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Integumen Plc

Annual Report 2019

Integumen Plc

Contents

Integumen Plc

Company Information

Directors:	Ross Andrews (Chairman) Gerry Brandon (Chief Executive Officer) Camillus Glover (Chief Financial Officer) Fionan Murray (Chief Operations Officer)
Company Secretary:	Camillus Glover
Registered office:	Sand Hutton Applied Innovation Campus, Sand Hutton, York North Yorkshire, YO41 1LZ
Corporate office:	12 James's Terrace, Malahide, Dublin K36 N996, Ireland
Place of incorporation:	England and Wales (Company number – 10205396)
Auditors:	Jeffreys Henry LLP Finsgate 5 – 7 Cranwood Street London, EC1V 9EE
Nominated Adviser:	Spark Advisory Partners Limited 5 St. John's Lane London, EC1M 4BH
Brokers:	Turner Pope Investments (TPI) Limited 6th Floor, Becket House 36 Old Jewry, London EC2R 8DD
Solicitors to the Company:	BPE Solicitors LLP St James' House St James' Square Cheltenham, GL50 3PR
Registrars:	Neville Registrars Limited Neville House, 18 Laurel Lane Halesowen, B63 3DA
Bankers:	Ulster Bank Victoria Square 11 – 16 Donegal Square East Belfast, BT1 5UB
Public relations:	Mo PR Advisory Mill Hill, Grange Road Tiptree CO5 0UL
Website:	www.integumen.com

Integumen Plc

Chairman's Statement
For the year ended 31 December 2019

Dear Fellow Shareholder,

I was appointed as Chairman on 21 May 2019 and have pleasure presenting the Company's report and results for the year ended 31 December 2019.

Our Business

Integumen Plc ("Integumen", "Group" or "the Company") was incorporated and registered in England and Wales on 28 May 2016 and was admitted to trading on the AIM market of London Stock Exchange plc on 5 April 2017. Integumen has completed a strategic acquisition and disposed of non-performing assets over the last 12 months. The addition of a digital artificial intelligence platform has transformed, what was already a new business model for Labskin into a multiple revenue stream physical and digital Labskin AI combination. This cloud-based eco-system validates skincare products and ingredients, remotely for clients, and has been the focus of the strategic change in the Company business model leading to multi-year, framework agreements with many global Top 10 skincare and healthcare companies.

Labskin is a physical laboratory-grown 3D human skin equivalent, developed specifically to host bacteria, virus and fungi on human skin in our test laboratories, incorporates a digital artificial intelligence to enhance clinical research, medical device and life science testing in physical real-world and virtual digital simulated form. Our services allow clients in skincare, healthcare, pharmaceutical manufacturers and the cosmetic industry to test and validate their product claims on human-like skin in a real-world environment with full access to multiple state-of-the-art partner technologies.

Results

This has been another transformational year for Integumen attributable to enhancing an already successful business model, better than expected growth in sales from higher revenues per client, lower management overhead from disposal of non-performing assets, increased employees in the core Labskin subsidiary laboratories and employees from our new data analytics subsidiary Rinocloud. *The 2018 comparatives have been restated for* the discontinued activities.

Highlights:

- Total 2019 revenue £1.017m including pre-acquisition Rinocloud revenue, increase of 342% from 2018 £297k revenue;
- Consolidated group revenue £823k (2018 restated: £274k);
- EBITDA losses before exceptional items reduced by 7% to £1.055m (2018 restated: £1.128m);
- Administration costs increased to £2.973m (2018 restated £1.629m) with Rinocloud and Labskin expansion;
- Operating loss of £2.371m (2018 restated: £1.481m) after providing for:
  - Depreciation of £101k (2018 restated: £22k);
  - Amortisation of £442k (2018 restated: £87k);
  - *Impairment of intangible asset £241k (2018 restated: £nil);*
  - Exceptional costs of £532k (2018 restated: £244k) were one-off transaction costs relating to disposal and acquisition activities;
- Transformational £3m all-share Acquisition of Rinocloud Limited enabling scale-up of the business from a physical laboratory to an automated, real-time, real-world digital data platform;
- May 2019: Successful fundraising of £2.75m (gross), of which;
  - £232k was Vendor sale to allow 100% of Rinocloud to be acquired;
- Disposal of Visible Youth Group - saving £245k of future contractual liabilities;
- Debt conversions – Open Orphan £421k carried over since April 2017 IPO;
- Cellulac debt conversion - £400k for hi-tech laboratory equipment;
- Litigation issues settled - saving £250k of future liabilities;
- Dec 2019: Successful fundraising of £1.368m (gross) to maintain pace of growth into 2020.

Post Year-End Events:

- January: Cooperative alliance agreement with Innocare Group, Shanghai, China;
- February: First RAWTest commercial agreement and AI partnership with Acumen Software of South Africa;
- February: Launch of ecowaterOS consortium for real-time water monitoring, recovery, treatment and recycling;

- March: 3 year, $3.75m (£3.12m) bacteria production agreement with Modern Water plc;
- March: Labskin expand York UK Laboratories by 100% to meet increased demand;
- March: Production commenced of bacteria to detect water contamination amid COVID-19 public health crisis;
- March: c£2m confirmed orders in Q1, 2020 leading to new investment of £250,000 to ramp-up production;
- May: Double production of Modern Water reagent bacteria to meet increased demand;
- May: RAWTest AI real-time alert system to be retrofitted in new Modern Water's Microtox units;
- June: Labskin partners with University of Aberdeen to test COVID19 anti-viral skin and dental products.

Further information on our products and technologies can be found in the Chief Executive's Report.

Corporate governance

I believe that good corporate governance is important to support our future growth and the Board, which has extensive experience in publicly listed companies and running companies in the personal healthcare sector, is committed to the highest standards.

Outlook

This has been another transformational year for Integumen. Building on an already successful business model, better than expected sales growth from higher revenues per client, lower management overhead from disposal of non-performing assets, and expansion into new areas requiring an increase of both employees and capacity, have set the business on a strong footing for 2020.

COVID19 presented challenges but also major opportunities for Integumen. The initial difficulties that the Board had assumed would occur for Labskin business, as many clients went into furlough, have not materialised. Instead, we have seen significant growth of new business opportunities from our real-time water contamination detection and environment sector solutions, contributing to increased demand with additional staff recruited over the lock-down period. The outcome has resulted in an increase of new and core business from Labskin clients as they emerge from furlough.

The current level of pipeline activity continues to expand. Having integrated the data analytics and AI systems into the Labskin AI eco-system, by year-end the Board provided guidance for 2020 revenues of £4m. Orders of £2m have already been received and the Board remains confident that the business will continue to flourish as demand grows and as we expand our offering across multiple, but related, sectors.

Ross Andrews
Chairman
12 June 2020

Integumen Plc

Chief Executive's Statement
For the year ended 31 December 2019

Dear Fellow Shareholder,

I present the Company's results for the year ended 31 December 2019.

Integumen

We are a group of life science companies with individual domain expertise and synergies to leverage product and business development. Our focus is in the cosmetics, personal healthcare and environmental sectors with many Top 10 blue chips clients. Our domain expertise is in the areas of microbiology, AI and software. We have a 12-year track record on working with bacteria, fungi and viruses. Our research and testing turns data (on skin microbiome, on data from E.Coli, nutrients and phosphates) monitoring into predictive insights with state of the art AI models that we've been developing and fine tuning over the past 4 years. With the expansion of the management team in 2019, our worldwide reach from research and development projects to commercialisation and building worldwide distribution is rapidly scaling the Integumen business.

Our core services

- Regulated environmental toxicology services;
- Human skin equivalent platform to validate and verify the safety and impact on client products for regulatory authority approval;
- AI and microbiome platform to facilitate clinical testing of pharmacological effects;
- Monitoring platform for pathogens in water and wastewater.

2019 and post-year-end highlights

- Breakthrough research potential with access to SARS-CoV-2 in Containment Level 3 laboratory to research transmissibility of COVID19 to and from skin and to identify COVID-19 real time in wastewater;
- Blue-Chip (US and EU) client agreements signed for R&D services on household name soap, cosmetic brands and personal healthcare products;
- State of the art microbiology labs in York, UK;
- New offices and digital hub for IT, AI infrastructure support and global sales;
- External development facility with world renowned research partners;
- Continuous investment in premises, staff, product development and sales and marketing;
- Labskin models for healthy, immature, diseased, ethnic, skin;
- Virtual clinical trials with cloning to open up CRO distribution market;
- Toxicity testing for chemicals;
- Producing Reagents – bacteria, chemical and trace metals;
- AI models to replicate physical testing; and
- AI modelling for toxicity testing models to monitor/analyse/predict water/environmental conditions.

Labskin (Innovenn)

Labskin is a human skin equivalent, made from the same primary human cells but grown to a defined specification in a laboratory. Advantages include the fact that cells are still growing and dividing and is well controlled in the lab environment unlike human volunteers who tend to complain about punch biopsies. It is also based on human cells unlike animal tests and is, of course, ethical. The core benefit for clients is that Labskin provides them a platform for testing new and existing skincare products on a human skin which was specifically designed to mimic the real-world environment of bacteria, virus and other toxins on the skins surface (Microbiome).

Prior to 2019, the Labskin business unit moved away from selling single animal-free laboratory grown HSE test kits, to a fully-fledged service provider for skincare, healthcare, personal-hygiene, pharmaceutical manufacturers, and the cosmetic industry companies. Revenues for the Group increased 371% with contracts for Labskin clinical services reaching up to 25 times the average price of selling single test kits. By the last quarter of 2019, the addition of artificial intelligence for the Labskin test model along with additional senior sales management and new sales and science team members had opened an expansion program that doubled the size of our laboratories to 3,000 square feet by November. Many global Top 10 skincare companies have recently become our clients.

Rinocloud
On 2 May 2019, the Company acquired 100% of Rinocloud Ltd in an all share transaction for £3,000,000, The purchase consideration was paid by the Company by issuing 214,285,714 ordinary shares of 0.01p each at a price of 1.4p per share. Rinocloud Ltd is a company registered in Ireland providing specialised data management services to a global scientific and lab testing sector. Following the acquisition, Fionan Murray, became a director of the Company.

Rinocloud is an artificial intelligent software and digital automation company added the ability to extract and analyse data relating to the skin surface of Labskin by sequencing the genetic material of all microbes present in that microbiome. The size and complexity of the sequencing data sets make it difficult to analyse from basic manual research. However, adding AI and publicly available data of the skin microbiome of healthy volunteers and volunteers suffering from eczema and psoriasis Labskin has been able to identify a number of features (microbial groups) that define those skin conditions.

The outcome is an ability to isolate and transplant (clone) the skin microbiome from volunteers' to the Labskin model, together with the AI models, Rinocloud has helped the Labskin team to assess the efficacy of client skincare ingredients and products to shift the diseased microbiome to a healthy state. This is a unique service, adding claims to new and existing consumer skincare products, with major cost and time saving benefits for our clients. This Labskin AI combination is now contributing additional revenues per client and has been responsible for a large proportion of the increase in revenues in 2019, compared to 2018 and has continued into 2020.

Life Science Hub
Having Labskin in the group with such accumulated knowledge and expertise allows us to identify markers on the skin (microbiome) for many skin related conditions. Laboratory analysis allows the Labskin team to see, for example, what happens on the skin with too much sun damage or what biomarkers trigger acne, eczema, psoriasis, ageing, dandruff and, in the case of "WoundPhase", wound healing.

Labskin and WoundPhase are combining technologies to identify biology (triggers) and chemistry that allows changes in wound dressing colour depending on what is happening to the skin. While not core to the strategic growth of the Group, the advantage is that Labskin is able to demonstrate the ability to match skincare products to skin types based on the Labskin dressing as well as health applications that include visually monitoring of body temperature, without electronic devices or attaching monitors on infants or elderly patients.

STOER Skincare
STOER products are used as a control range of skin care products that offer Labskin clients' proof of concept for their products to be tested. The most notable result was completion of test protocols for the inclusion of Cannabinoid ("CBD") in client products, which resulted in bringing in our first CBD client in May 2019.

Discontinued operations
On 2 May 2019, the Company disposed of its subsidiary Visible Youth Ltd. to Enhance Skin Products Inc. for £1. The sale includes the two subsidiaries of Visible Youth Ltd, Visible Youth Ireland Ltd and Integumen Inc. The Visible Youth companies own the rights to a range of female cosmetic products. As part of the sale, the Company agree to settle certain Visible Youth liabilities of £569,397 by:
- arranging cash payments of £238,473 and
- issuing 23,637,429 ordinary shares of 0.01p each at a placing price of 1.4p totalling £330,924.

Disruptive Business Model
Integumen has advanced its core business model with Labskin AI platform to create a fundamental change in topical skin related clinical and medical device trial costs. Changes go far beyond incremental savings resulting in:

- Human volunteer numbers are reduced by 50%;
- Swab of test subject's skin is taken and applied to Labskin;
- Instantly creates twin test subject;
- Recruitment time is shorter;

Chief Executive's Statement (continued)
For the year ended 31 December 2019

- Project management and supervision time and personnel are reduced in half;
- AI integration delivers comparative analytical data plus human test response data;
- Reduces error – highlighting test subjects who are not sticking to test regime;
- Increases accuracy from combined twin tests;
- Clients win, Clinical Research Organisation wins and Labskin wins extra revenues;
- Our commercial focus is on distribution using sales, marketing and distribution channels of collaboration partners as well as adding to the combined knowledge with our team that understand bacteria, fungi and viruses;
- We have a full team of IT and web services professionals that understand 'online' and SEO, bringing our partner businesses fully online, through ecowaterOS and RinoDrive, which is so necessary in a COVID-19 world;
- Sales and Marketing includes an inside sales team, brand and marketing specialists that complement our partners traditional sales models;
- Flexible enough to facilitate scientific procedures that need to be updated.

3-Step Strategic Plan

1. Grow Profits Across Related Markets
We will continue to leverage existing blue-chip clients and collaboration partner relationships to secure additional high value product test service contracts with additional sales resources. We are building more client relationships across skincare, healthcare, wound care, personal hygiene and pharmaceuticals industries.

2. Product & Service Investment
Roll-out of physical and digital cloud-based reporting services to keep our Labskin AI offering competitive and relevant to our clients is key to delivering more value to our clients and increasing revenue per client in return. We maintain this approach by extending our technical resources to enhance product and service development. The addition and continued development of AI data analytics capabilities from our recent Rinocloud acquisition, and the increase in revenue because of that, shows we are on the right track.

3. Collaboration & Acquisition
We actively pursue a broader portfolio of services through revenue shared collaboration and acquisition options. These areas have been previously mentioned in RNS announcements and include, but are not limited to, data analytics, software and biophysics integration services. All of these lead to extending our Labskin AI eco-system. As mentioned above the key criteria in our collaboration and partner targets are to increase revenue per client and earnings from repurposed assets to enhance shareholder value.

We look forward to updating you on the progress of this strategy as we go forward.

Gerry Brandon
Chief Executive Officer
12 June 2020

Integumen Plc

The Board

Ross Andrews, Non-Executive Chairman
Ross was appointed Chairman on 21 May 2019, having been a non-executive director since April 2017. He is a corporate financier with over 30 years' experience, has a strong understanding of corporate governance regimes and is chairman and non-executive director of several UK listed companies. In 2018, he established Guild Financial Advisory, a corporate finance boutique focused on ambitious and fast-growing companies.

Gerry Brandon (Chief Executive Officer)
Gerard was appointed Director and CEO of Integumen in August 2018. Previously, he joined Cellulac Limited (Ireland) as its Chief Executive Officer in May 2012 and assumed the same role for Cellulac plc in October 2013. In 1996 he became founder and CEO of Alltracel Pharmaceuticals PLC, where he built a team that oversaw numerous patents granted on refined cellulose. Alltracel was admitted to trading on AIM in 2001. In 2004, he was appointed as a Managing Partner for Farmabrand Private Equity. In 2009, he was appointed as an Executive Consultant to Eplixo Limited. He is a Fellow of the Ryan Academy of Entrepreneurs in Dublin.

Camillus Glover (Chief Financial Officer)
Camillus was appointed Director and COO of Integumen in August 2018. On 29 of August he took over as Chief Financial Officer. Previously, he joined Cellulac Limited (Ireland) as Chief Financial Officer in May 2012 and assumed the same role for Cellulac plc in October 2013. He is a member of the Institute of Chartered Accountants Ireland. In 2003, he joined Alltracel as Commercial Director and was appointed Chief Operations Officer in 2005 until it was acquired in 2008 by Hemcon Medical Technologies ("Hemcon"). Between 2009 and 2012, he was VP of Global Business Development for Hemcon prior to joining Cellulac.

Fionan (Fin) Murray, (Chief Operations Officer)
Fin is the founder of Rinocloud Limited. He was appointed Sales Director of Integumen on 2 May 2019 following the acquisition of Rinocloud Ltd. On 26 February 2020 he was appointed COO of Integumen. He is a seasoned sales executive with more than 30 years' experience in worldwide distribution deals, selling complex software solutions into the multi-national corporate sectors in financial services, biotech, utilities and government departments. He is former CEO of LeT Systems Ltd and a senior executive at KBC Bank and Kindle Banking systems. He was appointed Chief Operations Officer on 26 February 2020.

Strategic Report
For the year ended 31 December 2019

Review of the business
A comprehensive review of the year is given in the Chairman's and Chief Executive's Statements on pages 2 to 6.

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. The Group encourages customer contacts to be maintained by more than one individual. Key employees are incentivised through a mixture of competitive remuneration and sales commission. Main Board Directors are incentivised as detailed in the Directors' Remuneration Report.

Early stage of operations
Integumen is an early stage company, having been incorporated in 2016. Recently, the Group has experienced increased pipeline activity significantly higher than the Company has been used to in the past. This is still a relatively short-term track record of product sales and new service offerings. Therefore, for now, it is difficult to predict with accuracy the rate of market adoption and so forecasting of sales is likely to prove challenging for some time.

Delay in product launches
The Group has a number of identified product development projects to take products to market, some of which may require specific funding to proceed. There is no guarantee that these projects will be completed within anticipated timescales, or that they will result in viable products. The Group's strategy involves, inter alia, running clinical studies on its products to create verifiable data which can be used in marketing campaigns to differentiate the Group's products from competitors. If these clinical studies take longer than expected, or fail to establish these credentials, this could be damaging to the Group's prospects.

Potential funding requirement for further development
Any future collaboration, partnership, joint venture expansion, activity, acquisitions and/or business development may require additional capital and the Group may seek to raise additional funds through equity or debt financings or from other sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient.

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, which would render the Group's products obsolete or otherwise non-competitive. The Group seeks to reduce this risk by ensuring that a professional and high standard product and service is provided to its customers, maintaining confidentiality agreements and selecting leading businesses in their respective fields as collaboration and joint development partners capable of addressing significant competition, should it arise.

Currency exchange risk
The Company's financial statements are denominated in pounds sterling, its functional currency. The Company plans to increase its sales and activities in the USA and the EU which may be impacted by exchange rate fluctuations in future. Following the acquisition of Rinocloud Ltd additional euro costs will arise which will be hedged against euro sales.

COVID-19 risk
Management are constantly reviewing the impact of COVID-19 with clients and partners to assess manufacturing and supply of services stress. These include, but are not limited to, restrictions on the supply of materials that enable the Group to supply goods and services to clients. This review process is designed to provide advance warning to be able to manage impacts on the business and to assist clients meet their needs where reliance on the delivery of our goods and services from the Group is critical.

Brexit risk
Approximately one-third of Group sales were to EU Countries during 2019.

Possible outcomes for Group sales:
- Taxes/tariffs on any product and services from the UK to EU countries;
- Delays of shipments are possible due to taxes and tariffs collections;
- Licenses, registrations or certificates may be required to provide services in EU;
- *Additional documentation to ship product from the UK to EU;*
- Currently, no additional documentation is required when shipping from the UK to other EU countries;
- Import/export documentation (commercial invoice) may be required for every shipment from the UK to EU;
- Possibly, customers will require import permits to receive goods from the UK;
- GBP value can further decline therefore margins may suffer.

However, all the above are at best speculation at the time of writing and the exact outcome is yet to be confirmed.

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.

Outlook
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.

Review of strategy and business model
Integumen Plc has completed a number of strategic acquisitions and disposed of non-performing assets over the last 12 months. These include the commercial technology licensing from Cellulac of a solvent free extraction process for oils specifically intended for skincare products and nutritional food supplements and within the Company's core physical skincare testing business, the addition of a digital platform which has created Labskin AI. This cloud-based eco-system validates skincare products and ingredients, remotely for clients, and has been the focus of the change in the Company business model since August 2018.

This physical laboratory-grown 3D human skin equivalent, developed specifically to host bacteria, virus and fungi on human skin in our test laboratories, incorporates a digital artificial intelligence to enhance clinical research, medical device and life science testing in physical real-world and virtual digital simulated form. Labskin allows our clients in skincare, healthcare, pharmaceutical manufacturers and the cosmetic industry to test and validate their product claims on human-like skin in a real-world environment with full access to multiple state-of-the-art partner technologies.

Because of the changes to the business model the Company is seeing an improved pipeline of activity. The Rinocloud acquisition and its development team has integrated well, as much of the work in collaboration had commenced prior to completion of the transaction. Moving to a higher value service offering and entering the clinical and medical device trial sector is both exciting and challenging. With an increased order pipeline, the Company requires additional infrastructure and expertise. The announcement on 20 June 2019 of increased laboratory space and personnel has secured immediate organic growth. The Labskin Human Volunteer skin cloning capabilities opens opportunities to explore options of collaboration, partnership and acquisitive growth to achieve Company goals of meeting increased demands from our clients, regulatory compliance and enhance shareholder value.

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

Integumen Plc

Strategic Report (Continued)
For the year ended 31 December 2019

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 12 June 2020 and signed on its behalf by:

Gerry Brandon
Chief Executive Officer

Integumen Plc

Report of the Directors
For the year ended 31 December 2019

The Directors have pleasure in submitting this report together with the audited financial statements of Integumen Plc for the year ended 31 December 2019.

2018 Financial Accounts Restated

On 2 May 2019, the Company disposed of its 100% holding of Visible Youth Ltd, and subsidiary companies, for a consideration of £1. Aggregate liabilities of £569,397 of Visible Youth Ltd were satisfied by a combination of cash and the issue of shares. The 2018 financial accounts have been restated to reflect the discontinued operation.

Corporate details
Integumen Plc is incorporated in England and Wales with registration number 10205396. The registered office is Sand Hutton Applied Innovation Campus, Sand Hutton, York, North Yorkshire, YO41 1LZ.

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

Gerard Brandon	
Camillus Glover	
Ross Andrews	(Appointed Chairman on 21 May 2019)
Fin Murray	(Appointed on 2 May 2019)
Tony Richardson	(Resigned on 21 May 2019)

Principal activities
The Group is a vertically integrated business, collaborating its Labskin technology platform with partners in artificial intelligence, clinical research, medical device and life science. The Group provides the following services through its:

- Regulated environmental toxicology services;
- Human skin equivalent platform to validate and verify the safety and impact on client products for regulatory authority approval;
- Ai and microbiome platform to facilitate clinical testing of pharmacological effects;
- Monitoring platform for pathogens in water and wastewater.

Dividends
There were no dividends paid or proposed by the Company during the period.

Going concern
The Directors have considered the applicability of the going concern basis in the preparation of these financial statements.

On 2 May 2019, the Company raised £2,519,000 by issuing new shares. Following the settlement of certain liabilities, the Company has allocated the remaining funds to sales and marketing investment and general working capital purposes.

Also, on 2 May 2019, the Company successfully converted £1,182,000 of liabilities to ordinary shares, of which £752,000 was payable as at 31 December 2018.

On 16 December 2019 the company raised £1,368,000 by issuing new shares to fund sales and marketing investment and general working capital purposes.

The Directors have prepared cash flow projections to determine funding requirements of the Group. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and 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.

Directors' interests
The interests of the Directors who served during the year and previous year, all of which are beneficial, in the share capital of the Company as at 31 December 2019 were as follows:

	Ordinary Shares of 0.01p each
Gerard Brandon	51,299,012
Camillus Glover	42,506,704
Ross Andrews	2,238,462
Fin Murray	87,867,758
Tony Richardson	840,414

Substantial shareholdings
At the date of signing of these financial statements, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

Shareholder	**Number of shares**	**Percentage of issued share capital**
Fionan Murray	87,867,578	8.15%
Helium Rising Stars Fund	79,000,391	7.32%
Gerard Brandon	51,299012	4.76%
Camillus Glover	42,506,704	3.94%

Post balance sheet events
The following events have taken place since the year end:

Significant Sales Contracts

On 18 March 2020 the Company Integumen signed a three-year revenue-sharing, manufacturing agency agreement with Modern Water plc to manufacture and provide logistic support for the Modern Water's monitoring reagent consumables. The Agreement is for $1.25m (£1.04m) per year for 3-years, worth a total of $3.75m (£3.12m). The revenue share split is 60% / 40% in favour of Modern Water, after costs, and is subject to rolling 12-month extensions thereafter.

Ordinary Shares Issued

On 28 May 2020 placing subscribers exercised warrants over 3,000,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £45,000.
On 04 June 2020 placing subscribers exercised warrants over 3,333,332 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £50,000.

At the date of signing these financial statements, the Company had an issued share capital of 1,078,750,235 ordinary shares of 0.01p each and 223,685,232 deferred shares of 0.99p each.

Director Purchase of Shares

On 18 March 2020 Gerard Brandon purchased 1,100,000 ordinary shares of 0.01p each on the open market at 0.83p per share.

On 20 March 2020 Ross Andrews purchased 1,000,000 ordinary shares of 0.01p each on the open market at 0.89p per share.

Report of the Directors (continued)
For the year ended 31 December 2019

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 Parent Company and of the profit or loss of the Group and the Parent Company 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 Group and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the 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 Parent Company's website (www.integumenplc.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for the maintenance and integrity of the Parent Company's website (www.integumenplc.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and the accounts, taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and the Parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Parent Company;
- the Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Parent Company; and
- the Chairman's Statement and Chief Executive's Statement include a fair review of the development of the business and the position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that it faces.

Directors' liability insurance

The Company maintains Directors and Officers liability insurance, which is reviewed annually and is considered to be adequate by the Company and its insurance advisers.

Independent auditors

Jeffreys Henry LLP were appointed during the year and 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.

Report of the Directors (continued)
For the year ended 31 December 2019

Companies Act S.172 Statement
The Directors set out their statement of compliance with S172 (1) of the Compliance Act 2006 which should be read in conjunction with the rest of the annual report and with the Corporate Governance section of the Integumen website.

The directors preside over the Group for the benefit of all stakeholders. In making decisions, the directors take into account their potential short- and long-term implications. The basic goal is the long-term sustainable growth of the business which will see returns to shareholders increasing, enable employees to realise their ambitions and help customers of the Integumen network achieve their goals.

Integumen strives to maintain a reputation for the highest standards of business conduct. The directors always endeavour to operate to the highest ethical standards in order to maintain and promote the reputation of the Company, this being its greatest asset.

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 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
A copy of the notice convening the Annual General Meeting will be sent out shortly under separate cover.

The Directors' report was approved by the Board on 12 June 2020 and signed on its behalf by:

Gerry Brandon
Chief Executive Officer

Corporate Governance Statement
For the year ended 31 December 2019

Compliance
The Directors recognise the value of the principles of the Corporate Governance Code for Small and Mid-Size Quoted Companies issued by the Quoted Companies Alliance (QCA).

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. The Board has determined that Ross Andrews is 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. The Board will seek to appoint a further independent non-executive Director in due course.

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. 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 CFO and the COO.

Board meetings
20 Board meetings were held during the period. The Director's attendance record during the period is as follows:

Gerard Brandon		19
Camillus Glover		19
Ross Andrews	(Appointed Chairman on 21 May 2019)	8
Fin Murray	(Appointed 2 May 2019)	5
Tony Richardson	(Resigned on 21 May 2019)	4

Audit and Risk Committee
This comprises Ross Andrews as Chairman and Fin Murray as the other member of the committee. Ross Andrews is the Company Chairman and sits on the board of a number of listed plc's. 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 Ross Andrews as Chairman and Fin Murray 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 Ross Andrews as Chairman and Fin Murray 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 2019

Statement of compliance
This report does not constitute a Directors Remuneration Report in accordance with the Directors Remuneration Regulations 2007 which do not apply to the Company as it is not fully listed. 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 of the Company for the year ended 31 December 2019 and 2018 is shown below:

	2019 £'000	2018 £'000
Non-Executive Directors		
Ross Andrews	41	47
Tony Richardson (resigned 21 May 2019)	5	17
Paul Kennedy (resigned on 6 August 2018)	-	25
	46	**89**
Executive Directors		
Gerry Brandon (appointed on 6 August 2018) [1]	131	46
Camillus Glover (appointed on 6 August 2018) [1]	110	42
Fin Murray (appointed 2 May 2019)	79	
Chris Bell (resigned on 29 August 2018)	-	111
Donald Nicholson (resigned on 29 August 2018)	-	8
Helmut Schlieper (resigned on 6 August 2018)	1	6
Declan Service (resigned on 5 April 2018)	-	72
	321	**285**
Total fees and emoluments	**367**	**374**

[1] *The salary of Gerry Brandon and Camillus Glover from the period 6 August 2018 to 30 June 2019 is for non-cash consideration and these Directors may elect to have accrued salary settled by the allotment of new ordinary shares subject to certain conditions. The element of non-cash consideration in 2019 was for Gerry Brandon £56,000 (2018: £48,000) and for Camillus Glover £51,000 (2018: £42,000).*

Directors' share options

In 2017, the Company awarded options to key management over 6,720,000 ordinary shares of 1p each. These options were exercisable after two years provided that the holder of the options is still an employee of the Company. Of these, 3,360,000 have an exercise price of 5p and 3,360,000 have an exercise price of 6p each. Following the subdivision of ordinary shares on 2 August 2018 when each ordinary existing share of 1p was sub-divided into one deferred share of 0.99p and one ordinary share of 0.01p.

During the year, options over 963,200 ordinary shares of 1p each lapsed (2018: 5,118,000) when option holders left the employment of the Company.

The share options as at 31 December 2019 were as follows:

Director	Date granted	No. of ordinary shares under option	Exercise price	Exercise period
Ross Andrews	5 April 2017	638,400	5p-6p[1]	From 5 April 2017 to 5 April 2027

[1] *50% of the shares will vest at an exercise price of 5p and 50% at an exercise price of 6p.*

Independent Auditor's Report to the Members of Integumen Plc
For the year ended 31 December 2019

Opinion
We have audited the financial statements of Integumen Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated income statement, 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 2019 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets During the year, as part of the Rinocloud acquisition, the group acquired intangible assets with a fair value of £3,377,000 and with a useful economic life of 10 years. Consequently, the group carried intangible assets of £3,654,000 (2018: £718,000) at the yearend relating to intellectual property and development costs. The risk is that the useful economic life of the intangible assets may be different to the management assumptions or technological advancements may render its market value below its carrying value. EBITDA, which is considered by management to be a key metric and is included as a KPI in the strategic report, is directly impacted by the amount of costs capitalised.	We have performed the following audit procedures: • confirmed cost and useful life by reviewing the underlying contracts for purchase of the intangible assets, including those acquired on acquisition of subsidiary during the year; • performed a recalculation of amortisation charge for year; • reviewed the group policy to ensure that amortisation was correctly calculated, policy adopted was in accordance with IFRS and appropriate for the type of asset; • confirmed the useful economic life of the asset by reviewing and challenging assumptions made by management in determining the life of intangible assets across the group; • reviewed the latest management accounts to assess post year end cashflows due to the technology and licenses held; and • reviewed cash flow forecasts for the foreseeable future to assess the potential future economic benefit from ownership of the intangible assets. Based on the audit work performed we are satisfied, that although there are inherent uncertainties associated with the forecast and estimation of useful economic life of intangible assets, the directors have made reasonable assumptions about the valuation and useful economic life of intangible assets, based on past experience and expected future revenues. We are also satisfied that all necessary disclosures have been made in the consolidated financial statements.
Valuation of investments in and recoverability of amounts due from subsidiaries The parent company carried Investments in subsidiaries of £3,488,000 (2018: £729,000). The parent company also had amounts owed by subsidiary undertakings of £3,259,000 (2018: £1,404,000) at the year end. Management's assessment of the recoverable amounts from investments in and loans to subsidiaries requires estimation and judgement around assumptions used, including the cash flows to be generated from continuing operations. Changes to	We have performed the following audit procedures: • reviewed management's assessment of future operating cashflows and indicators of impairment; • assessed the methodology used by management to estimate the future profitability of companies in the group and recoverable value of the investment, in conjunction with any intra-group balances, to ensure that the method used is appropriate;

assumptions could lead to material changes in the estimated recoverable amount, impacting the value of investment in the subsidiary, amounts recoverable from the subsidiaries and resulting impairment charges. The directors have assessed the recoverability of intercompany balances and have concluded that they are recoverable. There is a risk that the subsidiaries may not be able to trade as expected in the future and therefore the investment and the amounts recoverable may be impaired.	• assessed the reasonableness of the key assumptions used in management's estimates of recoverable value, in line with the economic and industry statistics relevant to the business; • confirmed that any adverse changes in key assumptions will not would not materially increase the impairment loss; • challenged cash inflows from revenue generating activities and the key assumptions applied in arriving at the expected revenues for the foreseeable future; • assessed the appropriateness and applicability of discount rate applied to the current business performance; • assessed the reasonability of cash outflows, including contracted costs, research expenditure and expected capital expenditure; • reviewed the latest management accounts for all entities in the group to confirm reasonability of assumption used in the cashflow forecast. Based on the audit work performed we are satisfied that the management have made reasonable assumptions in arriving at the value of the companies in the group based on net present value of future cashflow and the amounts are disclosed in accordance with the reporting framework, and no further impairment loss should be recognised in the parent company financial statements.
Valuation of other investments The Group acquired 9.35% of the ordinary share capital of Cellulac Plc during 2018 for a consideration of £708,000. Given that the investment is in the early stage research and development phase, there is a risk of incorrect valuation of other investment balances held at fair value. The risk of failure in elevated due to competition from other entities in the sphere, which increases the risk of inaccurate valuation of investments. The valuation of the entity becomes increasingly judgmental due to lack to historical trading results. Furthermore, should impairment indicators be identified, there is a level of judgement exercised by management in estimating fair value of investments in Cellulac Plc, which may result in inaccurate valuation of balances.	We have performed the following audit procedures: • obtained and reviewed management's assessment of impairment of Cellulac Plc and other factors surrounding the assessment; • ensured key judgements are robust by review of events surrounding the judgement and validating the judgements by agreeing to supporting evidence; • where indicators of impairment were identified, we challenged management's assessment of the any recoverable amount; • where no indicators of impairment were highlighted by management, we challenged the judgements made in management's assessment by identifying

	contradictory signs of any potential indicators of impairment; and • considered the appropriateness of the disclosures in relation to the investment in the consolidated financial statements. Based on the audit work performed, we are satisfied that management have appropriately valued investments in line with their accounting policy and in accordance with the requirements of IAS 27, IAS 36. We are also satisfied that all necessary disclosures have been made in the consolidated financial statements.
Going concern Management judgement is required in assessing whether the Company or group is a going concern as they have historically incurred losses. The key assumptions that impact the conclusions are the levels of future revenues, and the ability to control the operating costs. There are therefore inherent risks that the forecasts may overstate future revenue due to the timing of closure of future contracts, or understate future costs, and that the Company or group will not be able to operate within its cash resources and continue to operate as a going concern.	We have performed the following audit procedures: • reviewed the disclosures made by management in Note 2 and the strategic report ensuring a comprehensive explanation of the impact on the business due to COVID-19; • obtained and critically reviewed management's forecasts, cash flow analysis and their going concern assessment for the group covering a period of 12 months from the date of approval of these financial statements; • assessed the reliability of forecasts to date by agreeing historical actuals to budgets and challenging the current forecasts; • tested the clerical accuracy of management's forecast; • challenged management's forecast assumptions, including reviewing the anticipated revenues and corroborated the assumptions over the levels of estimated future costs; • considered the appropriateness of the Company's and group's disclosures in relation to going concern in the financial statements; and • discussions surrounding the recovery of the trading environment and potential contracts in the pipeline and the stage of discussions. Based on the audit work performed we are satisfied that although there are inherent uncertainties associated with the forecast, the group's revenue streams will provide required support to the business if new contracts are won within the expected timescales. We are also satisfied that all necessary

	disclosures have been made in the consolidated financial statements.
Business combination – valuation of intangible Management acquired 100% interest in a subsidiary for consideration of £3,000,000 during the year. We identified a risk that the fair value of intangible assets may not have been accurately derived when accounting for the business combination.	We have performed the following audit procedures: • critically reviewed the consolidation workings, consolidation journals and assessed how the entity was accounted for at the point of acquisition to ensure principals of IFRS 3 have been adhered; • reviewed the share purchase agreement to ensure considerations was included at fair value and the fair values of the assets and the liabilities agreed to the consolidation workings provided by management; • reviewed the share purchase agreement for any clauses which could have future impact on the valuation of assets acquired; • discussed the future operation of the newly acquired subsidiary and synergies expected from the acquisition; • reviewed the consolidated financial statements to ensure all the necessary disclosures were made; Based on the audit work performed we are satisfied that the acquired entity has been accurately consolidated and all necessary disclosures have been made in the financial statement of the group.

Independent Auditor's Report to the Members of Integumen Plc
For the year ended 31 December 2019

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	£93,000 (2018: £158,000).	£93,000 (2018: £46,000).
How we determined it	Based on 1% of Gross Assets (2018: 5% net loss before tax and impairments).	Based on 1% of Gross Assets (2018: 5% net loss before tax and impairments).
Rationale for benchmark applied	We believe that Gross Assets are a primary measure used by shareholders in assessing the financial position of the group, and is a generally accepted auditing benchmark.	We believe that Gross Assets are a primary measure used by shareholders in assessing the financial position of the group, 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 £3,000 and £93,000.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £4,650 (Group audit) (2018: £7,900) and £4,650 (Company audit) (2018: £2,300) 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 ten reporting units (three of these reporting units were disposed of during the year and are reflected in discontinued activities), comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information for Integumen Plc, Innovenn UK Limited, Integumen Ireland Limited, Stoer Ireland Limited and Rinocloud Limited, reporting units, which were individually financially significant and accounted for over 100% of the Group's revenue and over 95% of the Group's absolute loss before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units).

The Group engagement team performed all audit procedures, with the exception of the audits of Lifesciencehub UK Limited and Lifesciencehub Ireland Limited, which were performed by a component auditor in The Republic of Ireland.

Our involvement in the work of the component auditor in The Republic of Ireland included regular communication with a formal meeting arranged following the performance of the procedures.

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 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sanjay Parmar (Senior Statutory Auditor)
For and on behalf of Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
12 June 2020

Integumen Plc

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 £'000	2018 (restated)* £'000
Continuing operations			
Revenues**	**5**	**823**	**274**
Costs of sales		(221)	(126)
Gross profit		602	148
Administrative Costs	**6**	(2,973)	(1,629)
Operating loss		**(2,371)**	**(1,481)**
Depreciation	**6,16**	101	22
Amortisation	**6,14,15**	442	87
Impairment of intangible assets	**6,15**	241	-
Exceptional items	**6,7**	532	244
EBITDA before exceptional items		**(1,055)**	**(1,128)**
Finance costs	**11**	(26)	(38)
Loss before income tax		**(2,397)**	**(1,519)**
Taxation	**12**	126	55
(Loss) for the year from continuing operations		**(2,271)**	**(1,464)**
Profit/(Loss) for the year from discontinued operations	**34**	6	(1,238)
Loss for the year		**(2,265)**	**(2,702)**
Other comprehensive income			
Currency translation differences		(8)	(12)
Total comprehensive loss for the year		**(2,273)**	**(2,714)**

Loss per share from continuing and discontinued operations attributable to owners of the parent during the year Basic and diluted loss per ordinary share		**Pence**	**Pence**
From continuing operations	**13**	0.3p	0.5p
From discontinued operations	**13**	0.0p	0.5p
From loss for the year	**13**	**0.3p**	**1.0p**

*2018 restated to reflect discontinued operations.

**2019 Revenue excluding £194,000 (€221,000) Rinocloud Ltd 2019 pre-acquisition revenue.

The notes on pages 30 to 68 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 £1,384,000 (2018: £3,913,000).

Consolidated and Company's Statement of Financial Position
As at 31 December 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Assets					
Non-current assets					
Intangible assets	15	3,654	718	53	75
Property, plant and equipment	16	471	32	-	-
Right of use assets	14	503	-	-	-
Investments in subsidiaries	17	-	-	3,488	729
Loans to subsidiary undertakings	17	-	-	3,259	-
Other investments	17	708	708	708	708
Total non-current assets		**5,336**	**1,458**	**7,508**	**1,512**
Current assets					
Inventories	19	85	135	-	-
Trade and other receivables	20	549	185	407	1,473
Cash and cash equivalents	21	1,193	26	1,115	21
Total current assets		**1,827**	**346**	**1,522**	**1,494**
Total assets		**7,163**	**1,804**	**9,030**	**3,006**
Equity attributable to owners					
Share capital	25	2,322	2,260	2,322	2,260
Share premium account	27	11,743	3,662	11,743	3,662
Retained loss	26	(15,400)	(13,221)	(15,076)	(13,778)
Foreign currency reserve	27	(259)	(251)	-	-
Reverse acquisition reserve	27	(2,843)	(2,843)	-	-
Capital redemption reserve	27	9,519	9,519	9,519	9,519
Share based equity reserve	27	6	90	6	90
Total equity		**5,088**	**(784)**	**8,514**	**1,753**
Liabilities					
Non-current liabilities					
Deferred tax liabilities	23	500	80	-	-
Lease liability	14	402	-	-	-
Borrowings	24	135	334	-	-
Total non-current liabilities		**1,037**	**414**	**-**	**-**
Current liabilities					
Trade and other payables	22	693	1,979	516	1,253
Deferred tax liabilities	23	61	10	-	-
Lease Liability	14	102	-	-	-
Borrowings	24	182	185	-	-
Total current liabilities		**1,038**	**2,174**	**516**	**1,253**
Total liabilities		**2,075**	**2,588**	**516**	**1,253**
Total equity and liabilities		**7,163**	**1,804**	**9,030**	**3,006**

The notes on pages 30 to 68 are an integral part of these financial statements.
The financial statements were approved and authorised for issue by the Board on 12 June 2020.

Camillus Glover
Chief Financial Officer

Integumen Plc
Registered no: 10205396

Integumen Plc

Consolidated and Company's Statement of Cash Flows
For the year ended 31 December 2019

	Notes	Group 2019 £'000	Group 2018 (restated) £'000	Company 2019 £'000	Company 2018 £'000
Cash Flow from operating activities					
Cash used in operations	**28**	(2,281)	(957)	(2,887)	(1,167)
Taxation	**12**	32	45	-	-
Net Interest (paid)/received	**11**	(26)	(38)	(2)	5
Net cash used in operating activities		**(2,275)**	**(950)**	**(2,889)**	**(1,162)**
Cash flow from investing activities					
Acquisition of subsidiary net of cash balance	**33**	22	(708)	22	(708)
Disposal of investments in subsidiaries	**34**	-	41	-	-
Payments to acquire intangibles	**15**	(213)	(75)	-	(75)
Purchase of property, plant and equipment	**16**	(138)	(1)	-	-
Net cash used in investing activities		**(329)**	**(743)**	**22**	**(783)**
Cash flow from financing activities					
Proceeds from issuance of ordinary shares		3,961	1,943	3,961	1,943
Capital element of finance lease		(19)	(14)	-	-
Repayments on borrowings		(171)	(165)	-	-
Net cash generated by financing activities		**3,771**	**1,764**	**3,961**	**1,943**
Net increase/ (decrease) in cash and cash equivalents		**1,167**	**71**	**1,094**	**(12)**
Cash and cash equivalents at beginning of year		26	(45)	21	33
Effects of exchange rate changes on cash and cash equivalents		-	-	-	-
Cash and cash equivalents at end of year	**21**	**1,193**	**26**	**1,115**	**21**

Consolidated Statement of Changes in Shareholders' Equity

Group	Share capital	Share premium	Retained earnings	Foreign currency reserve	Reverse acquisition reserve	Capital redemption reserve	Share based equity reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	**1,904**	**2,075**	**(10,553)**	**(239)**	**(2,843)**	**9,519**	**24**	**(113)**
Changes in equity for the year ended 31 December 2018								
Loss for the year	-	-	(2,702)	-	-	-	-	**(2,702)**
Currency translation differences	-	-	-	(12)	-	-	-	**(12)**
Total comprehensive loss for the year	-	-	**(2,702)**	**(12)**	-	-	-	**(2,714)**
Transactions with the owners								
Shares issued during the year	356	1,634	-	-	-	-	-	**1,990**
Costs of Share issue	-	(47)		-	-	-		**(47)**
Share option-based charge							100	**100**
Transferred from Share based equity reserve	-		34				(34)	-
Total contributions by and distributions to owners	**356**	**1,587**	**34**	-	-		**66**	**2,043**
At 31 December 2018	**2,260**	**3,662**	**(13,221)**	**(251)**	**(2,843)**	**9,519**	**90**	**(784)**
Changes in equity for the year ended 31 December 2019								
Loss for the year	-	-	(2,265)	-	-	-	-	**(2,265)**
Currency translation differences	-	-		(8)	-	-	-	**(8)**
Total comprehensive loss for the year	-	-	**(2,265)**	**(8)**	-	-	-	**(2,273)**
Transactions with the owners								
Shares issued during the year	62	8,419	-	-	-	-	-	**8,481**
Costs of Share issue		(338)	-	-	-	-	-	**(338)**
Share option-based charge	-	-	-	-	-	-	2	**2**
Transfer from Share based equity reserve	-	-	86		-	-	(86)	-
Total contributions by and distributions to owners	**62**	**8,081**	**86**	-	-	-	**(84)**	**8,145**
At 31 December 2019	**2,322**	**11,743**	**(15,400)**	**(259)**	**(2,843)**	**9,519**	**6**	**5,088**

Company	Share capital	Share premium	Retained earnings	Capital redemption reserve	Share based equity reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	**1,904**	**2,075**	**(9,899)**	**9,519**	**24**	**3,623**
Changes in equity for the year ended 31 December 2018						
Loss for the year	-	-	(3,913)	-	-	**(3,913)**
Total comprehensive loss for the year	-	-	**(3,913)**	-	-	**(3,913)**
Transactions with the owners						
Shares issued during the year	356	1,634	-	-	-	**1,990**
Costs of Share issue	-	(47)	-	-	-	**(47)**
Share option-based charge	-	-	-	-	100	**100**
Transferred from Share based equity reserve	-	-	34	-	(34)	-
Total contributions by and distributions to owners	**356**	**1,587**	**34**	-	**66**	**2,043**
At 31 December 2018	**2,260**	**3,662**	**(13,778)**	**9,519**	**90**	**1,753**
Changes in equity for the year ended 31 December 2019						
Loss for the year	-	-	(1,384)	-	-	**(1384)**
Total comprehensive loss for the year	-	-	**(1,384)**	-	-	**(1,384)**
Shares issued during the year	62	8,419	-	-	-	**8,481**
Costs of Share issue		(338)	-	-	-	**(338)**
Share option-based charge	-	-	-	-	2	**2**
Transferred from Share based equity reserve	-	-	86	-	(86)	-
Total contributions by and distributions to owners	**62**	**8,081**	**86**	-	**(84)**	**8,145**
At 31 December 2019	**2,322**	**11,743**	**(15,076)**	**9,519**	**6**	**8,514**

Notes to the Financial Statements
For the year ended 31 December 2019

1. General information
Integumen Plc is a company incorporated in England and Wales. The Company is a public limited company admitted to trading on the AIM market of the London Stock Exchange since 5 April 2017. The address of the registered office is Sand Hutton Applied Innovation Campus, Sand Hutton, York, North Yorkshire, YO41 1LZ.

The principal activity of the Group is that of providing laboratory testing services and collaborating with the Labskin technology platform with customers in artificial intelligence, clinical research, medical device and life science. The Group has a presence in the UK and Ireland.

The financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group's trading companies operate. The Group comprises Integumen Plc and its subsidiary companies as set out in note 17.

The registered number of the Company is 10205396.

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 Integumen Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), 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 Group has adopted any applicable new standards, amendments to standards and interpretations that are mandatory for the financial year beginning 1 January 2019 for IFRS 16.

IFRS 9 'Financial Instruments'
IFRS 9 replaced the classification and measurement models for financial instruments contained in IAS 39 Financial Instruments: Recognition and Measurement.

Impact of IFRS 9 – Classification of financial assets and liabilities
Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of those financial assets.

There are three principal classification categories for financial assets: (i) amortised cost, (ii) fair value through other comprehensive income (FVOCI) and (iii) fair value through profit and loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is manged and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies financial assets and liabilities under IFRS 9, See Note *2*

Impact of IFRS 9 – Impairment
IFRS 9 also introduces a new expected credit loss impairment model, as opposed to the incurred credit loss model implemented under IAS 39 in previous years. This requires entities to account for expected credit losses at initial recognition and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

In applying IFRS 9 both in the current period and retrospectively in previous periods, there were no reclassifications in the measurement category. As a result, there has been no financial adjustment in transitioning to IFRS 9 with respect to adopting the revised measurement categories.

IFRS 15 'Revenue from contracts with customers'

Revenue is recognised in according with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

1. Identify the contract(s) with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised when control of the products have been transferred to the customer. Control is considered to have transferred once products have been received by the customer unless shipping terms dictate any different. Revenues exclude intra-group sales and value added taxes and represent net invoice value less estimated rebates, returns and settlement discounts. The net invoice value is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied.

IFRS '16 Leases'

IFRS 16 was effective for annual reporting periods on or after 1 January 2019 and removes the distinction between finance and operating leases for lessees. For lessees, all leases are recorded on the balance sheet as liabilities, at the present value of the future lease payments, along with an asset reflecting the right of use of the asset over the lease term. This information aims to provide users of financial statements with the basis to assess the effect leases have on the financial position, financial performance and cash flows of an entity.

The Company has adopted the modified retrospective approach, recognising on 1 January 2019 assets and liabilities which were historically accounted for as operating leases. As the Company had no leases greater than 12 months at this date there has been no adjustment to retained earnings as a result of this transition. Cash flows are not impacted by the adoption of this accounting policy, but the Income Statement now reflects a depreciation charge on the right of use asset and interest expense on the lease liability rather than a single operating lease charge.

Right of use assets

For leases entered into during 2019 the Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amounts recognised in the statement of financial position (Group)

	Right of use assets £'000	Lease liabilities £'000
As at 1 January 2019	-	-
Additions	525	522
Depreciation	(21)	-
Interest expense	-	5
Payments	-	(24)
Foreign Exchange Movements	(1)	1
As at 31 December 2019	**503**	**504**
Current	-	102
Non-current	-	402

New, amended standards and interpretations not adopted by the Group
The following Adopted IFRSs have been issued but have not been applied by the Group in these Financial Statements. The full impact of their adoption has not yet been fully assessed; however, management do not expect the changes to have a material effect on the Financial Statements unless otherwise indicated:

Annual Improvements to IFRSs – 2015-2017 Cycle
Amendments to IAS 19 – employees benefits plan amendments, curtailments or settlements
Amendments to IAS 28 on long term interests in associates and joint ventures
Amendments to IFRS 9, financial instruments on prepayment features with negative compensation
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40 Investment Property
IFRIC 23 Uncertainty over Income Tax Treatments
Amendments to IAS 28 Investments in Associates and Joint Ventures (effective date to be confirmed)
Amendments to IFRS 3 Business Combinations (1 January 2020)
Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (1 January 2020)
Amendments to IAS 1 and IAS 8: Definition of Material (1 January 2020)
Amendments to References to the Conceptual Framework in IFRS Standards (1 January 2020)
IFRS 17 Insurance contracts (1 January 2021)
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (1 January 2022)

Going concern

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements.

The financial statements have been prepared on the assumption that the company is a going concern. When assessing the foreseeable future, the Directors have looked at the forecast for the next 12 months from the date of this report, expected growth in revenues, some of which is contracted, the cash at bank available, loan facilities and existing liabilities as at the date of approval of this report and are satisfied that the Group should be able to cover its working capital requirements.

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and consolidated financial statements.

Basis of consolidation

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

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

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 the comprehensive income with a corresponding adjustment in the carrying amount of the investment.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and consolidated financial statements.

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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 the 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) Reverse acquisition accounting
The acquisition of Innovenn UK Limited and its subsidiary by Integumen Plc on 17 November 2016 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, Integumen Plc, they are in substance a continuation of the consolidated financial statements of the legal subsidiary, Innovenn UK Limited. The following accounting treatment has been applied in respect of the reverse accounting:

The assets and liabilities of the legal subsidiary, Innovenn UK 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 Innovenn UK Limited immediately before the business combination and the results of the period from 1 January 2014 to the date of the business combination are those of Innovenn UK Limited. However, the equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, Integumen Plc, including the equity instruments issued in order to affect 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 sterling, 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:

Fixtures and fittings	20% - 33%
Plant and machinery	16% - 20%

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
Intellectual property rights
Intellectual property rights relate to patents, and licences acquired by the Group. Amortisation is calculated using the straight-line method over the expected life of 5 - 10 years and is charged to administrative expenses in the income statement.

Development costs
Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the project;
- it can be demonstrated how the products will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured. Directly attributable costs that are capitalised as part of the product include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use using the straight-line method over the expected life of 5 - 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.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on estimated selling price in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments
i. Recognition and initial measurement
Financial assets and financial liabilities are initially classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit and loss when the group becomes a party to the contractual provisions of the instrument.

Financial assets at amortised cost
The group's financial assets at amortised cost comprise trade and other receivables. These represent debt instruments with fixed or determinable payments that represent principal or interest and where the intention is to hold to collect these contractual cash flows.

They are initially recognised at fair value, included in current and non-current assets, depending on the nature of the transaction, and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

Financial liabilities at amortised cost
Financial liabilities at amortised cost comprise trade and other payables, and borrowings. They are classified as current and non-current liabilities depending on the nature of the transaction, are subsequently measured at amortised cost using the effective interest method.

Financial assets at fair value through other comprehensive income (FVOCI)
Financial assets at fair value through other comprehensive income are comprised of the investment in Cellulac plc. The election has been made to designate this asset as FVOCI. FVOCI assets are recognised and measured at fair value with gains and losses recognised in OCI.

The fair value measurement of the group's financial and non- financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy').

Level 1 – Quoted prices in active markets
Level 2 – Observable direct or indirect inputs other than Level 1 inputs
Level 3 – Inputs that are not based on observable market data

The group measures financial instruments relating to other investments at fair value using Level 3, as the investment is not listed, and has no readily available market price.

ii. Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

iii. Impairment
In accordance with IFRS 9 an expected loss provisioning model is used to calculate an impairment provision. We have implemented the IFRS 9 simplified approach to measuring expected credit losses ('ECL') arising from trade and other receivables, being a lifetime expected credit loss. In the previous year the incurred loss model is used to calculate the impairment provision.

Research and development
Research expenditure is written off to the statement of comprehensive income in the year in which it is incurred. Development expenditure is written off in the same way unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

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.

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 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.

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.

Leases
Right of use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets.
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

Revenue recognition
(a) Revenue from sale of goods
Revenue represents the fair value of consideration received or receivable for goods delivered to customers in the normal course of business, net of trade discounts and VAT.

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

(c) 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.

(d) Royalty and licence income
Royalty and licence 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.

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

Compared to Sterling	Average rate 2019	Year end rate 2019	Average rate 2018	Year end rate 2018
Euro	0.88	0.85	0.89	0.90

A 5% strengthening of the foreign exchange rates as at 31 December 2019, and for the year then ended, would have increased the net liabilities by £43,000 (2018: £220,000). A 5% weakening would have had an equal and opposite reaction.

(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 bank borrowings are 4.25% over the banks Cost of Funds Rate 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 customers before standard payment and delivery terms and conditions are offered. 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 subsidiaries to support short and medium-term operational plans. Where necessary, short-term funding is provided by the parent Company. 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.

	Notes	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 2019:						
Borrowings	24	182	135	-	-	317
Trade and other payables	22	693	-	-	-	693
At 31 December 2018:						
Borrowings	24	185	193	141	-	519
Trade and other payables	22	1,979	-	-	-	1,979

(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.

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.

(b) Impairment of 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 15. In addition, the Group has also considered the impairment of the investments in the subsidiary 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) Intangible assets
The Group amortises intangible assets over their estimated useful life. The useful lives of Goodwill 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 Marker ('CODM'). The CODM is the Executive Directors and the monthly management reports are used by the Group to make strategic decisions and allocate resources. At the year-end, no separate segments are being reported by the Executive Directors. In the future, separate segments will be established as the Group's operations develop.

Currently the key operating performance measures used by the CODM are revenue, adjusted EBITDA and cash resources. Disclosure of group revenue by geographical location is follows:

	2019	**2018**
	£'000	**£'000**
United Kingdom	222	52
Europe	270	187
United States of America	112	12
Rest of World	219	23
Total revenue	**823**	**274**

Revenues of £534,000 (2018: £119,000) are derived from 4 (2018: 2) customers each representing more than 10% of the group revenue.

6. Expenses – analysis by nature

	2019 £'000	2018 (restated) £'000
Employee benefit expense (note 9)	824	602
Depreciation (note 16)	101	22
Amortisation right of use asset (note 14)	21	-
Amortisation (note 15)	421	87
Impairment of intangible assets (note 15)	241	-
Exceptional items (note 7)	532	244
Auditors remuneration – audit of the parent company and consolidation	16	15
Auditors remuneration – other services	30	30
Foreign exchange differences	25	(26)
Operating lease payments	-	55
Share option-based charge	2	100
Other expenses	760	501
Total administrative costs	**2,973**	**1,629**

7. Exceptional items

Included within administrative expenses are exceptional items as shown below:

	2019 £'000	2018) £'000
Exceptional items include:		
– Transaction costs relating to share placings and business acquisitions and disposals	532	244
Total exceptional items	**532**	**244**

8. Directors' remuneration

The remuneration of the Directors in Integumen Plc who held office during the year ended 31 December 2019 was as follows:

	2019 £'000	2018 £'000
Aggregate emoluments	365	330
Contribution to defined contribution pension scheme	-	21
Share option-based charge	2	23
Total Directors' remuneration	**367**	**374**

Aggregate contributions paid or payable during in 2018 as noted above were in respect of 1 former director to defined contribution schemes.

A breakdown of Directors' remuneration has been provided on page 17.

9. Employee benefit expense

	2019 £'000	2018 £'000
Wages and salaries	744	521
Social security costs	67	50
Pension costs	13	31
Total employee benefit expense	**824**	**602**

10. Average number of people employed

	2019 No	2018 No
Average number of people (including Executive Directors) employed was:		
Administration	4	3
Operations and research	8	6
Sales and marketing	3	1
Total average number of people employed	**15**	**10**

The total number of employees at 31 December 2019 was 16 (2018: 11)

11. Finance costs

	2019 £'000	2018 £'000
Interest expense:		
– Bank borrowings	18	30
– Interest on finance leases	-	3
– Interest on right of use asset leases	5	-
– Other interest	3	5
Finance costs	**26**	**38**

12. Income tax expense

Group	2019 £'000	2018 (restated) £'000
Current tax:		
Current tax for the year	-	-
Research and development tax credit	(32)	(45)
Total current tax (credit)/charge	**(32)**	**(45)**
Deferred tax (note 23):		
Origination and reversal of temporary differences	(94)	(10)
Total deferred tax	**(94)**	**(10)**
Income tax (credit)/charge	**(126)**	**(55)**

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:

	2019 £'000	2018 (restated) £'000
Loss before tax	**(2,397)**	**(1,519)**
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19% (2018 - 19%)	(455)	(289)
Tax effects of:		
– Impact of actual tax rates	18	(21)
– Expenses not deductible for tax purposes	27	52
– Research and development tax credit	(32)	(45)
– Losses carried forward	316	248
Tax (credit)	**(126)**	**(55)**

There are no tax effects on the items in the statement of comprehensive income. The effect of losses is discussed in note 23.

13. 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.

	2019	2018 (restated)
Loss from continuing operations	£2,271,000	£1,464,000
(Profit)/Loss from discontinued operations	(6,000)	£1,238,000
Loss attributable to owners of the parent	£2,265,000	£2,702,000
Weighted average number of Ordinary Shares in issue	807,395,734	258,730,165
Basic loss per ordinary share		
From continuing operations	0.3p	0.5p
From discontinued operations	0.0p	0.5p
From loss for the year	**0.3p**	**1.0p**

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The options and warrants are anti-dilutive in view of the losses in the year. Details of warrants outstanding are given in note 25.

14. Right of use of assets and lease liabilities

Right of use assets

	Leasehold Property £'000
As at 1 January 2019	0
Additions	525
Amortisation	(21)
Foreign Exchange Movements	(1)
As at 31 December 2019	**503**

Lease Liabilities

	Leasehold Property £'000
As at 1 January 2019	0
Additions	522
Interest expense	5
Lease Payments	(24)
Foreign Exchange Movements	1
As at 31 December 2019	**504**
Current	102
Non-current	402

15. Intangible fixed assets

Group	Development Costs and Intellectual Property Rights £'000	Total £'000
Cost		
At 1 January 2018	9,635	9.635
On acquisition of subsidiary (note 34)	(4,614)	(4,614)
Additions	75	75
Exchange differences	191	191
At 31 December 2018	**5,287**	**5,287**
Amortisation		
At 1 January 2018	7,656	7,656
On acquisition of subsidiary (note 34)	(4,451)	(4,451)
Charge for the year – continuing operations	172	172
Charge for the year – discontinued operations (note 34)	87	87
Impairment – continuing operations	423	423
Impairment – discontinued operations (note 34)	500	500
Exchange differences	182	182
At 31 December 2018	**4,569**	**4,569**
Net book value		
At 31 December 2018	**718**	**718**
Cost		
At 1 January 2019	5,287	5,287
On disposal of subsidiary (note 34)	(3,319)	(3,319)
On acquisition of subsidiary (note 33)	3,377	3,377
Additions	201	201
Exchange differences	(1)	(1)
At 31 December 2019	**5,545**	**5,545**
Amortisation		
At 1 January 2019	4,569	4,569
On disposal of subsidiary (note 34)	(3,319)	(3,319)
Charge for the year – continuing operations	421	421
Impairment – continuing operations	241	241
Exchange differences	(21)	(21)
At 31 December 2019	**1,891**	**1,891**
Net book value		
At 31 December 2019	**3,654**	**3,654**

Notes to the Financial Statements (continued)
For the year ended 31 December 2019

Company	Development Costs and Intellectual Property Rights £'000	Total £'000
Cost		
At 1 January 2018	-	-
Additions	75	75
At 31 December 2018	**75**	**75**
Amortisation		
At 1 January 2018	-	-
Charge for the year	-	-
At 31 December 2018	-	-
Net book value		
At 31 December 2018	**75**	**75**
Cost		
At 1 January 2019	75	75
Additions	-	-
At 31 December 2019	75	**75**
Amortisation		
At 1 January 2019	-	-
Charge for the year	22	22
At 31 December 2019	22	**22**
Net book value		
At 31 December 2019	**53**	**53**

At 31 December 2019, the Group had intangible assets arising from intellectual property recognised on acquisitions, development costs on certain research and development and licence agreements.

Management performed an impairment analysis to determine the fair value of the intangible assets. In assessing fair value, the estimated future cash flows of each underlying business unit were discounted to their present value that reflects management's current market assessments of the time value of the money and were adjusted for risks specific to each business.

As a result of the impairment analysis, the Directors have decided to impair the value of intangible assets by charging £241,000 to the income statement (2018: £923,000, relating to assets from subsequently discontinued operations).

The Company had Intangible Assets of £53,000 (2018: £75,000).

16. Property, plant and equipment

Group	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2018	149	307	456
Additions	1	-	1
On disposal of subsidiary (note 34)	-	(311)	(311)
Exchange differences	(1)	4	3
At 31 December 2018	**149**	-	**149**
Depreciation			
At 1 January 2018	95	120	215
On acquisition of subsidiary (note 33)	-	(173)	(173)
Charge for the year – continuing operations	22	-	22
Charge for the year – discontinued operations (note 34)	-	52	52
Exchange differences	-	1	1
At 31 December 2018	**117**	-	**117**
Net book value			
At 31 December 2018	**32**	-	**32**
Cost			
At 1 January 2019	149	-	149
Additions	540	-	540
On acquisition of subsidiary (note 33)	10	-	10
Exchange differences	(2)	-	(2)
At 31 December 2019	**697**	-	**697**
Depreciation			
At 1 January 2019	117	-	117
On acquisition of subsidiary (note 33)	10		10
Charge for the year	101	-	101
Exchange differences	(2)	-	(2)
At 31 December 2019	**226**	-	**226**
Net book value			
At 31 December 2019	**471**	-	**471**

Bank borrowings as detailed in note 24 are secured with a floating charge against the assets of Innovenn UK Limited, which include the above fixtures and fittings.

The Company had no property, plant and equipment.

17. Investments
(a) Investments in subsidiaries

Company	Investments £'000	Loan to Subsidiaries £'000
At 1 January 2018	1,479	500
Disposals during the year (note 34)	(750)	-
Impairment provision	-	(500)
At 31 December 2018	**729**	-
At 1 January 2019	729	-
Acquisition during the year (note 33)	3,000	-
Impairment provision	(241)	-
Movement in the year	-	3,259
At 31 December 2019	**3,488**	**3,259**

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, less impairments.

On 2 May 2019, the Company disposed of its shares in Visible Youth Limited. The investment value was £nil at the date of disposal.

Also, on 2 May 2019 the Company acquired the entire share capital of Rinocloud Limited for a consideration of £3,000,000.

Amounts owing from subsidiary companies greater than one year have been classified as non-current assets in the financial statements. The total amount owing at 31 December 2019 is £3,259,000 (2018: £nil)

Management performed an impairment analysis to determine the fair value of the investments in, and loans to, subsidiaries. In assessing fair value, the estimated future cash flows of each investment were discounted to their present value that reflects management's current market assessments of the time value of the money and were adjusted for risks specific to each investment.

The result of the impairment analysis showed a fair value of £3,488,000 for the Company's investments in subsidiaries, and a fair value of £3,259,000 in loans to subsidiaries, at 31 December 2019. As a result, the Directors have decided to impair the value of the Investments in subsidiaries by charging £241,000 (2018: £nil) to the income statement of the Company.

The subsidiaries of Integumen Plc are as follows:

Name of Company	Proportion Held	Class of Shareholding	Country of Incorporation
Innovenn UK Limited	100% (direct)	Ordinary	United Kingdom
Integumen Ireland Limited	100% (indirect)	Ordinary	Ireland
Lifesciencehub UK Limited	100% (direct)	Ordinary	United Kingdom
Lifesciencehub Ireland Limited	100% (indirect)	Ordinary	Ireland
Rinocloud Limited	100% (direct)	Ordinary	Ireland
STOER Ireland Limited	100% (direct)	Ordinary	Ireland

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.

(b) Other investments

Company	2019	2018
Carrying amount:	£'000	£'000
At 1 January	708	-
Additions during the year	-	708
End of the year	**708**	**708**

In August 2018, the Company acquired 9.35% of the ordinary shares of Cellulac plc for a consideration of £708,000 through the issue of 82,844,388 ordinary shares of 0.01p each.

Other investments are held at fair value through other comprehensive income. The Directors view carrying value as a reasonable approximation of fair value due to the recency of the acquisition and no significant change in operation.

18. Financial instruments by category

(a) Assets

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
31 December				
Assets as per balance sheet				
Trade and other receivables excluding prepayments and corporation tax	466	143	388	1,447
Cash and cash equivalents	1,193	26	1,115	21
Total	**1,659**	**169**	**1,503**	**1,468**

(b) Liabilities

	Group 2019 £'000	Group 2018 (restated) £'000	Company 2019 £'000	Company 2018 £'000
31 December				
Liabilities as per balance sheet				
Borrowings	317	519	-	-
Lease Liabilities	504	-	-	-
Trade and other payables	693	1,979	516	1,253
Total	**1,514**	**2,498**	**516**	**1,253**

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.

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	2019 £'000	2018 £'000
A – AAA	1,193	26
Total	**1,193**	**26**

19. Inventories

	Group 2019 £'000	Group 2018 £'000
Raw materials and finished goods	85	135
Inventory	**85**	**135**

There are no inventories in the Company. The Directors consider that the carrying amount of inventory approximates to their fair value.

20. Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables	402	85	-	-
Less: provision for impairment of trade receivables	(32)	-	-	-
Trade receivables – net	370	85	-	-
Prepayments and accrued income	83	42	19	26
Amounts owed by subsidiary undertakings	-	-	350	1,404
Taxation	81	45	32	30
Other receivables	15	13	6	13
	549	**185**	**407**	**1,473**

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

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

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Sterling	375	185	407	1,473
Euro	174	-	-	-
	549	**185**	**407**	**1,473**

21. Cash and cash equivalents

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash at bank and on hand	1,193	26	1,115	21
Cash and cash equivalents	**1,193**	**26**	**1,115**	**21**

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.

22. Trade and other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade payables	159	365	83	250
Amounts due to group companies (note 29)	-	-	-	557
Amounts due to connected parties (note 29)	-	550	-	76
Social security and other taxes	30	63	-	1
Accrued expenses and deferred income	480	438	433	369
Liabilities held for sale (note 34)	-	563	-	-
Other creditors	24	-	-	-
	693	**1,979**	**516**	**1,253**

23. Deferred income tax

Deferred tax liabilities

Deferred tax balances were as follows:	Group 2019 £'000	Group 2018 £'000
Deferred tax liability to be recovered after more than one year	500	80
Deferred tax liability to be recovered within one year	61	10
	561	**90**

Deferred tax liabilities were made up as follows:		
Accelerated tax depreciation	561	90
	561	**90**

The movement on the deferred tax income tax account is as follows:	Group 2019 £'000	Group 2018 £'000
At 1 January	90	238
On acquisition of subsidiary	565	-
Income statement movement – continuing operations (note 12)	(94)	(10)
Income statement movement – discontinued operation (note 34)	-	(138)
	561	**90**

There were no deferred tax liabilities in the Company

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 £1,204,000 (2018: £885,000) mainly in respect of tax losses amounting to approximately £6,697,000 (2018: £4,944,000) that can be carried forward against future taxable income. An average tax rate of 18% (2018: 18%) has been used.

There was no deferred tax asset recognised for the Company.

24. Borrowings

	Group 2019 £'000	Group 2018 £'000
Non-current		
Bank borrowings	135	334
	135	**334**
Current		
Bank borrowings	182	185
	182	**185**

The Company has no borrowings.

The maturity profile of bank borrowings was as follows:

	Group 2019 £'000	Group 2018 £'000
Amounts falling due		
Within 1 year	182	185
Between 1 and 2 years	135	193
Between 2 and 5 years	-	141
Total bank borrowings	**317**	**519**

Bank borrowings
Bank borrowings mature in 2021 and bear a fixed coupon of 4.33% annually over the bank's cost of funds.

Bank borrowings are secured with a floating charge against the assets of Innovenn UK Limited.

The Company has been compliant with its banking covenants throughout the year.

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

The fair value of both current and non-current borrowings equals their carrying amount, as the impact of discounting is not significant.

The Group's bank borrowings are denominated in Euro.

25. Share capital

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
1,072,416,903 (2018: 454,826,872) Ordinary shares of 0.01p (2018: 1p)	108	46	108	46
223,685,232 (2018: 223,685,232) Deferred shares of 0.99p	2,214	2,214	2,214	2,214
Total	**2,322**	**2,260**	**2,322**	**2,260**

During the year, the following ordinary shares were issued:

- On 8 March 2019, Hybridan LLP exercised warrants over 1,846,154 ordinary shares of 0.01p each at an exercise price of 0.65p per ordinary share of 0.01p raising a total of £12,000 for the Company.

- On 22 March 2019, share option holders exercised options over 17,777,776 ordinary shares of 0.01p each at an exercise price of 0.01p per ordinary share of 0.01p raising a total of £1,778.

- On 26 March 2019, placing subscribers exercised warrants over 2,000,000 ordinary shares of 0.01p each at an exercise price of 0.65p per ordinary share of 0.01p raising a total of £30,000.

- On 2 May 2019, the Company issued the 476,722,882 ordinary shares of 0.01p each at the following issue prices per ordinary share:

Description	No. of shares	Price	Purpose
Placing and Subscription shares	179,918,788	1.4p	Raised £2,519,000 in placing for cash
Consideration shares	214,285,714	1.4p	Consideration for the acquisition of Rinocloud Ltd for £3,000,000
Settlement shares	23,637,429	1.4p	Settlement of £331,000 of liabilities as part of Visible Youth disposal
Loan Note Conv. shares	26,666,666	1.5p	Issued as repayment of a Loan Note due to Cellulac Ltd of £400,000
Open Orphan Debt shares	30,071,428	1.4p	Issued as a loan repayment to Open Orphan Plc of £421,000
Fee shares	2,142,857	1.4p	Issued to settle certain professional fees associated with the above of £30,000
Total shares issued	476,722,882		

- On 31 May 2019, placing subscribers exercised warrants over 1,000,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £15,000.

- On 14 June 2019, share option holders exercised options over 1,111,111 ordinary shares of 0.01p each at an exercise price of 0.01p per ordinary share of 0.01p raising a total of £1,113.

- On 14 June 2019, placing subscribers exercised warrants over 5,000,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £75,000.

- On 25 June 2019, placing subscribers exercised warrants over 2,500,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £37,500.

- On 26 June 2019, placing subscribers exercised warrants over 6,766,667 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £101,500.

- On 4 July 2019, placing subscribers exercised warrants over 1,785,714 ordinary shares of 0.01p each at an exercise price of 2.0p per ordinary share of 0.01p raising a total of £35,714.

- On 4 July 2019, SPARK Advisory Partners Ltd exercised warrants over 5,846,154 ordinary shares of 0.01p each at an exercise price of 0.65p per ordinary share of 0.01p – the proceeds were used to settle certain liabilities due to SPARK of £38,000.

- On 16 July 2019, placing subscribers exercised warrants over 803,572 ordinary shares of 0.01p each at an exercise price of 2.0p per ordinary share of 0.01p raising a total of £16,071.

- On 7 August 2019, placing subscribers exercised warrants over 2,000,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £30,000.

- On 8 October 2019, shares in lieu of invoice of 1,176,471 ordinary shares of 0.01p each at an issue price of 1.7p per ordinary share of 0.01p raising a total of £20,000.

- On 17 December 2019, the Company issued the 91,253,530 ordinary shares of 0.01p each at the following issue prices per ordinary share:

Description	No. of shares	Price	Purpose
Placing shares	87,999,999	1.5p	Raised £1,219,999.99 in placing for cash
Subscription Shares	3,253,531	1.5p	Raised £48,802.97 in subscription by executive directors in cash

As at 31 December 2019, the Company had an issued share capital of 1,072,416,903 ordinary shares of 0.01p each and 223,685,232 deferred shares of 0.99p each

Share Warrants

As at 1 January 2019 the company had granted the following warrants

Warrant holder	Date granted	Number of Ordinary shares of 0.01p each	Exercise price	Expiry date
Placing subscribers	5 April 2017	22,500,000	7.5p	5 April 2019
Turner Pope Investments (TPI) Ltd	5 April 2017	1,800,000	6.25p	5 April 2022
SPARK Advisory Partners Limited	5 April 2017	1,650,602	5.0p	5 April 2022
Placing subscribers	5 January 2018	33,333,333	1.5p	5 January 2023
Hybridan LLP	5 January 2018	1,000,000	1.5p	5 January 2023
Turner Pope Investments (TPI) Ltd	5 January 2018	300,000	1.5p	5 January 2023
Hybridan LLP	30 October 2018	1,846,154	0.65p	30 October 2023
Turner Pope Investments (TPI) Ltd	30 October 2018	5,846,154	0.65p	30 October 2023
		68,276,243		

Share warrants granted during the year

- On 2 May 2019, the Company granted warrants over:
  - 98,214,285 ordinary shares of 0.01p each to placing subscribers which are exercisable at 2p per ordinary share of 0.01p at any time until 2 May 2021.
  - 8,142,857 ordinary shares of 0.01p each to Turner Pope Investments (TPI) Ltd which are exercisable at 1.4p per ordinary share of 0.01p at any time until 2 May 2022.

- On 16 December 2019, the Company granted warrants over 5,279,999 ordinary shares of 0.01p each to Turner Pope Investments (TPI) Ltd which are exercisable at 1.5p per ordinary share of 0.01p at any time until 9 December 2022.

Share warrants exercised during the year

- A total of 19,266,667 ordinary shares of 0.01p each were issued to various placing subscribers for the exercised warrants granted on 5 January 2018 at 1.5p per ordinary share of 0.01p.
- A total of 2,589,286 ordinary shares of 0.01p each were issued to various placing subscribers for the exercised warrants granted on 2 May 2019 at 2p per ordinary share of 0.01p.
- A total of 7,692,308 ordinary shares of 0.01p were issued to the respective holders of exercised warrants granted on 30 October 2018 at 0.65p per ordinary share of 0.01p.
- Surrender of SPARK warrants of 1,650,602 ordinary shares of 0.01p granted on 5 April 2017 at 5.0p per ordinary share of 0.01p

Share warrants expiring during the year

- Shares warrants granted to placing subscribers on 5 April 2017 of 22,500,000 ordinary shares of 0.01p exercisable at 7.5p per ordinary share of 0.01p expired on 5 April 2019.

Share warrants at end of year

As of 31 December 2019, valid share warrants in issue were:

Warrant holder	Date granted	Number of Ordinary shares of 0.01p each	Exercise price	Expiry date
Turner Pope Investments (TPI) Ltd	5 April 2017	1,800,000	6.25p	5 April 2022
Placing subscribers	5 January 2018	14,066,666	1.5p	5 January 2023
Hybridan LLP	5 January 2018	1,000,000	1.5p	5 January 2023
Turner Pope Investments (TPI) Ltd	5 January 2018	300,000	1.5p	5 January 2023
Placing subscribers	2 May 2019	95,624,999	1.5p	2 May 2021
Turner Pope Investments (TPI) Ltd	2 May 2019	8,142,857	1.4p	2 May 2022
Turner Pope Investments (TPI) Ltd	16 December 2019	5,279,999	1.5p	16 December 2022
		126,214,521		

26. Retained earnings

	Group £'000	Company £'000
At 1 January 2018	**(10,553)**	**(9,899)**
Loss for the year	(2,702)	(3,913)
Transfer from Share Option reserve	34	34
At 31 December 2018	**(13,221)**	**(13,778)**
At 1 January 2019	**(13,221)**	**(13,778)**
Loss for the year	(2,265)	(1,384)
Transfer from Share Option reserve	86	86
At 31 December 2019	**(15,400)**	**(15,076)**

27. Other reserves
Group

	Share premium £'000	Foreign currency reserve £'000	Reverse acquisition reserve £'000	Capital Redemption reserve £'000	Share based equity reserve £'000
At 1 January 2018	**2,075**	**(239)**	**(2,843)**	**9,519**	**24**
Issue of ordinary shares (note 25)	1,634	-	-	-	-
Costs of Share issue	(47)	-	-	-	-
Currency translation differences	-	(12)	-	-	-
Transfer to retained earnings (note 32)	-	-	-	-	(34)
Share option-based charge (note 32)	-	-	-	-	100
At 31 December 2018	**3,662**	**(251)**	**(2,843)**	**9,519**	**90**
At 1 January 2019	**3,662**	**(251)**	**(2,843)**	**9,519**	**90**
Issue of ordinary shares (note 25)	8,419	-	-	-	-
Costs of Share issue	(338)	-	-	-	-
Currency translation differences	-	(8)	-	-	-
Transfer to retained earnings (note 32)	-	-	-	-	(86)
Share option-based charge (note 32)	-	-	-	-	2
At 31 December 2019	**11,743**	**(259)**	**(2,843)**	**9,519**	**6**

The reverse acquisition reserve arose as result of the reverse acquisition of Innovenn UK Limited and its subsidiary by Integumen Plc.

Currency translation differences arose from the translation of the net investment in foreign subsidiaries.

Company

	Share premium £'000	Capital Redemption reserve £'000	Share based equity reserve £'000
At 1 January 2018	**2,075**	**9,519**	**24**
Issue of ordinary shares (note 25)	1,634	-	-
Costs of Share issue	(47)	-	-
Transfer to retained earnings (note 32)	-	-	(34)
Share option-based charge (note 32)	-	-	100
At 31 December 2018	**3,662**	**9,519**	**90**
At 1 January 2019	**3,662**	**9,519**	**90**
Issue of ordinary shares (note 25)	8,419	-	-
Costs of Share issue	(338)	-	-
Transfer to retained earnings (note 32)	-	-	(86)
Share option-based charge (note 32)	-	-	2
At 31 December 2019	**11,743**	**9,519**	**6**

28. Cash used in operations

	Group 2019 £'000	Group 2018 (restated) £'000	Company 2019 £'000	Company 2018 £'000
Loss for the year from continuing activities	**(2,271)**	**(1,464)**	**(1,384)**	**(3,913)**
Adjustments for:				
– Depreciation and amortisation	543	109	22	2,994
– Impairment of intangible assets	241	-	-	-
– Foreign currency translation of net assets	(7)	(71)	4	-
– Exceptional Items	-	-	(1,332)	-
– Net finance costs	26	38	2	5
– Taxation	(126)	(55)	(31)	-
– Share option-based charge	2	100	2	100
Changes in working capital				
– Inventories	50	39	-	-
– Trade and other receivables	(120)	(86)	14	(740)
– Trade and other payables	(62)	566	(184)	387
Net cash used in discontinued operations (note 34)	(557)	(133)	-	-
Net cash used in operations	**(2,281)**	**(957)**	**(2,887)**	**(1,167)**

29. Related Party Disclosures

Amounts due to connected parties

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Coolford Limited	-	33	-	-
Open Orphan plc and subsidiaries	-	421	-	-
Cellulac Ltd	-	76	-	76
	-	**550**	**-**	**76**

Amounts due from connected parties

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Drive4Growth Company Limited	89	-	-	-
	89	**-**	**-**	**-**

Tony Richardson who was a director of the Company during the year is a director of Coolford Limited. Tony Richardson is a former director of Open Orphan plc.

During the year, Open Orphan plc and its subsidiaries charged management charges of £9,000 (2018: £26,000) to the Company and its subsidiaries.

The Company owns 9.35% of Cellulac plc (note 17).

On 5 March 2019 the Company acquired from Cellulac Ltd hi-tech laboratory test equipment for the Innovenn UK laboratory in York for £400,000. The consideration was satisfied by the issue of a nil coupon convertible, redeemable loan note. On 2 May 2019 the loan note was paid by the issue of 26,666,666 of new ordinary shares of 0.01p each at an issue price of 1.5p.

Fin Murray is a director of Drive4Growth Company Limited which held a sales agency agreement with Rinocloud Ltd until 31 October 2019.

During the year, the company paid £17,550 (2018: £Nil) to Dagmara Brandon, close family member of the director Gerard Brandon, for professional services provided to the company.

The Company

Amounts due from group companies

	Company 2019 £'000	Company 2018 £'000
Innovenn UK Limited	2,604	1,020
Lifesciencehub UK Limited	208	169
Rinocloud Limited	350	-
Integumen Ireland Limited	370	169
STOER Ireland Limited	77	46
	3,609	**1,404**

Amounts due to group companies

	Company 2019 £'000	Company 2018 £'000
Integumen Inc.	-	557
	-	**557**

During the year, the Company charged management charges of £88,000 (2018: £130,000) to Innovenn UK Limited, £71,000 to Rinocloud Limited (2018: £Nil), £21,000 to Stoer Ireland Ltd (2018: £Nil) and £7,000 (2018: £Nil) to Lifesciencehub UK Limited.

Rinocloud Limited charged sales and management charges to Innovenn UK Limited of £105,000 (2018: £Nil)

During the year, the Company was recharged costs by Integumen Ireland Limited of £169,000 (2018: £103,000).

30. Capital commitments
The Group had no capital commitments at 31 December 2019.

31. Financial commitments

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

Group	Minimum Operating Lease Payments	
	2019 £'000	2018 £'000
Within one year	-	25
Between 1 and 2 years	-	-
	-	**25**

32. Share options

Staff options
On 5 November 2018, the Company awarded options to key employees over 18,888,887 ordinary shares with a nominal value of 0.01p each at an exercise price of 0.01p per share. The options are exercisable for up to three years provided that the holder of the options is still an employee of the Company. The options were fully exercised during 2019:

- 17,777,776 ordinary shares of 0.01p each exercised on 22 March 2019
- 1,111,111, ordinary shares of 0.01p each exercised on 14 June 2019

The estimated fair value of these options when issued was calculated by applying the Black-Scholes option pricing model and were fully expensed in 2018 accounts.

Management Options
In 2017, the Company had awarded options to key management over 6,720,000 ordinary shares of 1p each. These options were exercisable after two years provided that the holder of the options is still an employee of the Company. Of these, 3,360,000 have an exercise price of 5p and 3,360,000 have an exercise price of 6p each.

During the year, options over 963,200 (2018: 5,118,000) ordinary shares of 1p each lapsed when option holders left the employment of the Company. An amount of £9,010 (2018: £34,000) was transferred from the share option-based reserve to retained earnings with respect to these lapsed options.

Following the subdivision of ordinary shares on 2 August 2018, when each ordinary existing share of 1p was sub-divided into one deferred share of 0.99p and one ordinary share of 0.01p, the outstanding options granted were as follows at 31 December 2019:

Director	Date granted	No. of ordinary shares under option	Exercise price	Exercise period
Ross Andrews	5 April 2017	638,400	5.0p-6.0p	From 5 April 2017 to 5 April 2027

The share option-based charge with respect to all share options for the year was £2,000 (2018: £100,000).

33. Business combinations

On 2 May 2019, 214,285,714 fully paid ordinary shares of 0.01p each were issued by the Company as consideration for the acquisition of 100% of the share capital of Rinocloud Ltd.

The Company's strategy is to acquire unique, complementary and undervalued assets at an early stage of commercialisation. The acquisition of Rinocloud Ltd enables the Company to enter the growing market of providing specialised data management services to a global scientific and lab testing sector. Management believes that the acquisition will provide significant synergies with its existing Labskin business.

The following table summarises the consideration paid, and the amounts of the assets acquired, and liabilities assumed at the acquisition date of Rinocloud Ltd:

	Rinocloud £'000
Fair value consideration	
Deemed consideration of acquisition of share capital	3,000
Total fair value consideration	**3,000**
Recognised amounts of identifiable assets acquired, and liabilities assumed	
Intellectual Property (note 15)	3,377
Tangible fixed assets (note16)	-
Trade and other receivables	237
Bank and cash	22
Trade and other payables	(71)
Deferred tax liabilities (note 23)	(565)
Total fair value of identifiable net assets	**3,000**
Excess of net assets over consideration	-

The book value of the assets acquired is the same as their fair value other than Intellectual Property, the value of which was ascribed on acquisition.

The fair value of acquired trade and other receivables is £237,000. The gross contractual amount for trade and other receivables due is £237,000, all of which is expected to be collectible.

The following table is the statement of comprehensive income for Rinocloud 's pre and post-acquisition trading.

Business Combination – Rinocloud Ltd **Statement of Comprehensive Income**	4 months ended 30 April 2019 £'000	8 months ended 31 December 2019 £'000
Revenue	**194**	**363**
Costs of sales	-	(105)
Gross profit	**194**	**258**
Administrative Costs	(88)	(418)
Operating Profit	**106**	**(160)**
Amortisation	29	117
Exceptional items	-	31
EBITDA before exceptional items	**135**	**(12)**
Finance costs	-	-
Profit/ Loss before income tax	**106**	**(160)**
Income tax credit	(13)	-
Profit/ Loss for the period	**93**	**(160)**

Since the acquisition Rinocloud contributed to the Group £21,000 cash inflow from operating activities, cash outflow from investing activities of £232,000 and cash inflow from financing activities of £208,000.

34. Discontinued operations

Profit/(loss) for the period from discontinued operations is made up as follows:	2019 £'000	2018 £'000
TSpro GmbH (note 34a)	-	(637)
Visible Youth Ltd (note 34b)	6	(601)
Profit/(loss) for the period from discontinued operations	**6**	**(1,238)**

Net cash used in operating activities for the period from discontinued operations is made up as follows:	2019 £'000	2018 £'000
TSpro GmbH (note 34a)	-	(76)
Visible Youth Ltd (note 34b)	(557)	(57)
Net cash used in discontinued operations	**(557)**	**(133)**

34. (a) Disposal of TSpro GmbH

On 21 December 2018, the Company disposed of its 100% holding of TSpro GmbH ("TSpro") for a consideration of €1. Financial information relating to the discontinued operation for the period to the date of the disposal is set out below

Discontinued Operations - TSpro Statement of Comprehensive Income	Notes	2019 £'000	2018 £'000
Revenue		-	**227**
Costs of sales		-	(39)
Gross profit		-	188
Administrative Costs		-	(947)
Operating loss		-	**(759)**
Depreciation		-	52
Amortisation		-	87
Impairment of intangible assets		-	500
Exceptional items		-	(91)
EBITDA before exceptional items		-	**(211)**
Finance costs		-	(16)
Loss before income tax		-	**(775)**
Income tax credit	23	-	138
Loss for the year from discontinuing operations		-	**(637)**

Discontinued operations exceptional items

Included within administrative expenses are exceptional items as shown below:	2019 £'000	2018 £'000
– Transaction costs on the disposal and acquisition of subsidiary	-	65
– Gain on disposal of subsidiary	-	(156)
Total exceptional (gain)	-	**(91)**

Details of the gain on disposal of TSpro are as follows:	2018 £'000
Total fair value consideration	-
Recognised amounts of identifiable assets and liabilities disposed	
Intellectual Property	163
Plant, Property and Equipment	138
Trade and other receivables	75
Inventory	3
Trade and other payables	(328)
Bank overdraft	(41)
Other creditors	(166)
Total fair value of identifiable net liabilities	**(156)**
Excess of net liabilities over consideration (gain on disposal)	**(156)**

Discontinued Operations - TSpro **Statement of Cash Flows**	2019 £'000	2018 £'000
Loss for the year from discontinuing operations	-	**(637)**
Adjustments for:		
– Depreciation and amortisation	-	639
– Net finance costs	-	16
– Taxation	-	(138)
– Gain on disposal of subsidiary	-	(156)
Changes in working capital		
– Inventories	-	(2)
– Trade and other receivables	-	(33)
– Trade and other payables	-	251
Cash Flow from operating activities	-	**(60)**
Interest paid	-	(16)
Net cash used in operating activities	-	**(76)**
Cash flow from financing activities		
Loan from parent company	-	120
Net cash generated by financing activities	-	**120**
Net increase in cash and cash equivalents	-	**44**
Cash and cash equivalents at the beginning of period	-	(85)
Cash and cash equivalents at the end of the period	-	**(41)**

34. (b) Disposal of Visible Youth Ltd

On 2 May 2019, the Company disposed of its subsidiary Visible Youth Ltd. to Enhance Skin Products Inc. for zero consideration. The sale includes the two subsidiaries of Visible Youth Ltd, Visible Youth Ireland Ltd and Integumen, Inc. The Visible Youth companies ("Visible Youth") own the rights to a range of female cosmetic products. As part of the sale, the Company agreed to settle certain Visible Youth liabilities of £557,000 by:

- arranging cash payments of £226,000 and
- issuing 23,637,429 ordinary shares of 0.01p each at an issue price of 1.4p totalling £331,000.

Financial information relating to the discontinued operation for the period to the date of the disposal is set out below

Statement of Comprehensive Income	**2019 £'000**	**2018 £'000**
Administrative Costs	-	(601)
Operating profit/(loss)	**6**	**(601)**
Amortisation	-	57
Impairment of intangible assets	-	451
Exceptional items	6	-
EBITDA before exceptional items		**(93)**
Finance costs	-	-
Profit/(loss) before income tax	**6**	**(601)**
Income tax credit	-	-
Profit/(loss) for the period	**6**	**(601)**

Discontinued operations exceptional items

Included within administrative expenses are exceptional items as shown below:

	2019 £'000	**2018 £'000**
Gain on disposal of subsidiary	6	-
Total exceptional gain	**6**	-

Details of the gain on disposal of Visible Youth are as follows:	**£'000**
Consideration received:	
Total consideration	-
Liabilities settled by the Company under the sale agreement	(557)
Total fair value consideration	**(557)**
Recognised amounts of identifiable liabilities disposed	
Trade and other payables	(563)
Total fair value of identifiable net liabilities	**(563)**
Excess of net liabilities over consideration (gain on disposal)	**6**

Discontinued Operations - Visible Youth **Statement of Cash Flows**	2019 £'000	2018 £'000
Profit/(loss) for the year from discontinuing operations	**6**	**(601)**
Adjustments for:		
– Amortisation	-	57
– Impairment of intangible assets	-	451
– Gain on disposal of subsidiary	-	-
Changes in working capital		
– Trade and other payables	(563)	36
Cash Flow from operating activities	**(557)**	**(57)**
Cash flow from financing activities		
Loan from parent company	557	57
Net cash generated by financing activities	**557**	**57**
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of period	-	-
Cash and cash equivalents at the end of the period	-	-

35. Ultimate controlling party

There is no one controlling party.

36. Post balance sheet events

The following events have taken place since the year end:

On 18 March 2020 the Company Integumen signed a three-year revenue-sharing, manufacturing agency agreement with Modern Water plc to manufacture and provide logistic support for the Modern Water's monitoring reagent consumables. The Agreement is for \$1.25m (£1.04m) per year for 3-years, worth a total of \$3.75m (£3.12m). The revenue share split is 60% / 40% in favour of Modern Water, after costs, and is subject to rolling 12-month extensions thereafter.

<u>Ordinary Shares Issued</u>

On 28 May 2020 placing subscribers exercised warrants over 3,000,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £45,000.

On 04 June 2020 placing subscribers exercised warrants over 3,333,332 ordinary shares at 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £50,000.