Venn Life Sciences Holdings Plc

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Venn Life Sciences Holdings Plc

Company Information

Directors:	Prof. Brendan Buckley (Chairman) Cathal Friel (Chief Executive Officer) Tony Richardson (Corporate Development Director) Christian Milla (Chief Operating Officer) Michael Ryan (Non-Executive Director)
Company Secretary:	Tony Richardson BPE Secretaries Limited
Registered office:	PO Box W1J 6BD Berkeley Square House, 2nd Floor Mayfair, London W1J 6BD
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:	Arden Partners plc, 125, Old Broad Street London, EC2N 1AR
Co-broker	Davy Davy House 49 Dawson Street Dublin 2
Solicitors to the Company:	BPE Solicitors LLP St James' House St James' Square Cheltenham GL50 3PR
Registrars:	SLC Registrars Limited Elder House St Georges Business Park Weybridge Surrey, KT13 OTS
Bankers:	Ulster Bank Victoria Square 11 – 16 Donegall Square East Belfast, BT1 5UB
Public relations:	Capital Markets Communications Ltd (Camarco) 107 Cheapside London, EC2V 6DN
Website:	www.vennlifesciences.com

Venn Life Sciences Holdings Plc

Chairman's Statement
For the year ended 31 December 2018

Dear Shareholder,

This is my first statement as Chairman of Venn Life Sciences, having been appointed to the role in May 2019. I have been a Non-Executive Director of the Company in December 2018.

Since the year end the Company has embarked on path of development including the acquisition of Open Orphan and fundraise of GBP£4.5 million, conditional at the time of writing, amongst other things, on shareholder approval. This has resulted in changes to the Board including my appointment as Chairman and the appointment of Cathal Friel as Chief Executive Officer having previously been Chairman since December 2018. Accordingly, Tony Richardson has stepped down as Chief Executive Officer to take up a Corporate Development role. Tony will remain on the Board to support the Company in its ongoing development. Finally, I hope to be able to welcome shortly Maurice Treacy to the Board as an Executive Director and I look forward to his insight to our market and support in executing the Company's strategy. Maurice was the founder of HiberGen & GMI and has an excellent reputation in R&D investment, drug development and business development.

The Board recognises the importance of the high standards of corporate governance and considers that the Company's success is enhanced by the imposition of a strong corporate governance framework. Accordingly, in recognition of the need to maintain continued best practice the Board will monitor its composition and skills balance. Following the completion of the proposed Open Orphan acquisition, the Board intends to appoint a further Non-Executive Director to the Board as soon as possible. I will be working with the rest of the Board to identify a suitable candidate and will update shareholders in due course. As the Company executes on its strategy the Board also recognises the need for a Chief Financial Officer and the Board is committed to making such an appointment in the near term.

The year to 31 December 2018 has been challenging for Venn Life Sciences with an need to closely monitor cash resources; a trend that continued into 2019, notwithstanding the cash realised from the recent disposals of investment assets. The proposed fundraise should give the Company the resources to maximise the opportunity with which it is now presented.

I would like to the thank the Board, our clients and all of our hard-working staff their support during this year.

Results

Total revenue for the year was €14.3m (2017: €17.8m). Reduced revenue was due principally to the deferral of certain full-service projects. As a result of this revenue shortfall the business reported an EBITDA deficit of €1.4m (2017 profit : €0.8m). The board has decided to take a write down on the carrying value of certain intangibles which combined with the EBITDA deficit results in an overall loss for the year after tax of €4.8m (2017 loss: €1.7m). Cash and cash equivalents at year end were €1.1m (2017: €1.2m).

Outlook

We are optimistic that with the commencement of deferred projects and a new business focus on Rare and Orphan indications that the business can return to revenue growth in the near term. Despite project deferrals we have maintained our resource base so that new projects can be promptly commenced without additional recruitment and the associated costs of same. We continue to evaluate ways to expand our geographical base and capabilities in a capital efficient manner.

Brendan Buckley

Chairman 10 June 2019

The Board

Prof. Brendan Buckley, Chairman (aged 68)

Prof Brendan Buckley was the Chief Medical Officer of ICON plc until 2017, prior to which he co-founded Firecrest Clinical, a company which focused on improving the performance of clinical trial sites. A medical graduate of University College Cork (UCC) and a doctoral graduate in Biochemistry of Oxford University, Brendan has over 30 years' experience in clinical research. Brendan is a Director and one of the founders of Open Orphan as well as of a number of other developmental stage biopharma companies. He was a Director of the Health Products Regulatory Authority of Ireland between 2004 and 2011 and was a member of the European Medicines Agency (EMA) Committee for Orphan Medicinal Products (COMP) from 2000-2003 and the EMA Scientific Advisory Committee on Diabetes and Metabolism until 2011.

Cathal Friel, Chief Executive Officer (aged 54)

Cathal Friel has 30 plus years of corporate experience and is the Managing Director and founder of Raglan Capital. Cathal was a Co-founder and Director of Amryt Pharma plc, a leading European Orphan Drug Company listed on the London and Dublin Stock Exchanges. He is also Director and one of the founders of Open Orphan, was previously Executive Chairman and co-founder of Fastnet Oil & Gas plc and was one of the founding directors of Merrion Stockbrokers. Cathal has an MBA from the University of Ulster.

Tony Richardson, Corporate Development Director (aged 54)

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.

Christian Milla, Chief Operations Officer (aged 57)

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 Cromsource, 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.

Michael Ryan, Non-Executive Director (aged 61)

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 of Sedana Medical AB, a Swedish med-tech company.

Strategic Report
For the year ended 31 December 2018

Review of the business
A comprehensive review of the year is given in the Chairman's Statement on page 2.

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 focusing on products with low risk profiles, by seeking advice from regulatory advisers, through 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 Statement on page 2 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. As referenced in the chairman's statement on page 2

Strategic Report (Continued)
For the year ended 31 December 2018

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.

Prior to Brendan Buckley and I, joining the Board of Venn Life Sciences Holdings Plc in December 2018, Venn's strategy had been to create a mid-sized clinical research organisation (CRO) in Europe. The strategy involved 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. Since our appointment to the board in December 2018 as demonstrated by the proposed acquisition of Open Orphan DAC announced on May 10th 2019, we have been repositioning Venn towards the higher margin, more profitable and faster growing orphan drug consultancy sector in Europe.

The strategy is to build upon Venn's existing capability and expertise within orphan drugs to become a full-service consultancy for orphan and other speciality healthcare products and the acquisition of Open Orphan accelerates the implementation of the strategy significantly. Open Orphan has identified an extensive pipeline of target acquisitions primarily in the regulatory approval, reimbursement and product launch areas where the Directors perceive that companies need the most help navigating the complex European market

It is our belief that the combination with Open Orphan and the focus on the exciting orphan sector can generate substantial returns for all Venn shareholders.

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 10 June 2019 and signed on its behalf by:

Cathal Friel
Chief Executive Officer

Report of the Directors
For the year ended 31 December 2018

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 2018.

Directors
The Directors who held office during the year and as at the date of signing the financial statements were as follows:
Prof. Brendan Buckley (Appointed 11 December 2018)

Cathal Friel (Appointed 11 December 2018)

Anthony Richardson

Michael Ryan

Christian Milla

Allan Wood (Resigned 11 December 2018)

Mary Sheahan (Resigned 11 December 2018)

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. For more detail refer to Note 2.

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 2018 was 81 days (2017 - 59 days).

Directors' interests
The interests of those Directors serving at 31 December 2018 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 2018 Ordinary Shares of 0.1p each	On 1 January 2018 Ordinary Shares of 0.1p each or on appointment if later
Tony Richardson	621,667	621,667
Michael Ryan	5,383	158,859

Report of the Directors (continued)
For the year ended 31 December 2018

Substantial shareholdings

As at 10 May 2019, the following interests of 3% or more in the issued Ordinary Share capital had been notified to the Company:

Shareholder	Number of Shares	Percentage of issued share capital
CHASE NOMINEES LIMITED	13,081,337	18.32%
MEZZANINE VENTURES BV	4,780,320	6.70%
FERLIM NOMINEES LIMITED	4,696,461	6.58%
HARGREAVES LANSDOWN NOMINEES LIMITED	4,185,784	5.86%
LAWSHARE NOMINEES LIMITED	3,417,120	4.79%
DAVYCREST NOMINEES	3,231,346	4.53%
BARNARD NOMINEES LIMITED	2,614,649	3.66%
BARCLAYS DIRECT INVESTING NOMINEES LIMITED	2,579,032	3.61%
CRISEREN INVESTMENTS LIMITED	2,500,000	3.50%

Events after the end of the reporting period
The following events have taken place since the year end:

(a) Investment held for sale in Integumen Plc was fully sold by end of May 2019
(b) Conditionally agreed to acquire the entire issued and to be issued share capital of Open Orphan for an aggregate consideration of approximately GBP£5.7 million in equity
(c) Proposed equity fundraise to new investors of £4.5m
(d) Cathal Friel, non-executive chairman of Venn, became CEO and Brendan Buckley, non-executive director, became Chairman on May 10th. Further, conditional on the acquisition of Open Orphan DAC, Dr Maurice Treacy will be appointed an executive director.

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.

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.

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 10 June 2019 and signed on its behalf by.

Cathal Friel
Chief Executive Officer

Venn Life Sciences Holdings Plc

Corporate Governance Statement
For the year ended 31 December 2018

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 UK Corporate Governance Code is not required. The Directors consider compliance with the code important and aim to comply with all aspects of the code.

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, three executive Directors and one non-executive Director. 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 Prof. Brendan Buckley 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 CDD.

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

Anthony Richardson (Chief Executive Officer)	7
Allan Wood (Chairman – Resigned 11 December 2018)	7
Mary Sheahan (Non-Executive Director – Resigned 11 December 2018)	7
Michael Ryan (Non-Executive Director)	7
Christian Milla (Chief Operating Officer)	7
Jonathan Hartshorn (Chief Financial Officer– Resigned 21 March 2018)	2
Cathal Friel (Chairman – appointed 11 December 2018)	0
Prof. Brendan Buckley (Non-Executive Director- appointed 11 December 2018	0

Audit and Risk Committee
This comprises Mike Ryan as Chairman and Brendan Buckley as the other member of the committee. 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.

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 Brendan Buckley as Chairman with Mike Ryan as the other member 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 Brendan Buckley as chairman with Mike Ryan as the other member 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.

Report of the Remuneration Committee
For the year ended 31 December 2018

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 2018 is shown below and in note 9:

	2018 €'000	2017 €'000
Non-Executive Directors		
Michael Ryan	28	28
Paul Kennedy (Resigned 5 April 2017)	-	7
Allan Wood (Resigned 11 December 2018)	63	56
Mary Sheahan (Resigned 11 December 2018)	31	28
	122	**119**
Executive Directors		
Anthony Richardson	236	236
Gracielle Beijerbacht-Schutjens (Resigned 16 August 2017)	-	140
Jonathan Hartshorn (Resigned 21 March 2018)	85	147
Christian Milla	189	91
	510	**614**
Total fees and emoluments	**632**	**733**

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

Directors' share options

As at 31 December 2018 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
		3,250,000
Christian Milla	14/09/2017	770,000
Mike Ryan	14/9/2017	200,000

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

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 2018 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 2018 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.

Material uncertainty related to going concern

We draw your attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of €4,690,000 and had net cash outflows from operating activities of €1,105,000 for the year ended 31 December 2018. As stated in Note 2, the company has undertaken a share placing of £4.5m (before expenses) receipt of which is subject to shareholder approval and certain events or conditions. If the share placing does not occur for any reason then that may cast significant doubt on the Group & Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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 €996,000 (2017: €4,034,000) at 31 December 2018. During the year there was an impairment to all the group's carrying value of goodwill amounting to €1,810,000 as well as an impairment to customer relationships of €95,000; trade secrets of €87,000; Intellectual property rights €145,000; and, workforce €95,000 giving a total impairment at a consolidated group level of €2,232,000 Impairment of intangible assets of €2,232,000 (2017: €Nil). The group had net assets of €4,359,000 (2017: €8,395,000) at 31 December 2018. The company had net assets of €4,359,000 (2017: €16,400,000) at 31 December 2018. The company had investments of €3,272,000 (2017: €7,778,000) at 31 December 2018. Impairment of company investments of €6,541,000 (2017: €Nil). The directors have confirmed all intangibles, including additions were correctly recognised, calculated and being held at cost.	Our audit procedures: - we have tested items which were not capitalised as additions to intellectual property and checked that the conditions for capitalisation had not been met; -Intangibles are only assessed for impairment when indicators of impairment exist. - 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; - The analysis work undertaken by the directors shows that the Group is expected to remain cash generative. We have understood and assessed the methodology used by directors in this analysis and determined it to be reasonable.
Trade receivables Carrying value of trade receivables – Group The Group had a trade receivables balance of €2,529,000 (2017: €2,899,000). The directors have confirmed that all of the trade receivables have been reviewed by the board in detail including each contract with all major customers and can confirm that they expect all of these balances are fully recoverable.	Our audit approach: - we checked that a sample of invoices related to the projects and work undertaken and tested subsequent receipts for those invoices; - we considered the work of the component auditors and extended testing to check for recoverability of balances in components that were not audited by us but by a component auditor. We checked the post year end receipts of these invoices.
Revenue recognition The amount of revenue recognised by the Group was €13,920,000 (2017: €17,405,000). The carrying value of accrued revenue within prepayments and accrued income was €2,091,000 (2017: €1,823,000). The directors have confirmed that all of the accrued income has been reviewed by the board in detail including each contract with all major customers and can confirm that all of these balances are fully recoverable and in accordance with IFRS15.	Our audit approach: - we checked a sample of time sheets and supporting information which were used to calculate the postings to the revenue account; - we reviewed the calculation of revenue to be accrued and tested a sample of items for the hours and rates applied from the time sheet system and agreed contract rates to the amount posted in the nominal ledger; - where appropriate we considered the remaining amount of accrued revenue which still required to be invoiced including calculations of that revenue and considered the recoverability of a sample of balances; - we considered the work performed concerning the change in accounting policy due to the adoption of IFRS 15, *Revenue from Contracts with Customers*, and considered the disclosure necessary. -review of contracts and managements judgement on the contract price and the allocation to performance obligations.

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
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.	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; - we considered the outcome of the fundraising including any conditions to be satisfied prior to new capital being subscribed.

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 follows:

	Group financial statements	Company financial statements
Overall materiality	€140,000 (2017: €150,000).	€75,000 (2017: €50,000).
How we determined it	Based on 1% of Turnover.	Based on the average of 10% of profit before tax before exceptional items and 1% of gross assets.
Rationale for benchmark applied	A benchmark of 1% of turnover was used to determine the materiality for the Group (2017: an average of 1% of gross, assets, 1% of Turnover and 10% of profit before tax).	We believe that profit before tax and gross assets is the primary measures used by the shareholders in assessing the performance of the Company, and is a generally accepted auditing benchmark.

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 €7,000 and €75,000.
We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €7,000 (2017: €5,000) 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 10 reporting units, comprising the Group's operating businesses and holding companies.

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

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 43% (2017: 48%) of the Group's revenue and 2% 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 10 reporting units.
The Group engagement team performed all audit procedures, with the exception of the audit of Venn Life Sciences (France), Venn Life Sciences (Germany) GmbH, (Germany), Venn Life Sciences (Netherlands) B.V. (Netherlands), 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.

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.

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

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.

Jeffreys Henry

Sachin Ramaiya (Senior Statutory Auditor)
For and on behalf of
Jeffreys Henry LLP (Statutory Auditor)
Finsgate
5-7 Cranwood Street,
London EC1V 9EE

10 June 2019

Venn Life Sciences Holdings Plc

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	2018 €'000	2017 Restated €'000
Continuing operations			
Revenue	**5,38**	**13,920**	**17,405**
Direct Project and Administrative Costs	**6**	(16,658)	(17,897)
Other operating income	**36**	371	410
Operating (loss)		**(2,367)**	**(82)**
Depreciation	**6,16**	(95)	(99)
Amortisation	**6,17**	(840)	(792)
Exceptional items	**7**	(-)	(25)
EBITDA before exceptional items	**5**	**(1,432)**	**834**
Finance income	**12**	10	-
Impairment of Financial Asset Investments	**18b**	(421)	(874)
Impairment of Intangible Assets	**17**	(2,232)	-
Share of loss of associate accounted for using the equity method	**18b**	-	(843)
(Loss) before income tax		**(5,010)**	**(1,799)**
Income tax credit	**13**	235	127
(Loss) for the year from continuing operations		**(4,775)**	**(1,672)**
(Loss) for the year is attributable to:			
Owners of the parent		**(4,775)**	**(1,672)**
Other comprehensive income			
Currency translation differences		**85**	(139)
Total comprehensive (loss) for the year		**(4,690)**	**(1,811)**
Total comprehensive (loss) for the year is attributable to:			
Owners of the parent		**(4,690)**	**(1,811)**
Total comprehensive (loss) for the year attributable to owners of the parent arises from:			
Continuing operations		(4,690)	(1,811)
		(4,690)	**(1,811)**

Consolidated Statement of Comprehensive Income (continued)
For the year ended 31 December 2018

Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year		**2018**	**2017**
Basic and diluted(loss) per ordinary share			
From continuing operations	**14**	**(7.31c)**	**(2.77c)**
For the year	**14**	**(7.31c)**	**(2.77c)**

The notes on pages 22 to 54 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.

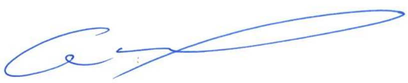
The loss for the parent Company for the year was €12,753,000 (2017 – profit of €483,000).

Venn Life Sciences Holdings Plc

Consolidated and Company's Statement of Financial Position
As at 31 December 2018

	Notes	Group 2018 €'000	Group Restated 2017 €'000	Company 2018 €'000	Company 2017 €'000
Assets					
Non-current assets					
Property, plant and equipment	**16**	263	312	-	-
Intangible assets	**17**	996	4,034	-	-
Investments in subsidiaries	**18a**	-	-	3,272	7,778
Investments	**20**	31	31	31	31
Total non-current assets		**1,290**	**4,377**	**3,303**	**7,809**
Current assets					
Trade and other receivables	**21/38**	6,004	5,514	2,870	8,960
Income tax recoverable		7	107	-	-
Cash and cash equivalents	**22**	1,098	1,175	3	15
Assets held for sale	**18b**	259	680	-	-
Total current assets		**7,368**	**7,476**	**2,873**	**8,975**
Total assets		**8,658**	**11,853**	**6,176**	**16,784**
Equity attributable to owners					
Share capital	**26**	168	155	168	155
Share premium account	**27**	14,701	14,026	14,725	14,026
Group re-organisation reserve	**29**	(541)	(541)		-
Merger relief reserve	**29**	-	-	-	3,531
Reverse acquisition reserve	**29**	45	45	-	-
Other Reserve	**29**	(34)	-	-	-
Foreign currency reserves	**29**	(41)	(126)	-	-
Share option reserve	**35**	-	-	-	-
Retained earnings	**28**	(9,939)	(5,164)	(10,534)	(1,312)
Total equity		**4,359**	**8,395**	**4,359**	**16,400**
Liabilities					
Non-current liabilities					
Borrowings	**25**	1,093	-	1,093	-
Total non-current liabilities		**1,093**	**-**	**1,093**	**-**
Current liabilities					
Trade and other payables	**23**	2,538	2,999	724	384
Deferred taxation	**24**	199	434	-	-
Borrowings	**25**	469	25	-	-
Total current liabilities		**3,206**	**3,458**	**724**	**384**
Total liabilities		**4,299**	**3,458**	**1,817**	**384**
Total equity and liabilities		**8,658**	**11,853**	**6,176**	**16,784**

The notes on pages 22 to 54 are an integral part of these financial statements.
The financial statements were approved and authorised for issue by the Board on 10 June 2019



Cathal Friel
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 2018

	Notes	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Cash Flow from operating activities					
Continuing operations					
Cash used in operations	**30**	(1,105)	(1,282)	1,311	(321)
Income tax (paid)		(-)	(64)	-	-
Net cash used in operating activities		**(1,105)**	**(1,346)**	**1,311**	**(321)**
Cash flow from investing activities					
Investment in Associate		(35)	(465)	(2,035)	-
Purchase of Intellectual Property		(33)	(327)	-	(7)
Exceptional Costs		-	-	-	-
Refund of Escrow		-	-	-	137
Purchase of property, plant and equipment		(46)	(193)	-	-
Interest received		10	-	-	-
Net cash used in investing activities		**(104)**	**(985)**	**(2,035)**	**130**
Cash flow from financing activities					
Proceeds from issuance of ordinary shares & options	**26,27**	688	-	712	-
Proceeds from Invoice Discounting		469	-	-	-
Repayments on borrowings		(25)	(35)	-	-
Net cash generated by financing activities		1,132	**(35)**	712	-
Net (decrease) in cash and cash equivalents		(77)	(2,366)	**(12)**	(191)
Cash and cash equivalents at beginning of year		1,175	3,541	15	206
Exchange losses on cash and cash equivalents		-	-		-
Cash and cash equivalents at end of year	**22**	**1,098**	**1,175**	**3**	**15**

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& other reserves €'000	Share Option reserve €'000	Foreign currency reserve €'000	Retained Earnings Restated €'000	Total €'000	Non-controlling interests €'000	Total €'000
At 1 January 2017 as previously stated	**155**	**14,026**	**(496)**	**28**	**13**	**(3,294)**	**10,432**	**-**	**10,432**
Prior year adjustment	-	**-**	**-**	**-**	**-**	(226)	**(226)**	-	**(226)**
At 1 January 2017 After prior year adjustment	155	14,026	(496)	28	13	(3,520)	**10,206**	-	**10,206**
Changes in equity for the year ended 31 December 2017									
(Loss) for the year as previously stated	-	-	-	-	-	(1,538)	**(1,538)**	-	**(1,538)**
Prior year adjustment	-	-	-	-	-	(134)	**(134)**	-	**(134)**
Currency translation differences	-	-	-	-	(139)	-	**(139)**	-	**(139)**
Total comprehensive (loss) for the year restated	**-**	**-**	**-**	**-**	**(139)**	**(1,672)**	**(1,811)**	**-**	**(1,811)**
Transactions with the owners									
Share option provision reversed	-	-	-	(28)	-	28	**-**	-	**-**
Total contributions by and distributions to owners	**-**			**(28)**	**-**	**28**	**-**	**-**	**-**
At 31 December 2017 After prior year adjustments	155	**14,026**	**(496)**	**-**	**(126)**	**(5,164)**	**8,395**	-	**8,395**
Changes in equity for the year ended 31 December 2018									
(Loss) for the year	-	-	-	-	-	(4,775)	**(4,775)**	-	**(4,775)**
Currency translation differences	-	-	-	-	85	-	**85**	-	**85**
Total comprehensive (loss) for the year	**-**	**-**	**-**	**-**	**85**	**(4,775)**	**(4,690)**	**-**	**(4,690)**
Transactions with the owners									
Shares issued	13	675	-	-	-	-	**688**	-	**688**
Purchase of minority interest	-	-	(34)	-	-	-	**(34)**	-	**(34)**
Total contributions by and distributions to owners	**13**	**675**	**(34)**	**-**	**-**	**-**	**654**	**-**	**654**
At 31 December 2018	**168**	**14,701**	**(530)**	**-**	**(41)**	**(9,939)**	**4,359**	**-**	**4,359**

Company

	Share capital €'000	Share premium €'000	Share Option reserve €'000	Merger relief reserve €'000	Retained earnings €'000	Total €'000
As at 1 January 2017	**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**
Changes in equity for the year ended 31 December 2018						
Total comprehensive gain for the year	-	-	-	(3,531)	(9,222)	**(12,753)**
Shares issued	13	699	-	-	-	**712**
At 31 December 2018	**168**	**14,725**	**-**	**-**	**(10,534)**	**4,359**

Notes to the Financial Statements
For the year ended 31 December 2018

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 2nd floor, Berkeley Square House, Mayfair, London W1J 6BD, UK.

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 2018 include:

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers

New standards and amendments to IFRSs effective as of 1 January 2018 have been reviewed by the Group and the effect of material impact on the financial statements due to the adoption of IFRS15 is discussed in note 38. 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 2018 but were not effective at 31 December 2018 and have not been adopted for these Financial Statements. The Directors have assessed the full impact of these accounting changes on the Company. To the extent that they may be applicable, the Directors have concluded that none of these pronouncements will cause material adjustments to the Group's Financial Statements. They may result in consequential changes to the accounting policies and other note disclosures. 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.

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

The new standards include:

IFRS 3	Business Combinations[2]
IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IAS 1	Presentation of Financial Statements[2]
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors[2]
IAS 19	Employee Benefits (amendment) [1]
IAS 28	Investment in associates and joint ventures (amendment) [1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

Improvements to IFRSs Annual Improvements 2015-2017 Cycle[1]: Amendments to 2 IFRSs and 2 IASs

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
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 Directors have prepared the financial statements on a going concern basis. During the financial year ended 31 December 2018 the Group made a loss of Euro 4,690k and had net cash outflows from operating activities of Euro 1,105k, however the Directors consider the use of the going concern basis to be appropriate. The Directors have prepared working capital projections which show that, along with cash balances on hand at 31 December 2018, and additional funding expected of £4.5m (before expenses) as result of share placing which is subject to shareholder approval and certain events or conditions the Group & Company will have sufficient funding to be able to continue as a going concern.

Should the underlying assumptions of the working capital model prove invalid and the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classifications of recorded asset amounts or liabilities that may be necessary should the Group & Company be unable to continue as a going concern

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.

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.

(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.

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:

Computer Equipment	33.33%
Fixtures and fittings	20% –25%

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.

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 instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Financial assets
<u>Initial recognition and measurement</u>
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 38 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

<u>Subsequent measurement</u>
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

However only Financial assets at amortised cost are discussed as all the Group's financial assets are measured at amortised cost.

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost comprise of trade and other receivables and cash and cash equivalents.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, OR
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 25.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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.

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 IAS 12 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.

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.

Share-based payment
Where equity settled share options and warrants are awarded to directors and employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period and the corresponding entry recorded in the share-based payment reserve. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

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

(a) Revenue from Contracts
The group provides clinical consulting services and drug development services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined in reference to the stage of completion which is measured by 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.

Some contracts include multiple performance obligations in the form of various service offerings. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation measured by reference to labour hours incurred to the period end as a percentage of the total estimated labour hours to achieve a particular performance obligation. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Terms and Conditions tend to vary from contract to contract and in general the payment terms tend to be between 30 and 90 days in Holland and between 30 and 60 days in France.

Some contracts include references to milestone events. Where no fee is payable until a milestone is achieved, revenue is recognised up to the value of the milestone event set to occur.

This is the first year in which IFRS 15 has been adopted the group and parent company. In line with the transition requirements of IFRS 15, the group and company has chosen to retain prior period figures as reported under the previous standards, recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application. The impact of transition has been disclosed in note 28.

The group is applying practical expedient per FRS 15 to not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period as the entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date and recognise revenue in the amount to which the entity has a right to invoice..

(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.

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 2018	Average rate 2017	Year end rate 2018	Year end rate 2017
GBP	0.88	0.88	0.90	0.89
US Dollar	1.18	1.13	1.14	1.20

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 €500 due to natural hedging (2017 - €1,000).

(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.

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.

	Note	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 2018:						
Borrowings	**25**	469	1,093	-	-	1,562
Trade and other payables	**23**	2,538	-	-	-	2,538
At 31 December 2017:						
Borrowings	**25**	25	-	-	-	25
Trade and other payables	**23**	2,999	-	-	-	2,999

(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-geared, having net cash at 31 December 2018. 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 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 €0.199m (2017 - €0.434m) 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.

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

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

The segment information provided to the Board for the reportable segments for the year ended 31 December 2018 is as follows:

	2018 Total €'000	2017 Restated Total €'000
Income statement		
External revenue and other income	**14,291**	**17,815**
EBITDA before exceptional items	**(1,432)**	**834**
Exceptional items	-	(25)
EBITDA	**(1,432)**	**809**
Depreciation	(95)	(99)
Amortisation	(840)	(792)
Operating profit/(loss)	**(2,367)**	**(82)**
Net finance income/ (costs)	10	-
Impairment of Financial Asset Investments	(421)	(874)
Impairment of Intangible Assets	(2,232)	-
Share of loss of investments	-	(843)
Retained (loss) before tax	**(5,010)**	**(1,799)**
Segment assets		
Intangibles	996	4,034
PPE	263	312
Investments (including Assets held for Sale)	290	711
Trade and other debtors	6,011	5,621
Cash	1,098	1,175
Total assets	**8,658**	**11,853**
Segment liabilities		
Operating liabilities	(2,737)	(3,433)
Borrowings	(1,562)	(25)
Total liabilities	**(4,299)**	**(3,458)**

6. Expenses – analysis by nature

	2018 €'000	2017 €'000
Employee benefit expense (note 10)	11,035	11,185
Depreciation and amortisation	935	891
Exceptional items (note 7)	-	25
Foreign exchange (gains)	(11)	(7)
Operating lease payments (note 34)	474	466
Professional fees	901	807
Travel	271	296
Printing, postage, stationary	77	103
Subcontractors and freelancers	948	2,148
Other expenses	2,028	1,983
Total direct project and administrative costs	**16,658**	**17,897**

7. Exceptional items

Included within Administrative expenses are exceptional items as shown below:

	2018 €'000	2017 €'000
Exceptional items include:		
– Transaction costs relating to business combinations and acquisitions	-	25
Total exceptional items	**-**	**25**

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:

	2018 €'000	2017 €'000
Fees payable to Company's auditor for the audit of the parent Company and consolidated financial statements	33	34
Fees payable to the Company's auditor and its associates for other services:		
– The audit of Company's subsidiaries pursuant to legislation	67	53
– Other services	8	14
– Tax services	9	7
Total auditor's remuneration	**117**	**108**

9. Directors emoluments

	2018 €'000	2017 €'000
Aggregate emoluments	595	709
Contribution to defined contribution pension scheme	37	24
Total directors' remuneration	**632**	**733**

See further disclosures within the Remuneration Report on page 11.

Highest paid Director	2018 €'000	2017 €'000
Total emoluments received	225	225
Defined contribution pension scheme	11	11

No share options were exercised in the year by highest paid director nor was there any shares awarded to that director in the year.

10. Employee benefit expense

	2018 €'000	2017 €'000
Wages and salaries	8,547	8,759
Social security costs	1,778	1,969
Pension costs	710	457
Total employee benefit expense	**11,035**	**11,185**

11. Average number of people employed

	2018 No	2017 No
Average number of people (including Executive Directors) employed was:		
Administration	29	28
Clinical research	106	113
Sales and marketing	8	8
Total average number of people employed	**143**	**149**

The total number of employees at 31 December 2018 was 146 (2017 - 157).

12. Finance income and costs

	2018 €'000	2017 €'000
Interest expense:		
– Bank borrowings	-	-
– Interest on other loans	(6)	-
Finance costs	**(6)**	**-**
Finance income		
– Interest income on cash and short-term deposits	16	-
Finance income	**16**	**-**
Net finance income/ (expense)	**10**	**-**

13. Income tax expense

Group	2018 €'000	2017 €'000
Current tax:		
Current tax for the year	-	-
Overprovision of prior year tax charge	-	-
Total current tax (credit)	**-**	**-**
Deferred tax (note 24):		
Origination and reversal of temporary differences	(235)	(127)
Total deferred tax	**(235)**	**(127)**
Income tax (credit)	**(235)**	**(127)**

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:

	2018 €'000	2017 €'000
(Loss) before tax	**(5,010)**	**(1,799)**
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19.00% (2017 – 19.25%)	(952)	(346)
Tax effects of:		
– Expenses not deductible for tax purposes	29	28
–Temporary timing differences	(235)	(127)
– Losses carried forward	923	318
Income tax (credit)	**(235)**	**(127)**

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

	2018 €'000	2017 €'000
(Loss) from continuing operations	(4,775)	(1,672)
Total	**(4,775)**	**(1,672)**
Weighted average number of Ordinary Shares in issue	65,293,943	60,284,263

(b) Diluted

Due to the losses in the periods the effect of the share options and warrants noted below were considered to be anti-dilutive. Details of share options are given in note 35. Details of warrants outstanding are given in note 26.

14. Loss per share (Cont'd)

	2018	2017
Potential dilutive ordinary shares:		
Weighted Options	6,544,167	4,985,288
Weighted Warrants	418,749	166,666
Total	**6,962,916**	**5,151,954**

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 2017	585
Additions	195
Disposals	(1)
Exchange differences	**(1)**
At 31 December 2017	**778**
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**
Cost	
At 1 January 2018	778
Additions	46
Disposals	-
Exchange differences	-
At 31 December 2018	**824**

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Depreciation	
At 1 January 2018	466
Charge for the year	95
Elimination on disposal	-
Exchange differences	-
At 31 December 2018	**561**
Net book value	
At 31 December 2018	**263**

The Company had no property, plant and equipment under finance leases.

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 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**
Cost						
At 1 January 2018	1,635	705	1,815	360	1,448	5,963
Addition	19	-	-	-	20	39
Exchange differences	-	-	(5)	-	-	(5)
Disposal	-	-	-	-	-	-
At 31 December 2018	**1,654**	**705**	**1,810**	**360**	**1,468**	**5,997**
Amortisation						
At 1 January 2018	912	246	-	105	666	1,929
Charge for the year	347	72	-	110	311	840
Impairment	95	87	1,810	145	95	2,232
Disposal	-	-	-	-	-	-
At 31 December 2018	**1,354**	**405**	**-**	**360**	**1,072**	**5,001**
Net book value						
At 31 December 2018	**300**	**300**	**-**	**-**	**396**	**996**

17. Intangible fixed assets (contd..)

Goodwill was 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.

	2018 €'000	2017 €'000
CRO	-	1,815
Total	**-**	**1,815**

Goodwill is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2018 was assessed at Nil (2017: €1,815k) on the basis of value in use. An impairment loss was recognised as a result of this review.

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 2018 were as follows:

	%
Longer-term growth rate (from 2019 onwards)	3.5
Discount rate	20

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.

The Company has no intangible assets.

18a. Investments in subsidiaries

Company	**2018**	**2017**
Shares in Group undertakings	**€'000**	**€'000**
At 1 January	7,778	7,908
Increase in shareholding in VLS (France) S.A.S	2,035	7
Impairment	(6,541)	-
Release of Escrow re Venn ED B.V	-	(137)
At 31 December	**3,272**	**7,778**

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid. Following review an impairment provision of €6,541,000 (2017: Nil) has been made to the investment in subsidiaries.

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	Group Service company
Venn Life Sciences B.V.	2	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	100% (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.

18b. Investments in former associates - Integumen Plc

Shares in former associated undertakings	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
At 1 January	680	2,007	-	-
Additions	-	465	-	-
Share of losses of associate	-	(843)	-	-
Currency translation	-	(75)		
Impairment (Mark to Market)	(421)	(874)	-	-
At 31 December	**259**	**680**	**-**	**-**

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%. This stake was further diluted through a number of rounds of investment in which Venn Life Sciences did not participate during 2018.

As at 31 December 2018 Venn Life Sciences' holding was below 10% and therefore this holding is no longer considered an investment in an associate company. The final valuation of the Integument Plc investment of €259,000 (2017: €680k) was determined based on the market price as at 31 December 2018 . The group no longer has any associates. This investment in Integumen Plc was fully disposed of in April and May 2019.

19. Financial instruments by category

(a) Assets

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
31 December				
Assets as per balance sheet				
Trade and other receivables	6,004	5,514	2,870	8,960
Cash and cash equivalents	1,098	1,175	3	15
Total	**7,102**	**6,689**	**2,873**	**8,975**

(b) Liabilities

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
31 December				
Liabilities as per balance sheet				
Borrowings	1,562	25	1,093	-
Trade and other payables	2,538	2,999	724	384
Total	**4,100**	**3,024**	**1,817**	**384**

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

(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 2018 and 31 December 2017, 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	2018 €'000	2017 €'000
A – AAA	566	832
Sub-A rating	532	343
Total	**1,098**	**1,175**

The balance categorised as Sub-A rating is a deposit held with Allied Irish Banks p.l.c. (Guaranteed by Irish government as key shareholder).

20. Investments

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'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.

21. Trade and other receivables

	Group 2018 €'000	Group (restated) 2017 €'000	Company 2018 €'000	Company 2017 €'000
Trade receivables	2,529	2,899	-	-
Less: provision for impairment of trade receivables	(-)	(-)	**(-)**	-
Trade receivables – net	2,529	2,899	-	-
Prepayments and accrued income (Note 38)	2,367	2,054	83	56
Amounts owed by subsidiary undertakings	-	-	2,709	8,896
Other receivables	1,108	561	78	8
	6,004	**5,514**	**2,870**	**8,960**

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. An impairment of €6,542,000 (2017: NIL) has been made against amounts owed by subsidiary undertakings to the Company.

Restated 2017 values take account of PYA referred to in Note 28

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

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
UK Sterling	5	45	-	60
Euros	5,999	5,469	2,870	8,900
	6,004	**5,514**	**2,870**	**8,960**

22. Cash and cash equivalents

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Cash at bank and on hand	1,098	1,175	3	15
Cash and cash equivalents (excluding bank overdrafts)	**1,098**	**1,175**	**3**	**15**

22. Cash and cash equivalents (Cont'd)

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

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Cash and cash equivalents	1,098	1,175	3	15
Cash and cash equivalents	**1,098**	**1,175**	**3**	**15**

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 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Trade payables	769	1,170	42	12
Amounts due to subsidiary undertakings	-	-	488	314
Social security and other taxes	831	229	-	-
Other payables	359	308	7	-
Accrued expenses and deferred income	579	1,292	187	58
	2,538	**2,999**	**724**	**384**

24. Deferred income tax

Deferred tax liabilities
Deferred tax balances were as follows:

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Deferred tax liabilities	199	434	-	-
	199	**434**	**-**	**-**
Deferred tax liabilities were made up as follows:				
Accelerated tax depreciation	199	434	-	-
	199	**434**	**-**	**-**

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 €1.52m (2017 - €1.4m), mainly in respect of estimated tax losses amounting to approximately €8.0m (2017 - €7.0m) that can be carried forward against future taxable income. A tax rate of 19% 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:

24. Deferred income tax (Cont'd)

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
At 1 January	434	561	-	-
Income statement movement (note 13)	(235)	(127)	-	-
At 31 December	**199**	**434**	**-**	**-**

25. Borrowings

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Non-current				
Loan Notes	1,093	-	1,093	-
	1,093	**-**	**1,093**	**-**
Current				
Bank borrowings	-	25	-	-
Invoice Discounting	469	-		
	469	**25**	**-**	**-**

The Company no longer has bank borrowings.

The maturity profile of borrowings was as follows:

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Amounts falling due				
Within 1 year	469	25	-	-
Between 1 and 2 years	1,093	-	1,093	-
Between 2 and 5 years	-	-	-	-
Total borrowings	**1,562**	**25**	**1,093**	**-**

Bank borrowings in Venn Life Science (France) S.A.S (2018: Nil; 2017 €25k) were due within one year and bore a 0% coupon rate. The borrowings utilised a notional effective interest rate of 4.9%. Bank borrowings were secured against certain assets of the Group and were denominated in Euro. The Group was exposed to interest rate changes or contractual re-pricing dates at the end of the reporting period, as the borrowings were fixed in nature.

Venn Life Sciences Limited entered into an invoice discounting arrangement with Capital Flow in November 2018 to help improve cash flow for the company. At 31 December 2018 a balance of €469k (2017: Nil) had been drawn down from Capital Flow and was secured against amounts receivable from trade debtors, which at that date were valued at €1.6m.
This liability of €469k is repayable to capital flow within 90 days, regardless of whether the customer has settled their invoices with the company within that time. Capital flow has registered a fixed and floating charge over the trade debtors balance in Venn Life Sciences Limited. Capital flow charged the company an arrangement fee for setting up this invoice discounting facility.

On a monthly basis Capital Flow charge the company a fixed administration fee to the company for use of the facility as well as variable discount fees, trust account fees and disbursement fees depending on the level of use of the invoice discounting facility.

Loan Notes for £1m (€1,093k) were issued on 11 December 2018. The loan notes have a 2 year term. The loan notes have a 10% coupon rate. Interest is payable at six monthly intervals.

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For the year ended 31 December 2018

26. Share capital

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
71,395,148 (2017 – 60,284,263) Ordinary shares of £0.001	90	78	90	78
62,833,339 (2017 – 62,833,339) Deferred shares of £0.001	78	77	78	77
Total	**168**	**155**	**168**	**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 11,110,885 shares. being 2x issues of ordinary shares:
277,550 issued @ £0.11/share and 10,833,335 @ £0.06/share (2017: Nil).

Warrants and share option schemes
6,216,666 warrants existed at 31 December 2018 (2017: 166,666).

166,666 warrants were granted on 7 June 2011 and exercisable from the date of grant to 6 June 2021. The exercise price was €0.334 (30p) per ordinary share under warrant.

6,050,000 warrants were granted on 11 December 2018 and exercisable from the date of grant to 11 December 2023. The exercise price was €0.001 (0.1p) per ordinary share under warrant.

27. Share premium

Group and Company	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
At 1 January	**14,026**	**14,026**	**14,026**	**14,026**
Premium on shares issued – net of expenses	675	-	699	-
At 31 December	14,701	14,026	14,725	14,026

28. Retained earnings

	Group €'000	Company €'000
At 1 January 2017 as originally stated	**(3,294)**	**(1,824)**
Prior year adjustment	(226)	-
At 1 January 2017 after prior year adjustment	**(3,520)**	**(1,824)**
Share Option Provision reversed	28	28
(Loss)/Profit for the year as originally stated	(1,538)	484
Prior Year adjustment	(134)	-
At 31 December 2017 Restated	**(5,164)**	**(1,312)**
(Loss) for the current year	(4,775)	(9,222)
At 31 December 2018	**(9,939)**	**(10,534)**

As a result of the adoption of IFRS15 a full review of accrued income on all active and completed contracts was undertaken in 2018 and the result was a €226,000 correction was required to the year end 2016 retained earnings balance carried forward for accrued income. There was also a release of €134,000 held in an escrow account in 2017 relating to the completion of a purchase of a subsidiary. A 2016 accrual should have been reversed in 2017 when the escrow account was released this has been corrected as a prior year adjustment in 2017.

29. Other reserves

Group

	Foreign currency reserve €'000	Group re-organisation reserve €'000	Reverse acquisition reserve €'000	Non-Controlling reserve €'000	Total €'000
At 1 January 2017	**13**	**(541)**	**45**	**-**	**(483)**
Currency translation differences	(139)	-	-	-	(139)
At 31 December 2017	**(126)**	**(541)**	**45**	**-**	**(622)**
At 1 January 2018	**(126)**	**(541)**	**45**	**-**	**(622)**
Currency translation differences	85	-	-		85
Investment in Subsidiaries	-		-	(34)	(34)
At 31 December 2018	**(41)**	**(541)**	**45**	**(34)**	**(571)**

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

The Minority Interest Reserve was as a result of purchase of the 11.03% minority interest in Venn Life Science (France) S.A.S. on 1 January 2018 in exchange for 277,550 shares in Venn Life Sciences Holdings Plc.

Company

	Merger relief reserve €'000
At 31 December 2017	3,531
Transfer to Retained Earnings	(3,531)
At 31 December 2018	-

The premium paid by the Company on the acquisition of Venn Life Sciences Limited and its subsidiaries had 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.
As a result of the impairment charge against the value of investment in subsidiaries at 31 December 2018, this reserve has been released to retained earnings.

30. Cash used in operations

	Group 2018 €’000	Group 2017 €’000	Company 2018 €’000	Company 2017 €’000
Loss before income tax	(5,010)	(1,799)	(12,753)	483
Adjustments for:				
– Depreciation and amortisation	935	864	-	-
– Foreign currency translation of net assets	85	(139)	-	-
– Exceptional Item	-	-	-	-
– Net finance costs	(10)	-	-	-
– Deferred tax credit	235	127	-	-
– Share in associated undertakings loss	-	843	-	-
– Impairment of Intangibles	2,232	-	13,084	-
Changes in working capital				
– Decrease/(Increase) in financial asset fair value	421	949	-	-
– (Increase)/Decrease Trade and other receivables	(388)	(1,472)	(452)	(296)
– (Decrease)/Increase Trade and other payables	395	(655)	1,432	(508)
Net cash used in operations	(1,105)	**(1,282)**	1,311	**(321)**

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:

	2018 €’000	2017 €’000
Aggregate emoluments	594	709
Employer contribution to pension scheme	38	24
	632	733

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.

Group CEO Cathal Friel, also holds a share of £108,642 of the £1m loan note through his pension vehicle.

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.

31. Related Party Disclosures (Cont'd)
The Company

During the year the Company charged management charges of €239,000 (2017 - €94,000) to its subsidiary undertakings. At 31 December 2018 the Company was owed €2,709,000 (2017 - €8,896,000) by its subsidiaries.

32. Capital commitments

The Group had no capital commitments at 31 December 2018.

33. Discontinued Operations

There were no discontinued operations in 2018 or 2017

34. Finance & Operating Lease Payable

Operating Leases

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

	Operating Lease Payments	
GROUP	**2018 €'000**	**2017 (Restated) €'000**
Within one year	451	473
Within second to fifth year	1,417	1,574
Over five years	241	535
	2,109	2,582

Finance Leases
The company has no finance leases.

35. Share options

There were no new share options granted or exercised during the year to 31 December 2018.

Number of outstanding share options remaining at 31 December 2018:

Date of Grant	# of Options Granted	Vested	Forfeited	# Options at 31/12/2018
28/01/2015	2,870,000	-	1,190,000	1,680,000
03/11/2015	1,120,000	-	1,120,000	-
14/09/2017	4,310,000	-	750,000	3,560,000
Total	8,300,000	-	3,060,000	5,240,000

35. Share options (Cont'd)

The pricing and vesting criteria of the share options in existence at 31 December 2018 are as follows:

Options in issue 31/12/2018	5,240,000
Exercise price (equal thirds)	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	£0.00

Charge for year was Nil (2017 – Nil). The current share options have no value. The Company has used the Monte Carlo model to value the options at 31 December 2018. 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 2019.

36. Other operating income

Other operating 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:

a) Investment held for sale in Integumen Plc was fully sold by end of May 2019
b) Conditionally agreed to acquire the entire issued and to be issued share capital of Open Orphan for an aggregate consideration of approximately GBP£5.7 million in equity
c) Proposed equity fundraise to new investors GBP£4.5 million
d) Cathal Friel, non-executive chairman of Venn, became CEO and Brendan Buckley, non-executive director, became Chairman on May 10th. Further, conditional on the acquisition of Open Orphan DAC, Dr Maurice Treacy will be appointed an executive director

38. Revenue, Assets and Liabilities related to contracts with customers

The group derives revenues from external customers from the provision of Clinical consulting services and drug development services split into various service offerings across various geographical regions.

A. 2018 Disaggregation of revenue from contracts with customers by service offering:

Division	2018 Revenue €	2017 Revenue €
Full Service	5,305,190	8,484,343
BiosStats	1,491,848	1,369,852
RTSM (IRT)	783,173	938,739
Resourcing	336,790	19,298
Med & Meth	601,368	580,303
Clinical PKPB *	2,474,206	6,004,704
Clinical Development*	530,247	-
Non Clinical*	647,386	-
CMC*	1,553,059	-
QA	647,386	-
LAK	-	-
Total	**13,920,376**	**17,404,525**

*Note : Due to reorganisation of departments within Venn EDS division, an accurate split of Venn EDS 2017 Revenue of €6m between Clinical, Non clinical, CMC departments is not possible.

38. Assets and Liabilities related to contracts with customers (Cont'd)

Assets related to contracts with customers

	2018 Total €'000	2017 Total €'000
Accrued Income brought forward	**1,597**	**1,401**
Effect of change in accounting policy	-	**(226)**
Movement in the period: - arising from a change in the measure of progress - arising from impairment of a contract asset - arising from a change in the time frame for a performance obligation to be satisfied - a change in the time frame for a right to consideration to become	**494**	**422**
Accrued Income carried forward	**2,091**	**1,597**

The costs incurred to obtain or fulfil a contract which has been recognised as contract assets have been determined with reference to labour hours incurred to the period end as a percentage of the total estimated labour hours to complete specified performance obligations as stipulated by the relevant contracts. Contract assets are not amortised as they are of a short term nature.

A. 2018 Assets related to contracts with customers by service offering:

Division	No. of Contracts	Work in Progress €	Loss Provision €
Full Service	56	790,820	154
BiosStats	24	(107,541)	-
RTSM (IRT)	49	387,115	-
Resourcing	13	23,296	-
Med & Meth	6	198,746	-
Clinical PKPB	58	564,608	(108,411)
Clinical Development	68	118,655	40,461
Non Clinical	20	37,128	(1,155)
CMC	19	102,248	-
QA	3	30,558	-
LAK	1	14,946	-
Total	**317**	**2,160,579**	**(68,951)**

38. Assets and Liabilities related to contracts with customers (Cont'd)

B. 2018 Assets related to contracts with customers by geographical region:

Country	No. of Contracts	Work in Progress €	Loss Provision €
USA	84	1,394,457	(81,095)
Netherlands	54	148,580	6,526
France	85	505,139	-
Ireland	13	281,239	5,177
Switzerland	9	(31,870)	104
Great Britain	4	(334,048)	-
Belgium	27	18,368	15,789
Germany	21	137,644	-15,668
Scotland	1	(43)	-
Sweden	1	17,544	-
Singapore	1	191	-
China	1	9,360	-
Japan	16	14,018	216
Total	**317**	**2,160,579**	**(68,951)**