFRS 3 as a business combination. The Consolidated Financial Statements for 2022 include the results of the HL Healthcare business for the period from 1 December 2022 to 31 December 2022.

The fair values of the identifiable assets and liabilities of the HL Healthcare business as at the date of acquisition were:

Acquisition of HL Healthcare Ltd on 30 November 2022	Book value	Fair value adjustments	Fair value

	£'000	£'000	£'000
Assets			
Non-current assets			
Licenses, Trademarks, Intellectual Property	75	(75)	-
Brands *	-	9,282	9,282
Customer relationships *	-	2,628	2,628
Tangible Fixed Assets	13	-	13
	88	**11,835**	**11,923**
Current Assets			
Inventories	135	101	236
Trade Receivables	1,066	-	1,066
Other Receivables	45	-	45
Cash	2,439	-	2,439
	3,685	**101**	**3,786**
Total assets	**3,773**	**11,936**	**15,709**
Current liabilities			
Trade payables	574	-	574
Other payables	382	-	382
	956	-	**956**
Non-current liabilities			
Deferred tax	-	2,976	2,976
	-	**2,976**	**2,976**
Total net assets	**2,817**	**8,960**	**11,777**
Net Assets acquired			**11,777**
Goodwill			**3,407**
Total consideration			**15,184**

** Intangible assets identified as part of the HL Healthcare acquisition.*

HL Healthcare was acquired on 30 November 2022. It generated revenues of £0.2 million and adjusted EBITDA of £0.1 million in the period from acquisition to 31 December 2022. HL Healthcare generated revenues of £5.0 million and adjusted EBITDA of £2.0 million for the twelve months ended 31 December 2022.

8. Cash and cash equivalents

	At 31 December 2022 £'000	At 31 December 2021 £'000
Available Cash and cash equivalents	5,631	5,235

The Group holds sterling, Chinese renminbi and euro denominated balances in the UK. The Group's subsidiaries hold US dollar, yen and euro accounts in Italy, euro accounts in the Netherlands, a Swiss franc account in Switzerland and Swedish Krona account in Sweden.

The Directors consider that the carrying value of cash and cash equivalents approximates their fair value.

9. Share capital and share premium

All shares are authorised, issued and fully paid. The Group has one class of ordinary shares which have full voting rights, no preferences and no restrictions attached.	Ordinary shares of 0.3p each Number	Ordinary shares of 0.3p each £	Share premium £'000	Merger reserve £'000
At 31 December 2022	126,498,197	379,495	65,960	7,656
At 31 December 2021	125,831,530	377,495	65,738	7,656

The Company issued 666,667 new shares during 2022 for total consideration of £224,667 (no new shares were issued during 2021).

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

10. Interest-bearing borrowings

	At 31 December 2022 £'000	At 31 December 2021 £'000
Current		
Invoice financing	-	-
Leasing obligations	920	620
Deferred contingent consideration	2,947	-
Total	3,867	620
Non-current		
Leasing obligations	3,651	3,626
Secured bank loans due after one year	17,314	8,483
Subordinated loan note (Deferred consideration)	2,014	-
Total	22,979	12,109

All bank loans are held jointly by Santander Bank and Silicon Valley Bank and comprise the Group's revolving credit facility, secured against the assets and profits of most subsidiaries within the Group and with expiry in June 2024. This facility was established during 2021 in the committed sum of £30.0 million of which £17.3 million has been drawn at 31 December 2022 (31 December 2021: £8.5 million). Invoice financing includes the Italian RiBa (or "Ricevuta Bancaria") facility which is a short-term facility. The balance shown above of £nil (2021: £nil) reflects the amount that had been settled in Biokosmes' account under RiBa and drawn against invoices in the UK as at the reporting date.

The revolving credit facility bears interest at a fixed rate of 2.5% plus SONIA on drawn funds as well as commitment fees at the rate of 1.0% on the balance of undrawn funds up to the facility limit. The RiBa invoice financing balance bears interest at variable rates.

A summary showing the utilisation of the revolving credit facility shown below:

	2022 GBP £'000	2022 EUR £'000	2022 All £'000	2021 GBP £'000	2021 EUR £'000	2021 All £'000
Opening balance at 1 January	4,000	5,039	9,039	-	-	-
Drawdown	10,400	4,585	14,985	9,500	5,884	15,384
Repayments	(2,500)	(4,228)	(6,728)	(5,500)	(818)	(6,318)
Impact of foreign exchange	-	361	361	-	(27)	(27)
Closing balance at 31 December	**11,900**	**5,757**	**17,657**	**4,000**	**5,039**	**9,039**

A summary showing the utilisation of the RIBa invoice financing is shown below:

	2022 £'000	2021 £'000
Opening Balance at 1 January	-	888
Drawdown	-	953
Repayments	-	(1,804)
Impact of foreign exchange	-	(37)
Closing Balance at 31 December	-	-

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

		At 31 December			At 31 December	

		2022			2021	
	Leasing obligations £'000	Other £'000	2022 £'000	Leasing obligations £'000	Other £'000	2021 £'000
Amounts and timing of debt repayable						
Within 1 year	985	5,250	6,235	660	433	1,093
1-2 years	665	17,736	18,401	633	435	1,068
2-3 years	613	-	613	419	9,284	9,703
3-4 years	503	-	503	418	-	418
4-5 years	432	-	432	410	-	410
After more than 5 years	1,595	-	1,595	1,899	-	1,899
Total	4,793	22,986	27,779	4,439	10,152	14,591

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Net debt reconciliation:

	Liabilities from Financing activities			Other assets	
	Borrowings	Leases	Sub-total	Cash	Net cash / (Net debt)
Net cash at 1 January 2021	6,616	4,562	11,178	42,095	30,917
Net cashflow	-	-	-	(37,076)	(37,076)
Finance lease repayments	-	(728)	(728)	-	728
Fees and Interest	(556)	-	(556)	-	556
Drawdown	16,336	733	17,069	-	(17,069)
(Repayments)	(13,614)	-	(13,614)	-	13,614
Foreign exchange movements	(299)	(321)	(620)	216	836
Net cash / (debt) at 31 December 2021	8,483	4,246	12,729	5,235	(7,494)
Net cashflow	-	-	-	800	800
Finance lease repayments	-	(922)	(922)	-	922
Fees and interest	240	-	240	-	(240)
Drawdown	14,985	1,034	16,019	-	(16,019)
(Repayments)	(6,728)	-	(6,728)	-	6,728
Deferred consideration arising on business combination	4,933	-	4,933	-	(4,933)
Foreign exchange movements	362	213	575	(404)	(979)
Net cash / (debt) at 31 December 2022	22,275	4,571	26,846	5,631	(21,215)

Lease liability

In 2017 the Group adopted IFRS 16 which means that lease contracts that have previously been recognised as operating leases are now being recognised as finance leases. In the Statements of Financial Position additional lease liabilities at 31 December 2022 of £4,571,000 (2021: £4,246,000) and right-of-use assets of £4,614,000 (2021: £4,239,000) are recognised, giving a net liability position of £43,000 (2021: £7,000).

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[1] *Proforma basis i.e., if the acquisitions had been in place for the whole of the prior year*

[2] *Adjusted EBITDA is EBITDA before deduction of exceptional items and share based payments*

[3] *Group net leverage calculated as net debt (excluding finance leases) and using proforma Adjusted EBITDA on a trailing 12-month basis*

[4] *Adjusted earnings per share is profit after tax excluding amortisation, exceptional items and share-based payments*

[5] *Net debt calculated as gross debt excl. finance leases and deferred contingent consideration on acquisitions, less cash & cash equivalents*

[6] *Adjusted profit before tax is profit before tax excluding amortisation and exceptional items (see note 3 for breakdown of exceptional items)*

7 Adjusted earnings per share is profit after tax excluding amortisation, exceptional items and share-based payments

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