

integumen.

Integumen Plc
Interim Report
2019

11th September 2019

Integumen plc
("Integumen", the "Group" or "Company")

INTERIM RESULTS

Continued strong growth towards profitability

Integumen (LSE: SKIN), the vertically integrated skin product test services company, today announces its interim results for the six months ended 30 June 2019.

Gerard Brandon, CEO of Integumen, said:

"We have seen a transformational 12 months from when I joined as CEO. Since the strategic review announced in August 2018, a fundamental restructuring of the Group and business model has taken place. Having initiated the disposal of underperforming subsidiaries in December 2018, we have now disposed of the final underperforming subsidiaries and this, along with other cost reduction measures has eliminated short-, medium- and long-term debts in excess of £2m. In addition, we have completed our first acquisition of RinoCloud, enabling Integumen to offer an automated, real-time, real-world skin-testing digital data platform service, brought in 4 new LabskinAI clients, announced development of our own Cannabidiol (CBD)-infused diabetic wound product range, as well as ramped up our facilities and senior management team, and, we have raised sufficient funding to enable this accelerated growth to continue. We very much look forward to building on this momentum in the coming months and to building Integumen's reputation as the the skin testing partner of choice."

Financial Highlights

- Revenues for period from continuing operations increased 540% to £346,697 (H1 2018: £54,149), excluding:
 - RinoCloud revenues of £178,000 from January 2019 – April 2019
 - H2 contracted recurring revenues of £134,785
- EBITDA loss for period from continuing operations reduced by 32% to £370,102 (H1 2018: £544,278):
 - Amortisation and depreciation of assets of £145,993
 - Exceptional items of £445,860
- Loss for the period reduced by 28% to £925,063 (H1 2018: £1,291,892)
- £2.52m raised (before expenses) through a share placing and subscription
- £3m all-share acquisition of RinoCloud
- Warrant share exercises raised £254,000
- Additional strategic reduction of the indebtedness of the business:
 - Disposal of Visible Youth Group - saving £244,865 of future contractual liabilities
 - Debt conversions to equity - Venn £421,000 carried over since April 2017 IPO
 - Cellulac debt conversion to equity - £400,000 for hi-tech laboratory equipment
 - Litigation issues settled - saving £250,150 of future liabilities

Performance Highlights

- LabskinAI (through RinoCloud acquisition) profitable by period end
- 4 Blue-Chip (US and EU) client agreements signed for test services on household name soap and cosmetic brands
- 6 CBD test contracts signed, with further contracts in the pipeline
- STOER For Men skin products, used as a control for client testing within Labskin laboratories, remains at break-even
- Labskin York, UK laboratory increased by 40% in H1 with a further 50% increase set for Q3 2019
- Investment of £400,000 for hi-tech laboratory equipment
- New offices and digital hub opened in Cork, Ireland for IT, AI infrastructure support and global sales
- External development facility, at the DHEZ within the University of Bradford and the Centre of Skin Science
- Senior staff appointments of Paul Ryan as Head of Enterprise sales and Colin O'Sullivan as AI Architect, IT infrastructure for digital growth across the US, EU and Asia

Post-Period

- Labskin human volunteer skin-bacteria and disease cloning service enters clinical trial and medical device sector
- Wound pHase CBD development agreement for new range of medical device wound care products for chronic diabetic wounds in collaboration with Cellulac plc and supported by EU Interreg grants and Irish Government state supported research facility tcbb Resource
- Additional warrant share exercises after period end raised a further £119,796
- Breakthrough Labskin cloning study in which 16 human skin swabs created 54 living microbiome test subjects demonstrates Labskin's ability to test multiple skincare products or topical medical treatments on the same subject and de-risks each stage of the traditional drug and skincare product development process

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This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

About Integumen:

Integumen is a vertically integrated product and services company for skin related diseases, treatments and therapies with three business units:

- Labskin AI's technology platform incorporates artificial intelligence within clinical research for medical device, pharmaceuticals, cosmeceuticals and related life science test services. Labskin allows skin-care, health-care, pharmaceutical manufacturers and cosmetic companies to test their products on human-like skin in a real-world environment with full access to multiple state-of-the-art partner technologies.
- Wound pHase is developing skin and wound care products using its proprietary wound dressing technology. Working in collaboration with CBD providers creating a CBD infused diabetic wound care product range.
- Stoer-for-men skin products e-commerce division offers a range of skincare products derived from 5 natural super-ingredient plant extracts specifically for men to reduce the signs of ageing and is also used as a control for client testing within Labskin laboratories.

The Company combines data analytics with access to therapeutic operational expertise and offers solutions to our clients, from regulatory approvals, right through to marketing fully tested ingredients that have been certified on our Laboratory grown living human tissue.

Chairman's Statement

Introduction

During H1 2019 the restructuring of the Group and business model that took place throughout the latter part of 2018 has continued apace. The disposal of underperforming subsidiaries began with TSPRO GmbH in December 2018 and concluded with the disposals of the Visible Youth Group in May 2019. At the same time, the Company acquired Rinocloud, in a £3m all-share transaction, which I am delighted to say was profitable by the end of the period. As part of the same group of transactions, the Company eliminated short-, medium- and long-term debts in excess of £2m and raised £2.52m in placing and subscription (before expenses). Since the beginning of the year until August, a further £373k has been received from exercise of warrants.

Labskin (Innovenn UK Limited)

The Labskin business unit has been fundamentally critical to the turnaround of Integumen. The business model has altered to the point where sales of single plates of laboratory grown skin has been transformed into a combination of services that satisfy an urgent and growing demand from existing and new clients in the skin care, health care, wound care and pharmaceutical sectors. Contract order price ranges have increased from £1,500-£12,000 in H1 2018 to £35,000-£210,000 in the period. The increase in demand for services has resulted in the need to increase laboratory space to accommodate growth. The York laboratory in the UK was increased by 40% in H1 and will increase again by a further 50% in Q3 2019, boosted by the £400,000 investment for hi-tech laboratory equipment currently being installed there.

Labskin Cloning

Post-period, Labskin presented results of a major skin cloning breakthrough at the San Diego Microbiome Movement Dermatology conference. It is now possible to test multiple clinical trial and skincare products in parallel, on the cloned human skin microbiome, that is as close to the original microbiome of a human test subject, without the need for human volunteers after initial cloning takes place. This allows multiple skincare products or topical drug formulations to be tested on the same subject, at the same time, thus substantially reducing development time, clinical error and clinical trial supervision costs.

LabskinAI (Rinocloud Limited)

With a modern automated lab supported by the latest technologies, the transformational Labskin AI service provides test results in real-time to skincare, wound care, pharma, health care and personal care companies. It facilitates and enables the saving of time, reduces product development lifecycles and offers the opportunity to reduce costs in overall product development.

The digital automation of Labskin played a significant role in the turnaround of Integumen, initially as a collaboration project on a revenue share business model with Rinocloud Limited in November 2018. By January 2019, it became obvious that advances made, in such a short period, were so core to the future growth objectives of the Group, that an offer was made to acquire Rinocloud. While the acquisition was concluded in May 2019, both Integumen and Rinocloud continued to integrate and incorporate the Artificial Intelligent platform into the automation of Labskin to create LabskinAI. By the end of June, a mere six weeks after the acquisition, Labskin AI, which had just come out of Beta, had 80% gross margins and was profitable, contributing to the reduction of overhead of the enlarged Group at the end of the period. LabskinAI is now central to the move into clinical trial and medical device sectors and bids have been made for multiple low to middle digit, seven-figure contracts, either as lead partner or as a joint collaboration partner, with expectation of outcomes before the end of this year.

STOER For Men - (STOER Ireland Limited)

STOER For Men skin products e-commerce division continues to be used as a control for client testing within Labskin laboratories and remains at break-even. In January 2019, the Company initiated testing using CBD oils to identify test protocols for a Labskin CBD test service for skin care products with the addition of CBD. With growing consumer demand for CBD products, and regulatory authorities increasingly demanding scientific proof for products claims with CBD as an ingredient, STOER became a perfect control range of products as "proof of concept" for their claims. By the end of Q1, Labskin tests on STOER with CBD had shown an increase in pro-collagen, which is known to improve the youthfulness of skin appearance and reduction in inflammatory skin irritation, or the painful redness and swelling of the skin from bacterial infection. This service has now been rolled-out and we have already won two CBD test contracts with new clients.

Wound pHase (LifeScienceHub Limited)

Labskin and Wound pHase are developing additional proprietary products and technologies in the wound care sector. Wound pHase already has a strong IP portfolio for an innovative chronic wound dressing that notifies the patient or care giver as to the stage of wound healing, without the need to remove the dressing. The Company believes that the addition of CBD, with its known anti-inflammatory and pain relief properties, will contribute to a faster recovery. In July 2019, the Company announced a collaboration with Cellulac plc, supported by the University of Limerick, Department of Chemical Sciences and the Research Centre for Resource Efficiency (tcbb RESOURCE), who are sponsored by the Irish Government, to develop a range of CBD infused chronic wound care and burn dressings.

On 2 August 2019, the Company noted an agreement between Highlands National Resources plc with Cellulac to supply hemp-derived CBD for medical grade conversion. Integumen will use the Cellulac converted CBD for its skincare and Wound pHase wound care

products. Labskin has already successfully tested CBD, demonstrating anti-microbial and anti-inflammatory effects in skin-care with the Company's STOER For Men cosmetics products, and is currently testing CBD infused female hygiene products at the Company's Labskin test facility in York, UK. These products are classified as medical devices and as such are subject to the EU Medical Device Directives and US FDA regulations.

In addition, the Company is developing its Labskin Temporary Tattoo (LTT), which uses a temporary tattoo ink that changes colour depending on what is happening to the skin and can be used for UV sunscreen to show when it has stopped working.

Management have previously sold wound dressings in 43 countries whilst at Altracell in 2003. Using similar methods of contract manufacturing of dressings with an entire sales, marketing and distribution channel partners, offers the potential to build the profile of the Labskin tattoo and Wound pHase products. These products will continue to be developed for the market and may be sold through existing revenue sharing market channels, or the Board may consider the sale of these unique products to private label brands.

Write down of Intangible asset value

As a result of a strategic review of the different businesses within the Group that was undertaken in August 2018, the Board decided to divest the Group of underperforming assets or those requiring significant funding. During the period, the three companies in the Visible Youth Group were disposed to Enhance for £1. This discharged the Company's obligations to all known existing and contracted liabilities associated with members of the Visible Youth Group. At the time at which the Company originally acquired the assets now comprising the Visible Youth Group, it guaranteed the due and punctual performance, observance and discharge by Integumen, Inc. of all of Integumen, Inc.'s obligations. The accounting effect of the Settlement Agreements upon Completion is that Integumen there is a gain of £6,437 in the period on the disposal of the subsidiary as against the carrying value in the accounts at the beginning of the period.

Outlook

The current level of pipeline activity continues to be significantly higher than the Company has experienced in the past and demand continues to increase for the Company's products and services. The Board is satisfied that it is meeting its objective of increasing the average revenue per client as it evolves into a multiple revenue stream product and services company for skin related diseases, treatments and therapies.

Ross Andrews
Chairman
10 September 2019

Consolidated Statement of Comprehensive Income

For the 6 months ended 30 June 2019

		Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 (restated) £'000	Audited Year ended 31 December 2018 (restated) £'000
Revenue		347	54	274
Costs of sales		(100)	(23)	(126)
Gross profit		247	31	148
Administrative Costs		(1,209)	(690)	(1,629)
Operating loss		(962)	(659)	(1,481)
Depreciation		40	11	22
Amortisation	7	106	44	87
Exceptional items	3	446	60	244
EBITDA before exceptional items		(370)	(544)	(1,128)
Finance costs		(13)	(19)	(38)
Loss before income tax		(975)	(678)	(1,519)
Taxation	4	50	50	55
Loss for the period from continuing operations		(925)	(628)	(1,464)
Loss for the period from discontinued operations	12		(664)	(1,238)
Loss for the period		(925)	(1,292)	(2,702)
Other comprehensive income				
Currency translation differences		35	7	(12)
Total comprehensive loss for the period		(890)	(1,285)	(2,714)
Loss per share from continuing and discontinued operations attributable to owners of the parent during the period				
	Notes	Pence	Pence (restated)	Pence (restated)
Basic loss per ordinary share				
From continuing operations	5	0.2p	0.3p	0.5p
From discontinued operations	5	0.0p	0.3p	0.5p
From loss for the period		0.2p	0.6p	1.0p
Diluted loss per ordinary share				
From continuing operations	5	0.1p	0.2p	0.4p
From discontinued operations	5	0.0p	0.3p	0.4p
From loss for the period		0.1p	0.5p	0.8p

Consolidated Statement of Financial Position

As at 30 June 2019

		Unaudited As at 30 June 2019 £'000	Unaudited As at 30 June 2018 £'000	Audited As at 31 December 2018 £'000
	Notes			
Assets				
Non-current assets				
Intangible assets	7	4,220	1,359	718
Property, plant and equipment		430	203	32
Investments		708	-	708
Total non-current assets		5,358	1,562	1,458
Current assets				
Inventories		106	177	135
Trade and other receivables		384	66	185
Cash and cash equivalents		1,083	-	26
Total current assets		1,573	243	346
Total assets		6,931	1,805	1,804
Equity attributable to owners				
Share capital	9	2,311	2,237	2,260
Share premium account		10,837	2,230	3,662
Retained loss		(14,477)	(11,845)	(13,221)
Foreign currency reserve		(215)	(232)	(251)
Reverse acquisition reserve		(2,843)	(2,843)	(2,843)
Capital redemption reserve		9,519	9,519	9,519
Share based equity reserve		15	39	90
Total equity		5,147	(895)	(784)
Liabilities				
Non-current liabilities				
Deferred tax liabilities	8	573	85	80
Borrowings		240	419	334
Total non-current liabilities		813	504	414
Current liabilities				
Bank overdraft		-	85	-
Trade and other payables		715	1,921	1,979
Deferred tax liabilities	8	67	10	10
Borrowings		189	180	185
Total current liabilities		971	2,196	2,174
Total liabilities		1,784	2,700	2,588
Total equity and liabilities		6,931	1,805	1,804

Consolidated Statement of Cash Flows

For the 6 months ended 30 June 2019

	Notes	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 (restated) £'000	Audited Year ended 31 December 2018 (restated) £'000
Cash Flow from operating activities				
Cash (used in)/generated from operations	10	(1,251)	(471)	(957)
Taxation		-	44	45
Interest paid		(13)	(11)	(38)
Net cash used in operating activities		(1,264)	(438)	(950)
Cash flow from investing activities				
Acquisition of investments	11	22	-	(708)
Disposal of investments in subsidiaries		-	-	41
Payments to acquire intangibles		(213)	-	(75)
Purchase of property, plant and equipment		(438)	-	(1)
Net cash used in investing activities		(629)	-	(743)
Cash flow from financing activities				
Proceeds from issuance of ordinary shares	9	2,636	488	1,943
Capital element of finance lease		-	(12)	(14)
Increase in borrowings		400	-	-
Repayments on borrowings		(87)	(87)	(165)
Net cash generated by financing activities		2,949	389	1,764
Net increase/ (decrease) in cash and cash equivalents		1,056	(49)	71
Cash and cash equivalents at beginning of period		26	(45)	(45)
Effects of exchange rate changes on cash and cash equivalents		1	9	-
Cash and cash equivalents at end of period		1,083	(85)	26
Analysis of Cash and cash equivalents				
Cash and cash equivalents		1,083	-	26
Bank overdraft		-	(85)	-
Cash and cash equivalents at end of period		1,083	(85)	26

Consolidated Statement of Changes in Shareholders' Equity

Group	Share capital £'000	Share premium £'000	Retained earnings £'000	Foreign currency reserve £'000	Reverse acquisition reserve £'000	Capital redemption reserve £'000	Share based equity reserve £'000	Total £'000
At 1 January 2018	1,904	2,075	(10,553)	(239)	(2,843)	9,519	24	(113)
Changes in equity for the 6 months ended 30 June 2018								
Loss for the period	-	-	(1,292)	-	-	-	-	(1,292)
Currency translation differences	-	-	-	7	-	-	-	7
Total comprehensive loss for the period	-	-	(1,292)	7	-	-	-	(1,285)
Transactions with the owners								
Shares issued during the period	333	167	-	-	-	-	-	500
Costs of Share Issue	-	(12)	-	-	-	-	-	(12)
Cancelled Shares	-	-	-	-	-	-	15	15
Share option based charge	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	333	155	-	-	-	-	15	503
At 30 June 2018	2,237	2,230	(11,845)	(232)	(2,843)	9,519	39	(895)
Changes in equity for the 6 months ended 31 December 2018								
Loss for the period	-	-	(1,410)	-	-	-	-	(1,410)
Currency translation differences	-	-	-	(19)	-	-	-	(19)
Total comprehensive loss for the period	-	-	(1,410)	(19)	-	-	-	(1,429)
Transactions with the owners								
Shares issued during the period	23	1467	-	-	-	-	-	1490
Costs of Share Issue	-	(35)	-	-	-	-	-	(35)
Share option based charge	-	-	-	-	-	-	85	85
Reserve transfer	-	-	34	-	-	-	(34)	-
Total contributions by and distributions to owners	23	1432	34	-	-	-	51	1,540
At 31 December 2018	2,260	3,662	(13,221)	(251)	(2,843)	9519	90	(784)
Changes in equity for the 6 months ended 30 June 2019								
Loss for the period	-	-	(925)	-	-	-	-	(925)
Currency translation differences	-	-	-	35	-	-	-	35
Total comprehensive loss for the period	-	-	(925)	35	-	-	-	(890)
Transactions with the owners								
Shares issued during the period	51	7329	-	-	-	-	-	7,380
Costs of Share Issue	-	(153)	-	-	-	-	-	(153)
Share option based charge	-	-	-	-	-	-	(406)	(406)
Reserve transfer	-	-	(331)	-	-	-	331	-
Total contributions by and distributions to owners	51	7,175	(331)	-	-	-	(75)	6,821
At 30 June 2019	2,311	10,837	(14,477)	(215)	(2,843)	9,519	15	5,147

Notes to the Financial Statements

For the 6 months ended 30 June 2019

1. General information

Integumen Plc is a company incorporated in England and Wales. The Company is a public limited company admitted to trading on the AIM market of the London Stock Exchange on 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 and Ireland.

The financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group's trading companies operate.

The registered number of the Company is 10205396.

2. Basis of preparation

The financial information in these interim results is that of the holding company and all of its subsidiaries. It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2018 and which will form the basis of the 2019 financial statements except for a number of new and amended standards which have become effective since the beginning of the previous financial year. These new and amended standards are not expected to materially affect the Group.

The financial information presented herein does not constitute full statutory accounts under Section 434 of the Companies Act 2006 and was not subject to a formal review by the auditors. The financial information in respect of the year ended 31 December 2018 has been extracted from the statutory accounts which have been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the half years ended 30 June 2019 and 30 June 2018 is unaudited and the twelve months to 31 December 2018 is audited. The financial information for the half year ended 30 June 2018 and the twelve months to 31 December 2018 have been restated with respect to the reclassification of discontinued operations.

3. Exceptional items

Included within administrative expenses are exceptional items as shown below:

	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018 (restated)	Audited Year ended 31 December 2018 (restated)
Exceptional items include:			
Transaction costs relating to raising funds and business acquisitions and disposals	446	60	244
Total exceptional items	446	60	244

4. Taxation

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 (restated) £'000	Audited Year ended 31 December 2018 (restated) £'000
Research and development tax credit	35	45	45
Deferred tax credit (note 8)	15	5	10
	50	50	55

5. 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 period.

	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018 (restated)	Audited Year ended 31 December 2018 (restated)
Loss from continuing operations	£931,000	£628,000	£1,464,000
(Profit)/Loss from discontinued operations	(£6,000)	£664,000	£1,238,000
Loss attributable to owners of the parent	£925,000	£1,292,000	£2,702,000
Weighted average number of Ordinary Shares in issue	623,223,403	217,957,793	258,730,165
Basic loss per ordinary share			
From continuing operations	0.2p	0.3p	0.5p
From discontinued operations	0.0p	0.3p	0.5p
From loss for the year	0.2p	0.6p	1.0p

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018 (restated)	Audited Year ended 31 December 2018 (restated)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	623,223,403	217,957,793	258,730,165
Adjustments for calculation of diluted earnings per share:			
Warrants	89,106,438	59,627,213	61,416,144
Total	712,329,841	277,585,006	320,146,309
Diluted loss per ordinary share			
From continuing operations	0.1p	0.2p	0.4p
From discontinued operations	0.0p	0.3p	0.4p
From loss for the year	0.1p	0.5p	0.8p

6. Dividends

There were no dividends paid or proposed by the Company.

7. Intangible fixed assets

Group	Development Costs and Intellectual Property Rights £'000	Total £'000
Cost		
At 1 January 2019	5,287	5,287
On acquisition of subsidiary (note 11)	3,377	3,377
On disposal of subsidiary (note 12)	(3,319)	(3,319)
Additions in period	213	213
Exchange differences	19	19
At 30 June 2019	5,577	5,577
Amortisation		
At 1 January 2019	4,569	4,569
On disposal of subsidiary (note 12)	(3,319)	(3,319)
Charge for the period	106	106
Exchange differences	1	1
At 30 June 2019	1,357	1,357
Net book value		
At 1 January 2019	718	718
At 30 June 2019	4,220	4,220

8. Deferred income tax

Deferred tax liabilities

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 (restated) £'000	Audited Year ended 31 December 2018 (restated) £'000
Deferred tax balances were as follows:			
Deferred tax liability to be recovered after more than one year	573	85	80
Deferred tax liability to be recovered within one year	67	10	10
	640	95	90

Deferred tax liabilities were made up as follows:

Accelerated tax depreciation	640	95	90
	640	95	90

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

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Balance at beginning of period	90	238	238
On acquisition of subsidiary (note 11)	565	-	-
Income statement credit – continuing operations	(15)	(5)	(10)
Income statement credit – discontinued operations (note 12)	-	(138)	(138)
	640	95	90

9. Share capital

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
969,551,462 Ordinary shares of 0.01p each	97	-	-
454,826,872 Ordinary shares of 0.01p each	-	-	46
223,685,232 Ordinary shares of 1p each	-	2,237	-
223,685,232 Deferred shares of 0.99p each	2,214	-	2,214
Total	2,311	2,237	2,260

Ordinary shares issued during the period

- On 8 March 2019, Hybridan LLP exercised warrants over 1,846,154 ordinary shares of 0.01p each at an exercise price of 0.65p per ordinary share of 0.01p raising a total of £12,000 for the Company.
- On 22 March 2019, share option holders exercised options over 17,777,776 ordinary shares of 0.01p each at an exercise price of 0.01p per ordinary share of 0.01p raising a total of £1,778.
- On 26 March 2019, placing subscribers exercised warrants over 2,000,000 ordinary shares of 0.01p each at an exercise price of 0.65p per ordinary share of 0.01p raising a total of £30,000.
- On 2 May 2019, the Company issued the 476,722,882 ordinary shares of 0.01p each at the following issue prices per ordinary share:

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

- On 31 May 2019, placing subscribers exercised warrants over 1,000,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £15,000.
- On 14 June 2019, share option holders exercised options over 1,111,111 ordinary shares of 0.01p each at an exercise price of 0.01p per ordinary share of 0.01p raising a total of £1,113.
- On 14 June 2019, placing subscribers exercised warrants over 5,000,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £75,000.
- On 25 June 2019, placing subscribers exercised warrants over 2,500,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £37,500.
- On 26 June 2019, placing subscribers exercised warrants over 6,766,667 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £101,500.
- On 4 July 2019, placing subscribers exercised warrants over 1,785,714 ordinary shares of 0.01p each at an exercise price of 2.0p per ordinary share of 0.01p raising a total of £35,714.

- On 4 July 2019, SPARK Advisory Partners Ltd exercised warrants over 5,846,154 ordinary shares of 0.01p each at an exercise price of 0.65p per ordinary share of 0.01p – the proceeds were used to settle certain liabilities due to SPARK of £38,000.
- On 16 July 2019, placing subscribers exercised warrants over 803,572 ordinary shares of 0.01p each at an exercise price of 2.0p per ordinary share of 0.01p raising a total of £16,071.
- On 7 August 2019, placing subscribers exercised warrants over 2,000,000 ordinary shares of 0.01p each at an exercise price of 1.5p per ordinary share of 0.01p raising a total of £30,000.

As at date of signing of these financial statements, the Company had an issued share capital of 979,986,902 ordinary shares of 0.01p each and 223,685,232 deferred shares of 0.99p each.

Share warrants granted during the period

- On 2 May 2019, the Company granted warrants over:
 - 98,2142,85 ordinary shares of 0.01p each to placing subscribers which are exercisable at 2p per ordinary share of 0.01p at any time until 2 May 2021.
 - 8,142,857 ordinary shares of 0.01p each to Turner Pope Investments (TPI) Ltd which are exercisable at 1.4p per ordinary share of 0.01p at any time until 2 May 2022.

10. Cash used in operations

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000 (restated)	Audited Year ended 31 December 2018 £'000 (restated)
Loss for the year from continuing activities	(925)	(628)	(1,464)
Discontinued cashflows	(6)		
Continuing operations			
Adjustments for:			
– Depreciation	40	11	22
– Amortisation	106	45	87
– Net finance costs	13	11	38
– Taxation	(50)	(50)	(55)
– Foreign currency	13	-	(71)
– Discontinued cashflows	6		
– Share option-based charge	2	15	100
Changes in working capital			
– Inventories	28	3	39
– Trade and other receivables	44	54	(86)
– Trade and other payables	41	178	566
Net cash used in discontinued operations (note 12)	(563)	(110)	(133)
Net cash used in operations	(1,251)	(471)	(957)

11. Business combinations

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

The Company's strategy is to acquire unique, complementary and undervalued assets at an early stage of commercialisation. The acquisition of Rinocloud Ltd enables the Company to enter the growing market of providing specialised data management services

to a global scientific and lab testing sector. Management believes that the acquisition will provide significant synergies with its existing Labskin business.

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

	Rinocloud £'000
Fair value consideration	
Deemed consideration of acquisition of share capital	3,000
Total fair value consideration	3,000
Recognised amounts of identifiable assets acquired, and liabilities assumed	
Intellectual Property (note 7)	3,377
Trade and other receivables	237
Bank and cash	22
Trade and other payables	(71)
Deferred tax liabilities (note 8)	(565)
Total fair value of identifiable net assets	3,000
Excess of net assets over consideration	-

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

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

Rinocloud Ltd contributed revenues of £101,000 and net profit of £5,000 to the Group for the period from 2 May 2019 to 30 June 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profits for the period ended 30 June 2019 would have been £279,000 and £56,000 respectively.

12. Discontinued operations

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Profit/(loss) for the period from discontinued operations is made up as follows:			
TSpro GmbH (note 12a)	-	(567)	(637)
Visible Youth Ltd (note 12b)	6	(97)	(601)
Profit/(loss) for the period from discontinued operations	6	(664)	(1,238)

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Net cash used in operating activities for the period from discontinued operations is made up as follows:			
TSpro GmbH (note 12a)	-	(55)	(76)
Visible Youth Ltd (note 12b)	(557)	(55)	(57)
Net cash used in discontinued operations	(557)	(110)	(133)

12. (a) Disposal of TSpro GmbH

On 21 December 2018, the Company disposed of its 100% holding of TSpro GmbH ("TSpro") for a consideration of €1. The Company had acquired its 100% holding of TSpro on 24 March 2017

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

		Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Discontinued Operations - TSpro				
Statement of Comprehensive Income				
	Notes			
Revenue		-	95	227
Costs of sales		-	(18)	(39)
Gross profit		-	77	188
Administrative Costs		-	(775)	(947)
Operating loss		-	(698)	(759)
Depreciation		-	26	52
Amortisation		-	43	87
Impairment of intangible assets		-	500	500
Exceptional items		-	-	(91)
EBITDA before exceptional items		-	(129)	(211)
Finance costs		-	(6)	(16)
Loss before income tax		-	(704)	(775)
Income tax credit	8	-	137	138
Loss for the year from discontinuing operations		-	(567)	(637)

Discontinued operations exceptional items

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Included within administrative expenses are exceptional items as shown below:			
- Transaction costs on the disposal and acquisition of subsidiary	-	-	65
- Gain on disposal of subsidiary	-	-	(156)
Total exceptional (gain)	-	-	(91)

Details of the gain on disposal of TSpro are as follows :

	£'000
Total fair value consideration	-
Recognised amounts of identifiable assets and liabilities disposed	
Intellectual Property (note 7)	163
Plant, Property and Equipment	138
Trade and other receivables	75
Inventory	3
Trade and other payables	(328)
Bank overdraft	(41)
Other creditors	(166)
Total fair value of identifiable net liabilities	(156)
Excess of net liabilities over consideration (gain on disposal)	(156)

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Discontinued Operations - TSpro			
Statement of Cash Flows			
Loss for the year from discontinuing operations	-	(567)	(637)
Adjustments for:			
– Depreciation and amortisation	-	568	639
– Net finance costs	-	14	16
– Taxation	-	(137)	(138)
– Gain on disposal of subsidiary	-	-	(156)
Changes in working capital			
– Inventories	-	(7)	(2)
– Trade and other receivables	-	20	(33)
– Trade and other payables	-	68	251
Cash Flow from operating activities	-	(41)	(60)
Interest paid	-	(14)	(16)
Net cash used in operating activities	-	(55)	(76)
Cash flow from financing activities			
Loan from parent company	-	55	120
Net cash generated by financing activities	-	55	120
Net increase in cash and cash equivalents	-	-	44
Cash and cash equivalents at the beginning of period	-	(85)	(85)
Cash and cash equivalents at the end of the period	-	(85)	(41)

12. (b) Disposal of Visible Youth Ltd

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

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

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

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Discontinued Operations - Visible Youth			
Statement of Comprehensive Income			
Administrative Costs	-	(97)	(601)
Operating profit/(loss)	6	(97)	(601)
Amortisation	-	41	57
Impairment of intangible assets	-	-	451
Exceptional items	6	-	-
EBITDA before exceptional items	-	(56)	(93)
Finance costs	-	-	-
Profit/(loss) before income tax	6	(97)	(601)
Income tax credit	-	-	-
Profit/(loss) for the period	6	(97)	(601)

Discontinued operations exceptional items

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Included within administrative expenses are exceptional items as shown below:			
- Gain on disposal of subsidiary	6	-	-
Total exceptional gain	6	-	-

Details of the gain on disposal of Visible Youth are as follows:

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

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Discontinued Operations - Visible Youth			
Statement of Cash Flows			
Profit/(loss) for the year from discontinuing operations	6	(97)	(601)
Adjustments for:			
– Amortisation	-	41	57
– Impairment of intangible assets	-	-	451
– Gain on disposal of subsidiary	(6)	-	-
Changes in working capital			
– Trade and other payables	(557)	1	36
Cash Flow from operating activities	(557)	(55)	(57)
Cash flow from financing activities			
Loan from parent company	557	55	57
Net cash generated by financing activities	557	55	57
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents at the beginning of period	-	-	-
Cash and cash equivalents at the end of the period	-	-	-

13. Post balance sheet events

There have been no significant events affecting the Company since the period-end.

14. Availability of announcement

A copy of this announcement is available from the Company's website, being www.integumen.com.