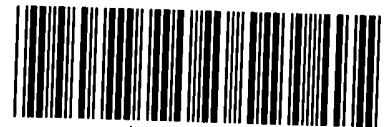


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Integumen Plc

Annual Report 2017

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Integumen Plc

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Integumen Plc

Company Information

Directors:	Tony Richardson (Chairman) Chris Bell (Chief Financial Officer and Interim Chief Executive Officer) Donald Nicholson (Director) Helmut Schlieper (Director) Ross Andrews (Non-Executive Director) Paul Kennedy (Non-Executive Director)
Company Secretary:	Chris Bell
Registered office:	Sand Hutton Applied Innovation Campus, Sand Hutton, York North Yorkshire, YO41 1LZ
Corporate office:	19 Railway Road Dalkey, Dublin, 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
Co-brokers:	Turner Pope Investments (TPI) Limited 6th Floor, Becket House 36 Old Jewry, London EC2R 8DD Hybridan LLP 20 Ironmonger Lane London EC2V 8EP
Solicitors to the Company:	BPE Solicitors LLP St James' House St James' Square Cheltenham, GL50 3PR
Registrars:	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:	TB Cardew 5 Chancery Lane London EC4A 1BL
Website:	www.integumen.com

Integumen Plc

Chairman's Statement

For the year ended 31 December 2017

Dear Fellow Shareholder,

I present the Company's report and results for the year ended 31 December 2017. Integumen was admitted to trading on the AIM market of London Stock Exchange plc on 5 April 2017, raising £2.25 million.

Our Business

Integumen Plc was incorporated and registered in England and Wales on 28 May 2016 and now consists of five wholly-owned subsidiaries: UK-based Innovenn UK Limited and Lifesciencehub UK Limited, TSpro GmbH in Germany, Integumen Inc. in the United States and Stoer Ireland Limited in Ireland. Integumen Plc ("Integumen" or "Company") is a personal health care company focused on developing and commercialising a range of innovative products in the oral, skin and wound care markets.

The Group has a portfolio of products, three of which are generating revenue. The remaining products are in late stages of development, with a skincare range planned for commercialisation in the future. Our products are:

- TS1, a tongue sanitiser designed for dental surgery and for home use
- Labskin, a 3-dimensional human skin equivalent
- Skincare
 - Stoer and Visible Youth, the cosmeceutical skincare product ranges
 - Clarogel, an over-the-counter cosmetic product for the treatment of blemishes
- Woundcare, a chronic wound diagnostic tool Wound pHase and Hydrogel, a material used for the treatment of wounds

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

Results

This has been a difficult year for Integumen attributable to slower than anticipated growth in sales. The Group made an EBITDA loss before exceptional items of £1,579,000 (2016: £773,000), based on revenues of £238,000 (2016: £52,000). Operating loss was £9,517,000 (2016: £1,077,000) after providing for depreciation of £75,000 (2016: £34,000), amortisation of £788,000 (2016: £85,000), an impairment to intangible assets of £6,740,000 (2016: £Nil) and exceptional costs of £335,000 (2016: £185,000). The exceptional costs incurred were one-off transaction costs relating to the AIM listing and business acquisitions.

The Company has conditionally agreed to acquire 9.35% of Cellulac plc in exchange for shares in Integumen. Cellulac has developed, acquired and integrated technologies to produce biodegradable plastic components for consumer packaging, natural oils and nutritional food ingredients for use in the cosmetics, nutritional food and health care sectors. The proposed acquisition will enable Integumen to enter the highly attractive bio-materials and nutritional food sector complementing its existing skin testing, R&D and personal care businesses.

As part of the proposed acquisition, the Company is in the process of raising £700,000 (before expenses) by way of an equity placing and subscription. While the outcome of this process is not certain, the Directors have a reasonable expectation that it will be successfully concluded in the coming weeks.

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

It has been a challenging time for Integumen and the Board has therefore taken action to identify the best route forward for its shareholders and we believe the proposed acquisition of a stake in Cellulac, a leader in biodegradable plastics and natural oils, provides the Company with a number of opportunities to increase its revenue streams. The economic and environmental drivers of biodegradable plastics are compelling, and we believe the actions we are taking will position us well for the future.



Tony Richardson

Chairman

13 July 2018

Integumen Plc

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

Dear Fellow Shareholder,

I present the Company's results for the year ended 31 December 2017. This is the first set of results covering the period since its admission to trading on the AIM market of the London Stock Exchange on 5 April 2017, an important milestone in the lifetime of the Company.

Highlights

During the listing process, we raised £2.25 million. After listing costs, the proceeds continue to be used on product development, sales & marketing and working capital. The Company is now focused on commercialising the portfolio of products, technologies and associated know-how it has assembled, which broadly focus on applications with identified and growing markets within skincare, oral care and wound care. As a Board, we took the strategic decision to diversify our range in order to provide Integumen with a portfolio approach that reduces the risk of any one product or technology.

Integumen already has three product ranges on the market: the TS1 tongue sanitiser, the Labskin human skin equivalent technology targeting the cosmetic product testing sector and the Stoer men's cosmetic product range.

TS1 – Oral care

Integumen has developed TS1, a disposable tongue vacuum cleaner for professional use in the dental surgery, a tongue gel and a handle which turns the tongue vacuum cleaner into a tongue scraper for home use. It targets a growing segment of the global oral care market. TS1 enables the deep cleaning of the tongue and the removal of bacteria plaque from the oral cavity. TS1 has specialist distributors who are already distributing the products to the B2B dentistry market in Germany, Austria, Switzerland and more recently in newer markets such as South Korea, South Africa and Portugal.

In April 2017, the Company signed its first supply agreement in Asia with Mono Dent, a leading distributor of oral hygiene products to dental surgeries and dental universities in South Korea, for an initial period of three years. The agreement provides Mono Dent with the exclusive rights to distribute three products under the TSpro brand within South Korea. Opening orders have already been received, and as part of the exclusive agreement, Mono Dent has committed to a sales and marketing strategy for TS1 to penetrate further the South Korean market. South Korea has approximately 20,000 dental surgeries and is a growing market driven by medical tourism and cosmetic dental surgery.

Labskin

The overarching global cell-based assays market is expected to reach nearly \$21.6 billion by 2018 with a five-year CAGR of 12.4 per cent. (Source: Cell Based Assays: Technologies and Global Markets, BCC Research), driven primarily by the reduction in or ban on using animals for testing cosmetics products.

Labskin is a 3-dimensional human skin equivalent model which has been designed for use in this space. It is used for basic and applied skin research, pre-clinical screening, microbial (bacterial) testing, and efficacy studies of personal care products. It is sold as both a consumable product to third parties, and a managed testing service conducting experiments from our facility in York. Sales in 2017 were to customers such as L'Occitane en Provence, Unilever and Galderma.

The Company continues its discussions with R&D departments of a number of cosmetic and pharmaceutical companies, independent testing companies and academic institutions, driven in part by the EU ban on animal testing in cosmetics.

Stoer

The men's cosmetic skincare range Stoer™, acquired in November 2017, is a complementary premium cosmeceutical brand to the Visible Youth™ brand for women. Its patented Clima5™ technology incorporates a co-formulation five clinically-tested, skin-saving plant actives from four continents and from four very different climates. Stoer and Visible Youth will be marketed using the same channels which should provide multiple marketing and distribution synergies leveraging existing infrastructure;

Further products, crossed over from the patented Visible Youth range will be rolled out under the Stoer brand for the male grooming market. In addition, the Stoer For Men brand offers the potential for additional products utilising the Company's Hyoglass and Clarogel skin blemish technologies. Stoer enabled the Company to enter the large and growing male grooming market worth US\$47billion in 2016 and which is expected to grow to US\$60 billion by 2020 (Source: Euromonitor).

Integumen Plc

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

Visible Youth

Visible Youth is a woman's cosmetic skincare brand which incorporates a range of consumer and professional cosmeceutical products, following many years of R&D. The global anti-ageing products market is expected to grow at a CAGR of 8 per cent, from \$150 billion in 2015 to \$192 billion in 2019 (Source: Anti-ageing Market: Global Industry Analysis and Opportunity Assessment 2015-2019, Future Market Insights), and the market for anti-wrinkle products is assessed at \$77.7 billion in 2016 (Source: Anti-ageing Market: Global Industry Analysis and Opportunity Assessment 2015-2019, Future Market Insights).

Visible Youth Consumer and Visible Youth Professional are a range of cosmeceuticals targeting this anti-ageing market. Visible Youth is a brand whose first six consumer launch products will comprise a cleanser, toner, face serum, eye serum, moisturising cream with SPF20 and a night cream.

The professional products include products for use after skin rejuvenation procedures such as chemical peel or dermabrasion, and a number of other products are planned. Formulation patents are pending or granted, and trademarks registered, in various jurisdictions.

Clarogel

Skin blemishes are one of the most pervasive skin conditions in younger people: over 80 per cent. of adolescents and young adults are affected by this condition at some point. (Source: National Institute of Arthritis and Musculoskeletal and Skin Diseases).

Clarogel is an over-the-counter cosmetic product for the treatment of blemishes (non-medical treatment of symptoms of acne). It is a late stage product and historically the product has been the subject of a clinical study against a market leading product and demonstrated a greater reduction in inflamed lesions than the comparator after one month of use and significantly reduced sebum excretion. Clarogel is patented in Europe and the United States.

Woundcare

The Company has developed an innovative chronic diagnostic tool called Wound pHase. The polymer film in disc form is applied to a wound and surrounding skin in the same way as a traditional hydrogel dressing. Responding to the acidity/alkalinity of the wound, the disc changes colour within five minutes. The colorimetric response of the disc to the wound indicates the acidity/alkalinity and changing state of the wound bed in order to vary the appropriate treatment regime.

Hydrogel is a product the Company is exploring as a dressing for use in the treatment of burns. This will be conducted in parallel with the development of Wound pHase.

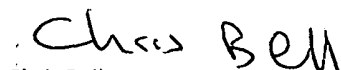
Strategy

Integumen has purposefully assembled businesses which possess products, technologies and know-how which are generally in advanced stages of development or at an early stage of commercialisation.

The Company continues to apply the Board's collective experience, market knowledge and contacts to demonstrate the commercial potential of these products, technologies and know-how in the most effective way, given its resources. This approach could involve:

- Direct product sales by Integumen and its subsidiaries;
- Product sales through marketing and distribution partners with existing and proven infrastructure; and/or,
- Selectively seeking licensing partners, once value has been added through development activity, brand creation or early market adoption.

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



Chris Bell

Interim Chief Executive Officer

13 July 2018

Integumen Plc

The Board

Tony Richardson, Chairman

Tony is a Fellow of the Association of Chartered Certified Accountants. He co-founded Alltracel Pharmaceuticals Plc ("Alltracel") in 1996. Alltracel was admitted to trading on AIM in 2001 and successfully made a number of acquisitions in the area of oral health before a trade sale in 2008 to Hemcon Medical Technologies Inc. Tony joined Venn Life Sciences in 2007 as non-executive Chairman. In 2010, he assumed the role of Chief Executive Officer and in that year Venn Life Sciences completed two acquisitions that provide the basis for the current business.

Chris Bell, Chief Financial Officer and Interim Chief Executive Officer

Chris joined Integumen in September 2016 with over 25 years' experience in mergers and acquisitions, fundraisings and business process design. Prior to joining Integumen in 2016, Chris was Chief Financial Officer of Greenstar, one of Ireland's largest recycling and waste-to-energy companies, with a turnover of €98 million and employing 675 staff. Previously, Chris held a number of senior finance positions in manufacturing, design and engineering companies within a range of private equity, PLC and owner-manager environments. Chris is a Fellow of Chartered Accountants Ireland, having qualified with Pannell Kerr Forster in 1989.

Donald Nicholson, Director

Donald is the Chief Executive Officer and President of Enhance and has been leading the efforts of that company since February 2013, having previously been a non-executive director since 2009. Donald is a senior healthcare industry executive with over 24 years of experience in the pharmaceutical industry with Wellcome Plc, Boehringer Mannheim and as CFO of SkyePharma Plc. He is experienced in product and company acquisitions and disposals, in- and out-licensing arrangements, sale/royalty agreements and financial strategy and funding structures. His experience within this industry includes pharmaceuticals, biochemicals, orthopaedics, diagnostics and drug delivery, including dermatology. Donald is also the owner and Chief Executive Officer of Mercuriali, a specialty pharmaceutical company formed to provide strategic consulting advice and to seek development, acquisition and licensing opportunities within the healthcare sector both on behalf of associated companies and on its own account.

Helmut Schlieper, Director

Helmut started his career in the pharmaceutical industry at Boehringer Ingelheim, in South Africa and Thailand. Before he moved into the oral healthcare business, as Marketing & Sales Director at M+C Schiffer, one of the largest international toothbrush manufacturers, he was Export Director at Marbert, a cosmetic company. In 2004, he set up his own business as Chief Executive Officer at Synpart AG, which he successfully led and sold. Helmut has more than 30 years of experience in oral healthcare. He co-founded MediNova in 2012 and TSpro in 2015.

Ross Andrews, Non-Executive Director

Ross is a highly experienced corporate adviser with 30 years' experience advising companies and management teams on public market transactions, largely in the UK but also in Europe, Australia and Asia. He has worked with large corporates as well as numerous small, growing companies, providing advice on a range of equity capital matters, including IPOs, fund raisings, strategy, acquisitions, corporate governance and shareholder matters. Ross was a director and shareholder of Zeus Capital Limited until July 2015 when he formed RMA Consultancy Limited to undertake non-executive appointments or consultancy and project management roles within companies undergoing management change, external investment rounds or seeking a liquidity event through IPO or another exit.

Paul Kennedy, Non-Executive Director

Paul has had an extensive career in the pharmaceutical industry having been President of Novo Nordisk France for 15 years and before that working as a Marketing Director for seven years at Abbot France and Boots, both in the UK and France. In 1994, Paul set up his own pharmaceutical company, Laboratoires Murat, which was purchased by Fuisz Technologies Ltd, a Nasdaq listed drug delivery company, three years later. Paul then worked as Executive Vice President, Operations for Fuisz Technologies in Paris before he sold the business to Shire plc in 1999 for a further premium. In 2007, Paul became a controlling shareholder and Director of US listed IVAX Diagnostics, Inc, which was subsequently sold to Transasia Bio-Medicals Ltd, India's largest in-vitro diagnostics company, in September 2010. Paul was a non-executive director of Venn Life Sciences Holdings from March 2013 until his resignation upon Admission.

Integumen Plc

Strategic Report

For the year ended 31 December 2017

Review of the business

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

Principal risks and uncertainties

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

Management and employees

The Group's future success will be dependent on key employees and their on-going relationships with customers. 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. Although the Group's underlying businesses have, in some cases, been trading for a longer period of time, the Company itself has only a limited sales track record. The Group has achieved limited sales to date with its products. Particularly with the launch of new products onto the market, it is very difficult to predict with accuracy the rate of market adoption, or indeed whether products meet with customers' approval. Until such time as the Group starts to make significant product sales, forecasting sales will prove challenging.

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 expansion, activity, acquisitions and/or business development will require additional capital and the Group may attempt to raise additional funds through equity or debt financings or from other sources. In particular, the Group will need to raise further funds to pursue the development and exploitation of Clarogel, Visible Youth and Wound pHase. 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 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.

Financial risk management

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

Future outlook

The Chairman's Statement on page 2 give information on the future outlook of the Group.

Integumen Plc

Strategic Report (Continued)

For the year ended 31 December 2017

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 is a personal health company developing and commercialising technology and products for the human integumentary system that may improve physical appearance, hygiene and general health outcomes.

The Group is focused on large addressable markets that align with the management team's track record. While each of the skincare, oral care and wound care sectors represents a multi-billion-dollar market, Integumen is not principally focused on just gaining market share. The team is focused on delivering its products into well-established market sectors which have identifiable players who may seek innovative additions to the category or extensions to existing portfolios.

In addition to having products currently on the market, the Group has a portfolio of products and technologies in development. The development pipeline is focused on near to market products that are in the late stages of development and require "finessing" rather than "deep" Research & Development. The group does not develop products whose ultimate commercial success is dependent on a binary research or development outcome.

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

Environment

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

Employees

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

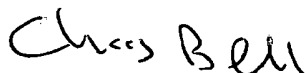
Disabled employees

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

Social, community, and human rights

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

The Strategic Report was approved by the Board on 13 July 2018 and signed on its behalf by:



Chris Bell
Interim Chief Executive Officer

Integumen Plc

Report of the Directors For the year ended 31 December 2017

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

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.

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:

Tony Richardson	(Appointed on 28 May 2016)
Declan Service	(Appointed on 28 May 2016, resigned on 5 April 2018)
Chris Bell	(Appointed on 26 September 2016)
Donald Nicholson	(Appointed on 5 April 2017)
Helmut Schlieper	(Appointed on 5 April 2017)
Ross Andrews	(Appointed on 5 April 2017)
Paul Kennedy	(Appointed on 5 April 2017)

Principal activities

The principal activity of the Group is that of developing technologies in the skin industry. The Group has a presence in the UK, Ireland and Germany.

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.

The Company has conditionally agreed to acquire 9.35% of Cellulac plc in exchange for shares in Integumen. Cellulac has developed, acquired and integrated technologies to produce biodegradable plastic components for consumer packaging, natural oils and nutritional food ingredients for use in the cosmetics, nutritional food and health care sectors. The proposed acquisition will enable Integumen to enter the highly attractive bio-materials and nutritional food sector complementing its existing skin testing, R&D and personal care businesses.

As part of the proposed acquisition, the Company is in the process of raising £700,000 (before expenses) by way of an equity placing and subscription. While the outcome of this process is not certain, the Directors have a reasonable expectation that it will be successfully concluded in the coming weeks.

The Group therefore continues to adopt the going concern basis of preparation for its consolidated financial statements.

Creditors' payment policy

It is the policy of the Group to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individual negotiated contracts) and for payment to be made in accordance with these terms provided the supplier has complied with its obligations.

Integumen Plc

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

Directors' interests

The interests of the Directors who served during the year, previous year and as at the date of signing of these financial statements, all of which are beneficial, in the share capital of the Company were as follows:

	31 December 2017 Ordinary Shares of £0.01 each	31 December 2016 Ordinary Shares of £1 each
Tony Richardson	1,301,952	89,459
Declan Service	1,301,952	89,459
Chris Bell	200,000	-
Paul Kennedy	700,000	-
Ross Andrews	700,000	-

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
Venn Life Sciences Limited ¹	42,244,672	18.9%
MediNova AG ²	37,568,440	16.8%
Enhance Skin Products Inc. ³	29,488,144	13.2%
Chess Group Investment Company Ltd	20,818,182	10.9%
Lynchwood Nominees Limited	17,901,712	9.5%

1 Tony Richardson is a director of Venn. 2 Helmut Schlieper is an employee and a shareholder of MediNova. 3 Donald Nicholson is a director and a shareholder of Enhance.

Post balance sheet events

The following events have taken place since the year end:

On 5 January 2018:

- the Company issued 33,333,333 ordinary shares of 1p each at a placing price of 1.5p per ordinary share raising a total of £500,000.
- the Company granted warrants over 33,333,333 ordinary shares of 1p to subscribers in the Placing which are exercisable at 1.5p per ordinary share of 1p at any time during the five years from Admission.
- the Company granted warrants over 1,000,000 ordinary shares of 1p each to Hybridan LLP which are exercisable at 1.5p per ordinary share of 1p at any time during the five years from Admission.
- the Company granted warrants over 300,000 ordinary shares of 1p each to Turner Pope Investments (TPI) Ltd which are exercisable at 1.5p per ordinary share of 1p at any time during the five years from Admission.

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.

Integumen Plc

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

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 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.

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.

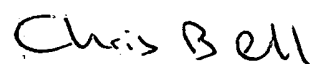
Annual General Meeting

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

Recommendation

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

The Directors' report was approved by the Board on 13 July 2018 and signed on its behalf by:



Chris Bell
Chief Financial Officer

Integumen Plc

Corporate Governance Statement For the year ended 31 December 2017

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.

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

Board composition and responsibility

The Board currently comprises a non-executive Chairman, three executive Directors and two non-executive Directors. The Board has determined that Ross Andrews and Paul Kennedy are independent in character and judgement and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement. The Board is satisfied with the balance between executive and non-executive Directors which allows it to exercise objectivity in decision making and proper control of the Group's business. The Board considers this composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between executives and non-executives.

All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and are subject to re-election at least every three years. 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.

Board meetings

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

Tony Richardson	9
Declan Service	11
Chris Bell	11
Donald Nicholson (Appointed on 5 April 2017)	9
Helmut Schlieper (Appointed on 5 April 2017)	8
Ross Andrews (Appointed on 5 April 2017)	8
Paul Kennedy (Appointed on 5 April 2017)	9

Audit and Risk Committee

This comprises Tony Richardson as Chairman and Ross Andrews and Paul Kennedy as the other members of the committee. Tony Richardson is the Company Chairman and has recent and relevant finance experience. The principal duties of the committee are to review the half-yearly and annual financial statements before their submission to the Board and to consider any matters raised by the auditors. The Committee also reviews the independence and objectivity of the auditors. The terms of reference of the Committee reflect current best practice, including authority to:

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

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.

Integumen Plc

Corporate Governance Statement (continued) For the year ended 31 December 2017

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 Tony Richardson and Paul Kennedy as the other members of the committee. The committee considers the employment and performance of individual executive Directors and determine their terms of service and remuneration. It also has authority to grant options under the Company's Executive Share Option Scheme. The Committee intends to meet at least twice a year.

Board appointments

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

Internal control

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

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

Internal financial reporting

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

Relations with shareholders

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

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

Corporate social responsibility

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

With effect from the financial period to 31 December 2016, the Group became subject to the requirements of the Modern Slavery Act 2015. The Group will publish the required statement on its website in due course.

Integumen Plc

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

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 2017 is shown below:

	2017 £'000	2016 £'000
Non-Executive Directors		
Tony Richardson (appointed on 28 May 2016)	9	-
Ross Andrews (appointed on 5 April 2017)	26	-
Paul Kennedy (appointed on 5 April 2017)	26	-
	61	-
Executive Directors		
Declan Service (appointed on 28 May 2016, resigned on 5 April 2018)	190	61
Chris Bell (appointed on 26 September 2016)	173	55
Donald Nicholson (appointed on 5 April 2017)	9	-
Helmut Schlieper (appointed on 5 April 2017)	9	-
	381	116
Total fees and emoluments	442	116

In addition, Declan Service received remuneration of £58,474 from subsidiary companies during the 2016.

Directors' share options

On 5 April 2017, the Company awarded options to key management over 6,720,000 ordinary shares of 1p each. The options are exercisable after two years and have an exercise price of between 5p and 6p each.

Director	Date granted	No. of ordinary shares under option	Exercise price ⁽¹⁾	Exercise period
Tony Richardson	5 April 2017	963,200	5p-6p	From 5 April 2017 to 5 April 2027
Declan Service	5 April 2017	2,240,000	5p-6p	From 5 April 2017 to 5 April 2027
Chris Bell	5 April 2017	2,240,000	5p-6p	From 5 April 2017 to 5 April 2027
Ross Andrews	5 April 2017	638,400	5p-6p	From 5 April 2017 to 5 April 2027
Paul Kennedy	5 April 2017	638,400	5p-6p	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

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Independent Auditor's Report to the Members of Integumen Plc For the year ended 31 December 2017

Opinion

We have audited the financial statements of Integumen Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 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 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which explains that the group is dependent upon additional fundraising as part of the proposed share purchase of Cellulac, growth in revenues and the deferral of certain liabilities. The directors are satisfied that these will be achieved. These events, or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

Integumen Plc

Independent Auditor's Report to the Members of Integumen Plc For the year ended 31 December 2017

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of intangible assets and investments</p> <p>During the year the group carried intangible assets of £8,719,000 (2016: £4,588,000) relating to intellectual property and development costs and long term investments (including loans to subsidiaries) of £11,183,000 (2016: £7,487,000).</p> <p>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.</p> <p>The directors have assessed whether intangible assets and investments in subsidiaries show any indicators of impairment.</p> <p>We focused on whether impairment was required.</p>	<p>We considered the profitability of the components of the group and whether they have the ability to trade successfully in the future.</p> <p>We reviewed the assumptions underlying management's impairment review for investments, which used a discounted cash flow forecasts.</p> <p>It was found that an impairment existed for investments and intangibles due to the group having insufficient resources to commercialise the projects in development.</p> <p>We reviewed the latest management accounts and cash flow forecasts to gauge how trading was carrying on in the 2018 financial year.</p>
<p>Recoverability of intercompany balances</p> <p>The company had amounts owed by subsidiary undertakings of £1,854,000 (2016: £339,000) at the year end.</p> <p>The directors have assessed the recoverability of intercompany balances and have concluded that they are recoverable.</p> <p>We focused on whether impairment of the intercompany balances was required.</p>	<p>We evaluated the inter-group transactions that occurred during the year to gain an understanding of their purpose.</p> <p>We also reviewed management's assumption that the loans are recoverable and repayable on demand.</p>
<p>Accounting for business combinations</p> <p>The company purchased TSpro GmbH in March 2017 in a share for share exchange. The fair value of consideration, including the acquisition of loans, was £3,354,000.</p> <p>The value of the investment at 31 December 2017 £750,000 as a result of an impairment.</p> <p>The company also purchased Stoer Limited in November 2017 in a share for share exchange. The fair value of consideration was £510,000.</p> <p>The directors have concluded that nothing has occurred to suggest that the group overpaid for the asset.</p> <p>Both acquisitions have been treated under IFRS 3: Business Combinations as Integumen Plc has obtained control by virtue of its 100% shareholding.</p>	<p>We reviewed the agreements relating to the transactions that took place to ensure that all elements of the transactions were treated correctly.</p> <p>We also reviewed the impairment review prepared by the client and challenged the assumptions therein.</p>

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Independent Auditor's Report to the Members of Integumen Plc For the year ended 31 December 2017

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	£112,000 (31 December 2016: £75,000).	£69,600 (31 December 2016: £30,500).
How we determined it	Based on the average of 3% of revenue, 10% of net profit and 2% of gross assets.	Based on the average of 3% of revenue, 10% of net profit and 1% of gross assets.
Rationale for benchmark applied	We believe that profit before tax is a primary measure used by shareholders in assessing the performance of the group whilst gross asset values and revenue are a representation of the size of the group; both are generally accepted auditing benchmarks.	We believe that profit before tax is a primary measure used by shareholders in assessing the performance of the group whilst gross asset values and revenue are a representation of the size of the group; both are generally accepted auditing benchmarks.

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 £229 and £71,800.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £5,600 (Group audit) (31 December 2016: £3,750 and £3,500 (Company audit) (31 December 2016: £1,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

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

How we tailored the audit scope

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

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

We performed audits of the complete financial information Integumen Plc, Innovenn UK Limited, Integumen Ireland Limited, Lifesciencehub UK Limited, Lifesciencehub Ireland Limited, and Stoer Ireland Limited, reporting units, which were individually financially significant and accounted for 39% of the Group's revenue and 56% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at one further reporting unit, based in The United States of America.

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Independent Auditor's Report to the Members of Integumen Plc For the year ended 31 December 2017

The Group engagement team performed all audit procedures, with the exception of the audits of Visible Youth Limited and Visible Youth Ireland Limited which were performed by a component auditor in The Republic of Ireland. Additionally, a limited scope review was undertaken on TSPRO GmbH by a component auditor in Germany.

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 9, 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

Integumen Plc

Independent Auditor's Report to the Members of Integumen Plc For the year ended 31 December 2017

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

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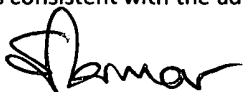
Independent Auditor's Report to the Members of Integumen Plc For the year ended 31 December 2017

Other matters which we are required to address

We were appointed by the company at the Annual General Meeting on 26 June 2017 to audit the financial statements for the period ending 31 December 2017. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2016 to 31 December 2017.

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

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



Sanjay Parmar (Senior Statutory Auditor)
For and on behalf of Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
13 July 2018

Integumen Plc

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

	Notes	2017 £'000	2016 £'000
Revenue	5	238	52
Costs of sales		(62)	(63)
Gross (loss)/profit		176	(11)
Administrative Costs	6,9	(9,693)	(1,066)
Operating loss		(9,517)	(1,077)
Depreciation	6,16	75	34
Amortisation	6,15	788	85
Impairment of intangible assets	6,15	6,740	-
Exceptional items	7	335	185
EBITDA before exceptional items		(1,579)	(773)
Finance income	11	7	-
Finance costs	11	(71)	(17)
Loss before income tax		(9,581)	(1,094)
Income tax credit	12	941	48
Loss for the year		(8,640)	(1,046)
Other comprehensive income			
Currency translation differences		(218)	(21)
Total comprehensive loss for the year		(8,858)	(1,067)
Loss per share attributable to owners of the parent during the year		Pence	Pence
Basic loss per ordinary share	13	5.8p	2.6p
Diluted loss per ordinary share	13	5.2p	2.6p

The notes on pages 24 to 53 are an integral part of these consolidated financial statements.

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

The loss for the parent Company for the year was £9,899,000.

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Consolidated and Company's Statement of Financial Position As at 31 December 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Assets					
Non-current assets					
Intangible assets	15	1,979	4,558	-	-
Property, plant and equipment	16	241	88	-	-
Investments in subsidiaries	17	-	-	1,479	4,732
Loan to subsidiary undertaking	17	-	-	500	2,756
Total non-current assets		2,220	4,646	1,979	7,488
Current assets					
Inventories	19	174	11	-	-
Trade and other receivables	20	140	309	1,920	339
Cash and cash equivalents	21	40	30	33	-
Total current assets		354	350	1,953	339
Total assets		2,574	4,996	3,932	7,827
Equity attributable to owners					
Share capital	25	1,904	7,365	1,904	7,365
Share premium account	27	2,075	-	2,075	-
Retained loss	26	(10,553)	(1,913)	(9,899)	-
Foreign currency reserve	27	(239)	(21)	-	-
Reverse acquisition reserve	27	(2,843)	(2,843)	-	-
Capital redemption reserve	27	9,519	-	9,519	-
Share based equity reserve	27	24	-	24	-
Total equity		(113)	2,588	3,623	7,365
Liabilities					
Non-current liabilities					
Deferred tax liabilities	23	212	93	-	-
Borrowings	24	509	667	-	-
Total non-current liabilities		721	760	-	-
Current liabilities					
Trade and other payables	22	1,751	1,447	309	462
Deferred tax liabilities	23	26	10	-	-
Borrowings	24	189	191	-	-
Total current liabilities		1,966	1,648	309	462
Total liabilities		2,687	2,408	309	462
Total equity and liabilities		2,574	4,996	3,932	7,827

The notes on pages 24 to 53 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 13 July 2018.

Chris Bell
Chief Financial Officer

Integumen Plc
Registered no: 10205396

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

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash Flow from operating activities					
Cash (used in)/generated from operations	28	(1,969)	(976)	(2,241)	123
Taxation		126	7	-	-
Interest (paid)/received		(64)	(17)	5	-
Net cash (used in)/generated from operating activities		(1,907)	(986)	(2,236)	123
Cash flow from investing activities					
Acquisition of investments		(63)	-	-	(123)
Payments to acquire intangibles		(179)	(945)	-	-
Purchase of property, plant and equipment		(2)	(2)	-	-
Net cash used in investing activities		(244)	(947)	-	(123)
Cash flow from financing activities					
Proceeds from issuance of ordinary shares		2,269	1,144	2,269	-
New loans		-	858	-	-
Capital element of finance lease		(24)	(25)	-	-
Repayments on borrowings		(136)	(39)	-	-
Net cash generated by financing activities		2,109	1,939	2,269	-
Net increase/ (decrease) in cash and cash equivalents		(42)	7	33	-
Cash and cash equivalents at beginning of year		30	23	-	-
Effects of exchange rate changes on cash and cash equivalents		(33)	-	-	-
Cash and cash equivalents at end of year	21	(45)	30	33	-

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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 2016	0	746	(867)	-	-	-	-	(121)
Changes in equity for the year ended 31 December 2016								
Loss for the year	-	-	(1,046)	-	-	-	-	(1,046)
Currency translation differences	-	-	-	(21)	-	-	-	(21)
Total comprehensive loss for the year	-	-	(1,046)	(21)	-	-	-	(1,067)
Transactions with the owners								
Shares issued during the year	7,365	1,144	-	-	-	-	-	8,509
Reverse acquisition arising	-	(1,890)	-	-	(2,843)	-	-	(4,733)
Total contributions by and distributions to owners	7,365	(746)	-	-	(2,843)	-	-	3,776
At 31 December 2016	7,365	-	(1,913)	(21)	(2,843)	-	-	2,588
Changes in equity for the year ended 31 December 2017								
Loss for the year	-	-	(8,640)	-	-	-	-	(8,640)
Currency translation differences	-	-	-	(218)	-	-	-	(218)
Total comprehensive loss for the year	-	-	(8,640)	(218)	-	-	-	(8,858)
Transactions with the owners								
Shares issued during the year	4,058	2,187	-	-	-	-	-	6,245
Costs of Share issue	-	(112)	-	-	-	-	-	(112)
Cancelled Shares	(9,519)	-	-	-	-	9,519	-	-
Share option-based charge	-	-	-	-	-	-	24	24
Total contributions by and distributions to owners	(5,461)	2,075	-	-	-	9,519	24	6,157
At 31 December 2017	1,904	2,075	(10,553)	(239)	(2,843)	9,519	24	(113)

Company	Share capital	Share premium	Retained earnings	Capital redemption reserve	Share based equity reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 28 May 2016	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-
Shares issued during the year	7,365	-	-	-	-	7,365
Total contributions by and distributions to owners	7,365	-	-	-	-	7,365
At 31 December 2016	7,365	-	-	-	-	7,365
Changes in equity for the year ended 31 December 2017						
Loss for the year	-	-	(9,899)	-	-	(9,899)
Total comprehensive loss for the year	-	-	(9,899)	-	-	(9,899)
Transactions with the owners						
Shares issued during the year	4,058	2,187	-	-	-	6,245
Costs of Share issue	-	(112)	-	-	-	(112)
Cancelled Shares	(9,519)	-	-	9,519	-	-
Share option-based charge	-	-	-	-	24	24
Total contributions by and distributions to owners	(5,461)	2,075	-	9,519	24	6,157
At 31 December 2017	1,904	2,075	(9,899)	9,519	24	3,623

Integumen Plc

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

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 developing technologies in the skin industry. The Group has a presence in the UK, Ireland and Germany.

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.

Interpretations and revised standards that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's future accounting but which the Group has not adopted early. Management has not yet fully assessed the impact of these new standards but does not believe they will have any material impact on the financial statements.

- IFRS 9: Financial Instruments – Replace IAS 39 in its entirety (from 1 January 2018)
- IFRS 15: Revenue from Contracts with Customers (from 1 January 2018)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (from 1 January 2017)
- IFRS 16: Leases – Replace IAS 17 in its entirety (from 1 January 2019)
- IAS 16 (Amendment): Property, plant and equipment – clarification of acceptable methods of depreciation (from 1 January 2016)
- IAS 38 (Amendment): Intangible assets – clarification of acceptable methods of amortisation (from 1 January 2016)
- IFRS 10 (Amendment): Consolidated financial statements – applying the consolidation exception (from 1 January 2016)

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

Going concern

The Directors have 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, the cash at bank available 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.

Integumen Plc

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

The Company has conditionally agreed to acquire 9.35% of Cellulac plc in exchange for shares in Integumen. Cellulac has developed, acquired and integrated technologies to produce biodegradable plastic components for consumer packaging, natural oils and nutritional food ingredients for use in the cosmetics, nutritional food and health care sectors. The proposed acquisition will enable Integumen to enter the highly attractive bio-materials and nutritional food sector complementing its existing skin testing, R&D and personal care businesses.

As part of the proposed acquisition, the Company is in the process of raising £700,000 (before expenses) by way of an equity placing and subscription. While the outcome of this process is not certain, the Directors have a reasonable expectation that it will be successfully concluded in the coming weeks.

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 financial statements.

If the Group was unable to raise further funds it would need to seek alternative finance in order to be able to remain as a going concern. The financial statements do not include the adjustments that would result if the Group is unable to continue as a going concern.

Basis of consolidation

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

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

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.

Integumen Plc

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

(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

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

reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Any borrowing costs associated with qualifying property plant and equipment are capitalised and depreciated at the rate applicable to that asset category.

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

Fixtures and fittings	20% - 25%
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 acquired by the Group. Amortisation is calculated using the straight-line method over the expected life of 10 years and is charged to administrative expenses in the income statement.

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.

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

Integumen Plc

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

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 assets

Classification

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

Loans and receivables

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

Recognition and measurement

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

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

Financial liabilities

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

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.

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

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.

Integumen Plc

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

Leases

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

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

Employee benefits

Pension obligations

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

Revenue recognition

(a) Revenue from 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

Integumen Plc

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

(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, USD 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 2017	Year end rate 2017	Average rate 2016	Year end rate 2016
Euro	0.88	0.89	0.82	0.85
US Dollar	0.78	0.74	0.75	0.81

(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.

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

	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 2017:						
Borrowings	24	189	182	327	-	698
Trade and other payables	22	1,751	-	-	-	1,751
At 31 December 2016:						
Borrowings	24	191	182	485	-	858
Trade and other payables	22	1,447	-	-	-	1,447

(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 goodwill and cost of investments

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

Integumen Plc

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

5. Segmental reporting

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

	2017 £'000	2016 £'000
United Kingdom	5	12
Europe	187	28
United States of America	12	12
Rest of World	34	-
Total revenue	238	52

Revenues of £137,000 (2016: £47,000) are derived from 2 (2016: 3) customers each representing more than 10% of the group revenue.

6. Expenses – analysis by nature

	2017 £'000	2016 £'000
Employee benefit expense (note 9)	734	395
Depreciation (note 16)	76	34
Amortisation (note 15)	788	85
Impairment of intangible assets (note 15)	6,740	-
Exceptional items (note 7)	335	185
Auditors remuneration – audit of the parent company and consolidation	15	11
Auditors remuneration – other services	30	-
Foreign exchange differences	91	(30)
Operating lease payments	50	50
Other expenses	834	336
Total administrative costs	9,693	1,066

7. Exceptional items

Included within administrative expenses are exceptional items as shown below:

	2017 £'000	2016 £'000
Exceptional items include:		
– Transaction costs relating to AIM listing and business acquisitions	335	326
– Deemed credit on reverse acquisition	-	(141)
Total exceptional items	335	185

Integumen Plc

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

8. Directors' remuneration

The remuneration of the directors in Integumen Plc who held office during the period ended 31 December 2017 was as follows:

	2017 £'000	2016 £'000
Aggregate emoluments	399	158
Contribution to defined contribution pension scheme	43	16
Total directors' remuneration	442	174

Aggregate contributions paid or payable during the year as noted above were in respect of 2 directors (2016: 2 directors) to defined contribution schemes.

For the purpose of the basis of consolidation of the reverse takeover transaction, as disclosed in note 2 to the accounts, the comparative year ended 31 December 2017 includes remuneration of £58,474 paid by Integumen Ireland Limited to directors of Integumen Plc.

The remuneration of the directors in Integumen Plc who held office during the period from 1 January 2016 to 17 November 2016, when the reverse takeover took place and from 17 November 2016 to 31 December 2016 was as follows:

	From 1 January 2016 to 17 November 2016 £'000	From 17 November 2016 to 31 December 2016 £'000	Total £'000
Aggregate emoluments	64	38	102
Contribution to defined contribution pension scheme	8	5	14
Total directors' remuneration	72	43	116

9. Employee benefit expense

	2017 £'000	2016 £'000
Wages and salaries	693	386
Social security costs	85	54
Pension costs	47	11
Total employee benefit expense	825	451

Included in staff costs is £91,000 that was capitalised during the year to intangible assets (2016: £56,000). The net employee benefit expense therefore charged to the Statement of Comprehensive Income for the year was £734,000 (2016: £395,000).

Integumen Plc

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

10. Average number of people employed

	2017 No	2016 No
Average number of people (including Executive Directors) employed was:		
Administration	3	2
Operations and research	6	6
Sales and marketing	1	1
Total average number of people employed	10	9

The total number of employees at 31 December 2017 was 9.

11. Finance income and costs

	2017 £'000	2016 £'000
Interest expense:		
– Bank borrowings	(46)	(12)
– Interest on finance leases	(5)	(5)
– Other interest	(20)	-
Finance costs	(71)	(17)
Finance income:		
– Interest income on loan to subsidiary undertaking pre-acquisition	7	-
Finance income	7	-
Net finance income/(expense)	(64)	(17)

12. Income tax expense

Group	2017 £'000	2016 £'000
Current tax:		
Current tax for the year	-	-
Research and development tax credit	(126)	(47)
Total current tax (credit)/charge	(126)	(47)
Deferred tax (note 23):		
Origination and reversal of temporary differences	(815)	(1)
Total deferred tax	(815)	(1)
Income tax (credit)/charge	(941)	(48)

The Finance Act 2015 which was substantially enacted in 2015 included legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2019 and the Finance Act 2016 which was substantially enacted in 2016 included legislation to reduce the main rate of UK Corporation tax to 17% from 1 April 2020.

Integumen Plc

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

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

	2017 £'000	2016 £'000
Loss before tax	(9,581)	(1,094)
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19% (2016 - 20%)	(1,820)	(219)
Tax effects of:		
– Impact of actual tax rates	(635)	(36)
– Expenses not deductible for tax purposes	1,220	190
– Research and development tax credit	(126)	(47)
– Losses carried forward	420	64
Tax (credit)/charge	(941)	(48)

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.

	2017	2016
Loss attributable to owners of the parent	£8,640,000	£1,046,000
Weighted average number of Ordinary Shares in issue	148,000,464	40,584,133
Basic loss per share	5.8p	2.6p

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Details of warrants outstanding are given in note 25.

	2017	2016
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	148,000,464	40,584,133
Adjustments for calculation of diluted earnings per share:		
Warrants	19,196,336	-
Total	167,196,800	40,584,133
Diluted loss per share	5.2p	2.6p

14. Dividends

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

Integumen Plc

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

15. Intangible fixed assets

Group	Development Costs and Intellectual Property Rights £'000	Total £'000
Cost		
At 1 January 2016	549	549
On acquisition of subsidiary (note 34)	524	524
On acquisition of trade and assets (note 34)	3,260	3,260
Additions ¹	153	153
Exchange differences	203	203
At 31 December 2016	4,689	4,689
Amortisation		
At 1 January 2016	39	39
Charge for the year	85	85
Exchange differences	7	7
At 31 December 2016	131	131
Net book value		
At 31 December 2016	4,558	4,558
Cost		
At 1 January 2017	4,689	4,689
On acquisition of subsidiary (note 34)	5,044	5,044
On acquisition of trade and assets (note 34)	-	-
Additions ¹	179	179
Exchange differences	(277)	(277)
At 31 December 2017	9,635	9,635
Amortisation		
At 1 January 2017	131	131
On acquisition of subsidiary (note 34)	11	11
Charge for the year	788	788
Impairment	6,740	6,740
Exchange differences	(14)	(14)
At 31 December 2017	7,656	7,656
Net book value		
At 31 December 2017	1,979	1,979

¹Additions are development costs capitalised during the period

At 31 December 2017, the Group had intangible assets with a net book value of £8,719,000 arising from intellectual property recognised on acquisitions and development costs on certain research and development projects relating to skincare testing.

Integumen Plc

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

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 using a pre-tax discount rate of 11% that reflects management's current market assessments of the time value of the money and were adjusted for risks specific to each business.

The intangible asset value of £8,719,000 originates primarily from the formation of the Company following the issue of 10.7 million shares of £1 in a share for share acquisition of four businesses. While this implied a then group valuation of £10.7 million, at the time the focus was more on the relative value of each acquisition rather than the absolute aggregate value, the latter to be eventually proven by long-term business performance of the group and share price post-admission to AIM.

The result of the impairment analysis showed a fair value of £1,979,000 for the Company's intangible assets at 31 December 2017. As a result, the directors have decided to impair the value of the intangible assets by charging £6,740,000 to the income statement.

The Company had no intangible assets.

Integumen Plc

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

16. Property, plant and equipment

Group	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2016	138	-	138
Additions	2	-	2
Exchange differences	5	-	5
At 31 December 2016	145	-	145
Amortisation			
At 1 January 2016	21	-	21
Charge for the year	34	-	34
Exchange differences	2	-	2
At 31 December 2016	57	-	57
Net book value			
At 31 December 2016	88	-	88
Cost			
At 1 January 2017	145	-	145
Additions	2	-	2
On acquisition of subsidiary (note 34)	-	296	296
Exchange differences	-	11	11
At 31 December 2017	149	307	456
Amortisation			
At 1 January 2017	57	-	57
Charge for the year	37	39	76
On acquisition of subsidiary (note 34)	-	77	77
Exchange differences	1	4	5
At 31 December 2017	95	120	215
Net book value			
At 31 December 2017	54	187	241

Fixtures and fittings includes the following amounts where the group is a lessee under a finance lease (note 24):

	2017 £'000	2016 £'000
Cost	92	92
Accumulated depreciation	44	26
Net book value	48	66

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.

Integumen Plc

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

17. Investments in subsidiaries

Company	Investments 2017	Loan to Subsidiary 2017
Carrying amount:	£'000	£'000
At 1 January	4,732	2,756
Additions during the year	3,695	-
Impairment provision	(6,948)	(2,256)
End of the year	1,479	500

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

At 31 December 2017, the Group had Investments in subsidiaries with a book value of £11,183,000 arising from acquisitions.

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 using a pre-tax discount rate of 11% that reflects management's current market assessments of the time value of the money and were adjusted for risks specific to each investment.

The Investments in subsidiaries of £11,183,000 originates primarily from the formation of the Company following the issue of 10.7 million shares of £1 in a share for share acquisition of four businesses. While this implied a then group valuation of £10.7 million, at the time the focus was more on the relative value of each acquisition rather than the absolute aggregate value, the latter to be eventually proven by long-term business performance of the group and share price post-admission to AIM.

The result of the impairment analysis showed a fair value of £1,979,000 for the Company's Investments in subsidiaries at 31 December 2017. As a result, the directors have decided to impair the value of the Investments in subsidiaries by charging £9,204,000 to the income statement.

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
Integumen Inc.	100% (indirect)	Ordinary	United States of America
Visible Youth Limited	100% (direct)	Ordinary	United Kingdom
Visible Youth Ireland Limited	100% (indirect)	Ordinary	Ireland
TSpro GmbH	100% (direct)	Ordinary	Germany
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.

The loan to Integumen Inc. arises on the acquisition of the trade, assets and certain liabilities of Enhance Skin Products Inc. in exchange for the issue of shares of the Company.

Integumen Plc

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

18. Financial instruments by category

(a) Assets

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
31 December				
Assets as per balance sheet				
Trade and other receivables excluding prepayments and corporation tax	75	296	1,889	339
Cash and cash equivalents	40	30	33	-
Total	115	326	1,922	339

(b) Liabilities

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
31 December				
Liabilities as per balance sheet				
Borrowings	698	858	-	-
Trade and other payables	1,751	1,447	309	462
Total	2,449	2,305	309	462

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

(c) Credit quality of financial assets

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

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

Trade receivables

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

Cash at bank

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

Rating	2017 £'000	2016 £'000
A – AAA	40	30
Total	40	30

Integumen Plc

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

19. Inventories

	Group 2017 £'000	Group 2016 £'000
Raw materials and finished goods	174	11
Inventory	174	11

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 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade receivables	18	9	-	-
Less: provision for impairment of trade receivables	-	-	-	-
Trade receivables – net	18	9	-	-
Prepayments and accrued income	65	13	31	-
Amounts owed by subsidiary undertakings	-	-	1,854	339
Taxation	42	40	20	-
Other receivables	15	247	15	-
	140	309	1,920	339

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

Other receivables in 2016 include £247,000 due from TSpro GmbH, a company acquired by the Company on 24 March 2017.

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

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Sterling	98	53	1,472	339
Euro	41	256	448	-
	140	309	1,920	339

21. Cash and cash equivalents

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash at bank and on hand	40	30	33	-
Cash and cash equivalents (excluding bank overdrafts)	40	30	33	-

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.

Integumen Plc

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

22. Trade and other payables

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdraft	85	-	-	-
Trade payables	249	155	116	-
Amounts due to group companies (note 29)	-	-	20	153
Amounts due to connected parties (note 29)	610	311	-	-
Social security and other taxes	42	48	6	-
Accrued expenses and deferred income	262	933	167	309
Other creditors	503	-	-	-
	1,751	1,447	309	462

23. Deferred income tax

Deferred tax liabilities

Deferred tax balances were as follows:

	Group 2017 £'000	Group 2016 £'000
Deferred tax liability to be recovered after more than one year	212	93
Deferred tax liability to be recovered within one year	26	10
	238	103

Deferred tax liabilities were made up as follows:

Accelerated tax depreciation	238	103
	238	103

The movement on the deferred tax income tax account is as follows:

	Group 2017 £'000	Group 2016 £'000
At 1 January	103	-
On acquisition of subsidiary	950	104
Income statement movement (note 12)	(815)	(1)
	238	103

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 £782,000 (2016: £491,000) mainly in respect of tax losses amounting to approximately £3,865,000 (2016: £2,103,000) that can be carried forward against future taxable income. An average tax rate of 20% has been used.

There was no deferred tax asset recognised for the Company.

Integumen Plc

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

24. Borrowings

	Group 2017 £'000	Group 2016 £'000
Non-current		
Bank borrowings	509	653
Finance leases	-	14
	509	667
Current		
Bank borrowings	175	167
Finance leases	14	24
	189	191

The Company has no borrowings.

The maturity profile of bank borrowings was as follows:

	Group 2017 £'000	Group 2016 £'000
Amounts falling due		
Within 1 year	175	167
Between 1 and 2 years	182	168
Between 2 and 5 years	327	485
Total bank borrowings	684	820

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. Venn Life Sciences Holdings plc has also provided guarantees against those bank borrowings.

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.

Integumen Plc

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

Finance leases

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2017 £'000	2016 £'000
Gross finance lease liabilities - minimum payments		
No later than 1 year	17	30
Later than 1 and no later than 5 years	0	17
	17	47
Future finance charges on finance leases	(3)	(9)
Present value of finance lease liabilities	14	38
Present value of finance lease liabilities is as follows:		
No later than 1 year	14	24
Later than 1 and no later than 5 years	-	14
	14	38

25. Share capital

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
190,351,899 (2016: 7,365,324) Ordinary shares of £0.01 (2016: £1)	1,904	7,365	1,904	7,365
Total	1,904	7,365	1,904	7,365

During the year, the following ordinary shares were issued:

- On 24 March 2017, the Company issued 3,354,325 ordinary shares of £1 to acquire the shares in TSpro GmbH.
- On 24 March 2017, the Company issued 16 ordinary shares of £1 to certain shareholders of the company.
- On 24 March 2017, each ordinary existing share of £1 was sub-divided into one deferred share of 84.32p and one ordinary share of 15.68p. Each ordinary share of 15.68p was then subdivided into 56 ordinary shares of 1.4p each for every 5 in issue, and all of the deferred shares were cancelled and extinguished. Each ordinary share of 1.4p was then sub-divided into 1 ordinary share of 1p each and 1 deferred share of 0.4p, and all of the deferred shares were cancelled and extinguished. As a result, the Company had an issued share capital of 120,060,248 ordinary shares of 1p each
- On 29 March 2017, the Company was re-registered as a public limited company.
- On 5 April 2017, the Company's ordinary shares of 1p each were admitted to trading on the AIM market of London Stock Exchange plc with ISIN number GB00BYWJ6269. On Admission:
 - o the Company issued 45,000,000 ordinary shares of 1p each at a placing price of 5p per ordinary share raising a total of £2.25 million.
 - o the Company granted warrants over 22,500,000 ordinary shares of 1p to subscribers in the Placing which are exercisable at 7.5p per ordinary share of 1p at any time during the two years from Admission.
 - o the Company granted warrants over 1,800,000 ordinary shares of 1p each to Turner Pope Investments (TPI) Ltd which are exercisable at 6.25p per ordinary share of 1p at any time during the five years from Admission.
 - o the Company granted warrants over 1,650,602 ordinary shares of 1p each to SPARK Advisory Partners Limited which are exercisable at 5p per ordinary share of 1p at any time during the five years from Admission.

Integumen Plc

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

Furthermore,

- On 11 April 2017, the Company issued 800,000 ordinary shares of 1p each at a placing price of 5p per ordinary share
- On 22 November 2017, the Company issued 20,818,182 ordinary shares of 1p each at a placing price of 2.45p per ordinary share to acquire the shares in Stoer Ireland Ltd.
- On 22 November 2017, the Company issued 3,673,469 ordinary shares of 1p each at a placing price of 2.45p per ordinary share.

As at 31 December 2017, the Company had an issued share capital of 190,351,899 ordinary shares of 1p each.

In the prior year, the following ordinary shares were issued:

- On 28 May 2016, the Company issued two ordinary shares of £1 each at par.
- On 21 October 2016, the Company issued 401,338 ordinary shares of £1 each to acquire the shares in Lifesciencehub UK Limited.
- On 17 November 2016, the Company issued 4,061,570 ordinary shares of £1 each to acquire the shares in Innovenn UK Limited.
- On 2 December 2016, the Company issued 2,632,868 ordinary shares of £1 each to enable its subsidiary company, Integumen Inc., to acquire the trade, assets and certain liabilities of Enhance Skin Products, Inc.
- On 7 December 2016, the Company issued a further 269,546 ordinary shares of £1 each as further consideration for the acquisition of shares in Innovenn UK Limited.

As at 31 December 2016, the Company had an issued share capital of 7,365,324 ordinary shares of £ each.

26. Retained earnings

	Group £'000	Company £'000
At 1 January 2016	(867)	-
Loss for the year	(1,046)	-
At 31 December 2016	(1,913)	-
At 1 January 2017	(1,913)	-
Loss for the year	(8,640)	(9,899)
At 31 December 2017	(10,553)	(9,899)

Integumen Plc

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

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 2016	746	-	-	-	-
Issue of ordinary shares (note 25)	1,144	-	-	-	-
Reverse accounting arising	(1,890)	-	(2,843)	-	-
Currency translation differences	-	(21)	-	-	-
At 31 December 2016	-	(21)	(2,843)	-	-
At 1 January 2017	-	(21)	(2,843)	-	-
Issue of ordinary shares (note 25)	2,187	-	-	-	-
Costs of Share issue	(112)	-	-	-	-
Currency translation differences	-	(218)	-	-	-
Cancelled Deferred Shares (note 25)	-	-	-	9,519	-
Share option-based charge (note 33)	-	-	-	-	24
At 31 December 2017	2,075	(239)	(2,843)	9,519	24

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 2016	-	-	-
At 31 December 2016	-	-	-
At 1 January 2017	-	-	-
Issue of ordinary shares (note 25)	2,187	-	-
Costs of Share issue	(112)	-	-
Cancelled Deferred Shares (note 25)	-	9,519	-
Share option-based charge (note 33)	-	-	24
At 31 December 2017	2,075	9,519	24

Integumen Plc

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

28. Cash used in operations

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Loss before income tax	(8,640)	(1,046)	(9,899)	-
Adjustments for:				
– Depreciation and amortisation	7,604	119	-	-
– Foreign currency translation of net assets	38	(54)	-	-
– Impairment of investments	-	-	9,204	-
– Exceptional Item on reverse acquisition accounting	-	(141)	-	-
– Net finance costs	64	17	(5)	-
– Taxation	(941)	(48)	-	-
– Share option-based charge	24	-	24	-
Changes in working capital				
– Inventories	2	(3)	-	-
– Trade and other receivables	(73)	(5)	(1,581)	(339)
– Trade and other payables	(47)	185	16	462
Net cash (used in)/generated from operations	(1,969)	(976)	(2,241)	123

29. Related Party Disclosures

Amounts due to connected parties

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Charles Service's estate	13	13	-	-
Coolford Limited	33	33	-	-
Venn Life Sciences Holdings plc and subsidiaries	421	265	-	-
MediNova AG	38	-	-	-
Mercuriali Limited	105	-	-	-
	610	311	-	-

Charles Service was related to Declan Service. Declan Service is a shareholder and was a director of the Company during the year.

Tony Richardson is a director of Coolford Limited, a company registered in the Republic of Ireland.

Tony Richardson is a director of Venn Life Sciences Holdings plc. Venn Life Sciences Limited, a subsidiary of Venn Life Sciences Holdings plc, is a shareholder in the Company.

During the year, Venn Life Sciences Holdings plc and its subsidiaries charged management charges of £6,000 (2016: £91,000) to Innovenn UK Limited.

During the year, MediNova AG charged management charges of £237,000 to TSpro GmbH. MediNova AG is a shareholder in the Company.

During the year, Mercuriali Limited charged management charges of £100,000 to Integumen Inc.. Donald Nicholson, a director in the Company, is the owner of Mercuriali Limited.

Integumen Plc

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

The Company

Amounts due from group companies

	Company 2017 £'000	Company 2016 £'000
Innovenn UK Limited	909	233
Lifesciencehub UK Limited	156	106
TSpro GmbH	448	106
Integumen Inc.	341	-
	1,854	339

Amounts due to group companies

	Company 2017 £'000	Company 2016 £'000
Integumen Ireland Limited	20	153
	20	153

During the year, the Company charged management charges of £212,000 (2016: £424,000) to Innovenn UK Limited and £50,000 (2016: £106,000) to Lifesciencehub UK Limited.

During the year, the Company was recharged costs by Innovenn Limited of £397,000 (2016: £153,000) and by Innovenn UK Limited of £Nil (2016: £67,000).

30. Capital commitments

The Group had no capital commitments at 31 December 2017.

31. Financial commitments

Operating Leases

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

Group	Minimum Operating Lease Payments	
	2017 £'000	2016 £'000
Within one year	50	50
Between 1 and 2 years	25	50
Within second to fifth year inclusive	-	25
	75	125

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

33. Share options

On 5 April 2017, the Company awarded options to key management over 6,720,000 ordinary shares of 1p each. The options are 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.

Number of outstanding options at 31 December 2017:

Director	Date granted	No. of ordinary shares under option	Exercise price	Exercise period
Tony Richardson	5 April 2017	963,200	5p-6p	From 5 April 2017 to 5 April 2027
Declan Service	5 April 2017	2,240,000	5p-6p	From 5 April 2017 to 5 April 2027
Chris Bell	5 April 2017	2,240,000	5p-6p	From 5 April 2017 to 5 April 2027
Ross Andrews	5 April 2017	638,400	5p-6p	From 5 April 2017 to 5 April 2027
Paul Kennedy	5 April 2017	638,400	5p-6p	From 5 April 2017 to 5 April 2027

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

Date options granted	5 April 2017	5 April 2017
Options is issue 31 December 2016	3,360,000	3,360,000
Exercise price	5p	6p
Expected volatility	40%	40%
Expected dividend	0%	0%
Expected life of options	3 years	3 years
Risk free rate	1.25%	1.25%
Estimate fair value of each option	1.11p	0.84p

Charge for the year was £24,000 (2016: Nil)

34. Business combinations

On 24 March 2017, 3,354,325 fully paid ordinary shares of £1 each were issued by the Company as consideration for the acquisition of 100% of the share capital of TSpro GmbH.

On 22 November 2017, 20,818,182 fully paid ordinary shares of £0.01 each were issued by the Company as consideration for the acquisition of 100% of the share capital of Stoer Ireland Limited.

The Company's strategy is to acquire unique, complementary and undervalued brands at an early stage of commercialisation. The acquisition of TSpro GmbH enables the Company to enter the oral hygiene market while the acquisition of Stoer Ireland Limited enables the Company to enter the large and growing male grooming market. Management believes that the acquisitions should provide significant economies of scale as the Company builds its infrastructure.

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

The following table summarises the consideration paid, and the amounts of the assets acquired, and liabilities assumed at the acquisition date of TSPRO GmbH and Stoer Ireland Limited:

	TSPRO GmbH £'000	Stoer Ireland Ltd £'000
Fair value consideration		
Deemed consideration of acquisition of share capital	3,185	510
Deemed consideration of acquisition of loans	169	-
Total fair value consideration	3,354	510
Recognised amounts of identifiable assets acquired, and liabilities assumed		
Intellectual Property (note 15)	4,601	432
Plant, Property and Equipment	219	-
Trade and other receivables	11	-
Inventory	5	160
Trade and other payables	(122)	-
Bank overdraft	(63)	-
Amounts due to Group Companies	(255)	-
Other creditors	(174)	-
Deferred tax liabilities (note 23)	(868)	(82)
Total fair value of identifiable net assets	3,354	510
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 receivables is £11,000. The gross contractual amount for trade receivables due is £11,000, all of which is expected to be collectible.

TSPRO GmbH contributed revenues of £145,000 and net losses of £252,000 to the Group for the period from 24 March to 31 December 2017. If the acquisition had occurred on 1 January 2017, consolidated pro-forma revenue and losses for the year ended 31 December 2017 would have been £278,000 and £10,323,000 respectively

Stoer Ireland Ltd contributed revenues of £2,000 and net losses of £29,000 to the Group for the period from 22 November to 31 December 2017. As Stoer Ireland Ltd was a newly-formed entity, if the acquisition had occurred on 1 January 2017, consolidated pro-forma revenue and losses for the year ended 31 December 2017 would have been the same as reported in the Group's Consolidated Statement of Comprehensive Income.

Prior-year Business combinations

On 21 October 2016, 401,338 fully paid ordinary shares of £1 each were issued by the Company as consideration for the acquisition of Lifesciencehub UK Limited.

On 17 November 2016, 4,061,570 fully paid ordinary shares of £1 each were issued by the Company as initial consideration for the acquisition of Innovenn UK Limited. On 7 December 2016, 269,546 fully paid shares ordinary shares of £1 each were issued by the Company as further consideration for the acquisition of Innovenn UK Limited. The total number of shares issued as consideration for the acquisition of Innovenn UK Limited was 4,331,116. The acquisition of Innovenn UK Limited by Integumen Plc has been accounted as reversal acquisition accounting.

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

On 2 December 2016, the Company issued 2,632,868 ordinary shares of £1 each to enable its subsidiary company, Integumen Inc., to acquire the trade, assets and certain liabilities of Enhance Skin Products, Inc. The assets included Intellectual Property Rights of £3,259,632. The acquired liabilities amounted to £549,674.

The following table summarises the consideration paid, the amounts of the assets acquired and liabilities assumed at the acquisition date of reversal acquisition of Integumen Plc and Lifesciencehub UK Limited by Innovenn UK Limited:

	Integumen Plc and Lifesciencehub UK £'000	Enhance Skin Products, Inc. £'000
Fair value consideration		
Deemed consideration of acquisition	400	2,633
Cash consideration	-	77
Total fair value consideration	400	2,709
Recognised amounts of identifiable assets acquired, and liabilities assumed		
Intellectual Property (note 15)	524	3,260
Trade and other receivables	576	-
Trade and other payables	(454)	(550)
Deferred tax liabilities (note 23)	(105)	-
Total fair value of identifiable net assets	541	2,710
Excess of net assets over consideration	141	-

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 excess consideration over identifiable net assets have been written to the Consolidated Statement of Comprehensive Income as deemed reverse acquisition costs.

Company

The following table summarises the consideration paid, and the amounts of the assets acquired and liabilities assumed at the acquisition date of the acquisition of Lifesciencehub UK Limited by Integumen Plc:

	Total £'000
Fair value consideration	
Consideration of acquisition Lifesciencehub UK Limited	401
Total fair value consideration	401
Recognised amounts of identifiable assets acquired, and liabilities assumed	
Intellectual Property (note 15)	524
Trade and other payables	(123)
Total fair value of identifiable net assets	401
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

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

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 5 January 2018:

- the Company issued 33,333,333 ordinary shares of 1p each at a placing price of 1.5p per ordinary share raising a total of £500,000.
- the Company granted warrants over 33,333,333 ordinary shares of 1p to subscribers in the Placing which are exercisable at 1.5p per ordinary share of 1p at any time during the five years from Admission.
- the Company granted warrants over 1,000,000 ordinary shares of 1p each to Hybridan LLP which are exercisable at 1.5p per ordinary share of 1p at any time during the five years from Admission.
- the Company granted warrants over 300,000 ordinary shares of 1p each to Turner Pope Investments (TPI) Ltd which are exercisable at 1.5p per ordinary share of 1p at any time during the five years from Admission.

On 16 April 2018, the Company announced that it had conditionally agreed to acquire Cellulac plc in an all share transaction as further detailed in Note 2. Trading on AIM for the Company's shares was temporarily suspended from that date, pending an announcement and publication of an admission document in relation to the acquisition.