Company Registration Number 09226823

INNOVADERMA PLC

ANNUAL REPORT
FOR YEAR ENDED 30 JUNE 2016

CONTENTS

INNOVADERMA PLC

CORPORATE DIRECTORY

Directors	Haris Chaudhry Joseph Bayer Geert Lemair Rodney Turner Clifford Giles
Company Secretary	Elemental Company Secretary Limited
Company registration number	09226823
Registered office	27 Old Gloucester Street London United Kingdom WC1N 3AX
Auditor	KSI (WA) Level 2 35 Outram Street West Perth WA 6005 Australia
Domicile of the company	United Kingdom
Country of incorporation	England and Wales
Legal form of entity	Public Limited Company
London Stock Exchange Code	IDP

The directors present their strategic report on InnovaDerma PLC and its controlled entities (hereafter "the Group" or "InnovaDerma") for the year ended 30 June 2016.

Principal activity

InnovaDerma specializes in a range of male and female hair loss and anti-ageing treatments, and is aggressively growing its existing markets and expanding into new ones. In addition to a well-established customer base, brand recognition, intellectual property and a robust operating platform, it has the necessary clinical and regulatory approvals, ongoing research and development work and strategic marketing initiatives to provide it with a solid platform for rapid and sustained growth.

InnovaDerma PLC was incorporated on 19 September 2014 to become the holding company for InnovaDerma ANZ and the other companies in the InnovaDerma Group, in order to list them on a recognised stock exchange. The previous financial year therefore ran from 19 September 2014 to 30 June 2015 (FY2015).

Financial and Operational Highlights

- Group revenue grew strongly to AUD$8.4m (FY2015: AUD$1.05m) reflecting underlying organic growth and transformation of the Skinny Tan business, which grew more than 10-fold in revenue since its acquisition in May 2015
- Gross profit increased significantly to AUD$4.8m (FY2015: AUD$0.70m)
- Profit before tax of AUD$0.47m (FY2015: AUD$ loss of 0.90m)
- Expansion of international distribution and retail network is key to growth and financial performance. As at 30 June 2016, the Company had 2,500 retail points (FY2015: 250) in seven countries
- Skinny Tan, launched in Superdrug in February 2016, is now stocked in UK stores nationwide and since achieved being the No.1 selling tanning brand by revenue
- Secured a distribution agreement with Olive Young, Korea's largest health and beauty store chain. Skinny Tan is currently sold in Olive Young's 550 stores nationwide and is distributed through PROS Korea, a distributor for InnovaDerma products for North East Asia
- Secured a distribution with Chemist Warehouse for distribution of Skinny Tan across all of its 320 stores in Australia
- Skinny Tan brand has grown from 14 to 25 products with a strong emphasis on product development to increase shelf space and cater for multiple international markets
- Developed and launched Skinny Tan "Professional Range" of products aimed at beauty and tanning salons and skin rejuvenation clinics in Australia, UK and the US
- Direct to consumer marketing through social media channels drove revenue growth and enabled Skinny Tan to grow in popularity

Post Period End and Outlook

- Strong infrastructure, scalable business and resources now in place to support brand development across whole product range to drive future performance as a result of focus on growing Skinny Tan

- As announced today, the Group has successfully entered in the United States and secured retail and e-tailer distribution deals with GNC Holdings, Inc. , Quidsi, Inc., a subsidiary of Amazon.com, Inc. and Jet.com, a subsidiary of Wal-Mart Stores, Inc
- Established US subsidiary and appointed Joseph Panetta as Executive Vice President to accelerate growth in the American market, as announced this morning
- Further Skinny Tan brand extensions expected to be rolled out soon
- Focused on developing new and highly effective products in hair care, hair loss treatment and skin rejuvenation for release in 2017
- Continue to focus on expanding distribution and retail network (both physical stores and e-tailers) in new and existing territories
- Strategic decision to move production to the UK from Australia to improve supply chain and operating margins, as announced on October 24th
- Trading since the period end continues strongly

Haris Chaudhry, Executive Chairman said:

"This has been a year of transformation growth for the Group with exceptional financial and operational results driven by a highly disciplined and agile approach. Our strategic decision to grow Skinny Tan, a premium self-tanner brand, has enabled us to expand our retail and distribution network and, importantly, provided us with a scalable business and a global supply chain which we can leverage to continue to grow our brands across the Group and drive future business performance.

The Group continues to go from strength to strength since the period end and we are delighted to announce this morning that we have successfully entered the US market and secured distribution deals with three blue-chip organisations. New product development remains a key focus for us and we will be rolling out brand extensions, together with new products, for international markets this year and next. We are trading profitably and the Board looks to the future with confidence and optimism."

Chairman's Review of the business, performance & position

Introduction

I am pleased to present our maiden final results for year ended 30 June 2016. In September of this year, we were admitted to the Standard Listing segment of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. This, combined with a year of excellent progress is particularly pleasing as the Group has delivered a strong performance and solid growth on all key performance measures.

Financial and Operational Performance

Our revenue and profit performance has been consistently strong throughout the year, reflecting the rapid growth of Skinny Tan which the company has transformed and grown more than 10-fold in revenue since its acquisition in May 2015. Skinny Tan is a premium self-tanner brand that combines a natural tanning active, to tan and reduce the visible appearance of cellulite. The business, which we acquired in May 2015, was successfully integrated in Q2 of 2015. Due to the international appeal of the brand and strong performance, the Board decided to focus on growing Skinny Tan as a premium brand, expanding its retail distribution network globally to accelerate revenue and profit growth. Importantly our strategy to focus on Skinny Tan has enabled us to build a scalable business and a global supply chain from which we can leverage and continue to grow our brands across the Group.

This strategy has delivered impressive growth and the Group's revenue grew by 800% to AUD$8.4m (FY2015 AUD$1.5m) and profit before tax increased to AUD$0.473m, compared to a loss of AUD$0.90m in the previous year. As at 30 June 2016, InnovaDerma had 2,500 retail points in seven countries (FY2015: 250). In the period under review, the Board secured the following key retail distribution agreements:

In the period under review, the Board secured the following key retail distribution agreements:

- In February 2016, Skinny Tan was launched as a new brand in 220 of Superdrug's stores and by July 2016, it was stocked in all 776 of its stores throughout the UK. In the same month Skinny Tan became the No.1 selling tanning brand in Superdrug by revenue. Post period end, Skinny Tan won Best Breakthrough Brand 2016 at the Superdrug Supplier Conference.

- In Asia, the Company secured a distribution agreement with Olive Young, Korea's largest health and beauty store chain. Skinny Tan is currently sold in Olive Young's 550 stores nationwide and is distributed through PROS Korea, a distributor for InnovaDerma products for North East Asia.

- InnovaDerma secured a distribution agreement with Chemist Warehouse for distribution of Skinny Tan across all of its 320 stores nationwide in Australia. Chemist Warehouse with annual revenues of more than AUD$2.7bn (£1.5bn) is one of the leading and fastest growing pharmacy chains in Australia.

We place strong emphasis on product development and in the period under review, we extended Skinny Tan from 14 to 25 products including the Skinny Tan Professional range of products. By extending the brand and creating complementary products it enables us to capitalise on the complete self-tanning cycle from the initial priming, to tanning as well as maintaining the tan.

We also launched Skinny Tan Professional Range of products aimed at beauty and tanning salons and skin rejuvenation clinics in Australia, UK and the US. To complement and extend our brand within the Professional Range, we developed the Skinny Tan Accredited Training Course which provides a manual together with a licensed training certificate upon completion of the Licensed Spray Tanner course.

Entry into the American Market

As announced earlier today, we have successfully entered the American market which we believe represents significant potential for future growth and proves our ability to enter new and complex geographies. We began marketing trials in the US for Skinny Tan in the spring of 2016 and, owing to their success, we have secured a retail distribution deal with GNC Holdings, Inc., a leading global speciality retailer of health and wellness products listed on the New York Stock Exchange. Skinny Tan will be initially rolled out to 655 of GNC's 6,000 stores nationwide. Additionally, we have secured the distribution of Skinny Tan with highly established e-tailers: Soap.com, a retail site owned by Quidsi Inc., its parent company, which is ultimately owned by Amazon.com, Inc, and Jet.com, a subsidiary of Wal-Mart Stores, Inc.To support our growth plans in the American market, we have established Innova Science, Inc., a wholly-owned subsidiary of the Group, and appointed Joseph Panetta as Executive Vice President and President of Skincare to lead the American business.

Production move to the UK

As announced on 24 October 2016, the Group will be moving a significant part of its production to the UK, from Australia which will significantly improve the Company's supply chain to its most important growth markets and key customers. We expect a notable improvement in the operating margins of the business because of lower freight and logistics costs and minimised currency exchange exposure. The cost benefits are expected to have a positive impact on the Company's financial performance from the second half of the financial year 2017.

People

On behalf of the Board, I would like to welcome Joseph Panetta to InnovaDerma who brings with him extensive experience in consumer brands, and we look forward to working with him to grow the business in the US. This has been a year of transformation for the business and our employees are the key to our success, so, on behalf of the Board, I would like to extend our appreciation and thanks for their commitment and hard work during this period of significant growth for the Group.

Strategy and Outlook

Our focus on growing Skinny Tan's revenue through an international retail and distribution network has opened access to a global supply chain for the whole Group. In the year under review we have re-organised the business, increased our resources and established a solid infrastructure to support our growing business. The Board believes there are significant opportunities for future expansion and our strategy is therefore focused on building on and leveraging our achievements to date. We will:

- Continue to expand our distribution and e-tailer network in new and existing territories
- Extend the Skinny Tan brand to leverage customer and brand loyalty. Further brand extensions are expected to be rolled out soon
- Continue to focus on digital direct to consumer strategy which has supported revenue growth and enabled Skinny Tan to grow in popularity
- Focus on the growth and product development of the Group's other brands including haircare, hair loss treatment and skin rejuvenation
- Continue to seek value added acquisition targets to integrate into the business

Since the period end, the Company continues to trade strongly and is making excellent progress. This, together with our strong brands and positive market trends, means we are confident of the future and of delivering value to our shareholders.

Financial Review

Overview

The Group achieved excellent results for the year ended 30 June 2016, driven by underlying organic growth and the transformation of the Skinny Tan business which delivered very strong sales growth. Group revenues grew to AUD$8.4m (FY2015: AUD$1.05m) largely as a result of the successful integration and restructuring of the Skinny Tan business acquired in May 2015. Profit before tax was AUD$0.47m (FY2015: loss of AUD $0.90m). Additional other income of AUD$64,671 was recorded as a result of export development grants for the UK brand launch.Net asset value increased to AUD$3.15m as at 30 June 2016, representing a 16.6% increase from 30 June 2015 (AUD$2.69m).

Operating results

The Group's operating profit, excluding other income, was AUD$0.41m (2015: loss of AUD$0.90m). This reflected the significant investment in people resources and brand marketing to drive the turnaround in the Skinny Tan brand. Further investment was made in the US to create brand awareness and test market the direct to consumer channels. As a result of securing distribution deals in America and to capitalise on the identified retail distribution opportunities, the Group appointed Joseph Panetta as Executive Vice President of Innova Science Inc., a wholly owned subsidiary of InnovaDerma PLC.

The Group achieved gross margins of 57% (FY2015: 67%) reflecting the move towards a wider distribution network for Skinny Tan and a significant skew in revenue terms away from the higher margin Leimo (hair care) business. Gross margins are inclusive of delivery costs to our customers and therefore we have been reviewing the high freight cost (excluding Australia) to our growth market in the UK, and in the future, the US. The decision to move manufacturing to the UK will significantly reduce the supply chain timeline and the expensive overseas shipping costs.The focus in the period under review was to grow and commercialise the Skinny Tan brand value whilst still maintaining a steady Leimo performance. Overheads grew to $4.38m, of which marketing was AUD$2.26m and salaries AUD$1.06m. Staff numbers were reduced in the lower cost Philippines service centre and replaced by a smaller number of higher value employees in marketing and supply chain roles in Australia and the UK.

Cash and net debt

The Group's cash and cash equivalents as at 30 June 2016 were AUD$0.21m (FY2015: $0.21m). The Group has no externally financed borrowing and loans but has related party loans of $1.078m which have been carried forward from prior to listing. The Group has largely self-funded the growth in assets by astute cash management and a strong focus on cost control.

The growth in trade receivables and inventory for 2016 over 2015 of AUD$2.62m has been partially funded by the increase in trade payables of AUD$2.01m over the same period with the balance coming from the increase in related party loan of AUD$0.39m and internally generated cash flow.

The Group is currently reviewing various funding options to support the planned significant growth in both geographical spread and new product development. It is recognised by the board that whilst we have successfully internally funded the growth over the last twelve months, the impetus for sustaining and expanding the scope of business operations will require further funding.

Taxation

The charge for taxation for the full year was AUD$0.13m with the Group carrying a deferred tax asset of AUD$0.18m. The Group has utilised carried forward tax losses where possible. All corporate tax liabilities across the various geographical regimes have been accounted for.

Dividends

The board has elected not to declare a dividend at this time.

Principal Risks and Uncertainties

The principal risks the company faces relate to a) the regulatory requirements in each country to which it exports and b) cash flow. If those regulations change, the company will need to quickly adapt its strategy to ensure compliance and facilitate continuing sales. At this stage, because Australia operates very stringent policies on all products, the company does not view this as very likely to occur, but have nonetheless recognised the potential risk.

Cashflow is another principal risk as, while the company is in its growth phase, working capital is under demand to fund the purchase and manufacture of stock in concert with trading terms to retail buyers. However, the company has support from its shareholders for funding and is anticipating continued sales growth in the coming twelve months to drive the business forward.

Employees

In line with *Companies Act 2006* requirements, we present the following breakdown of our employee structure:

Role	*Number of Men*	*Number of Women*
Directors	5	-
Senior Managers	1	1
Other Employees	4	10

In conjunction with our aforementioned plans to expand into the USA, it is expected that our staff will expand in the coming calendar year as revenues grow, that the Group will be better able to service our customers and partners.

By order of the board

Haris Chaudhry
Executive Chairman
31 October 2016

The Directors present their report and financial statements of the Group for the year ended 30 June 2016.

Directors

The Directors who served the Group during the period are as follows:

Mr Haris Chaudhry
Mr Joseph Bayer
Mr Rodney Turner
Mr Geert Lemair
Mr Clifford Giles (appointed 16 June 2015)

Unless otherwise disclosed, all directors were appointed at the time the company was incorporated on 19 September 2014 and have remained on the board since that time.

Company Secretary

The following served as Company Secretary during the period:

Mr Nick Lindsay, Elemental Company Secretary Limited, London.

Meetings of the Directors

During the year to 30 June 2016, the directors attended the following meetings of the board of directors:

	Meetings eligible to attend	Meetings attended
Haris Chaudhry	8	8
Geert Lemair	8	8
Joseph Bayer	8	8
Rodney Turner	8	8
Clifford Giles	8	8

Review of the Business

Please refer to the Strategic Report for information on the Group, its strategic direction, this year's results, and plans for the future.

Business Model

The Group's business model is to expand its market share by providing innovative products to its customers that meet their needs and wants, while continuing to break into new geographical locations and thus making InnovaDerma a truly global brand.

Branches outside the UK

The Group's main operations are headquartered in Melbourne, Australia. Two offices are maintained in Australia, and one each in New Zealand, the USA, and the Philippines.

Environmental matters

There are no environmental issues arising from the Group's business that might affect the future strategic direction or results of our group.

Carbon Emissions

The Group's operations are the manufacture and sale of health and beauty products, in which carbon emissions are estimated to be negligible. The Directors do not consider it practicable to obtain this information at this time.

Social, Community & Human Rights issues

The Board are constantly monitoring the Group's social & community impact, both for its own staff and the wider community of end-users for its products.

The Board are mindful of Human Rights issues in the jurisdictions its operates in, and aims to maintain the highest standards of care and conduct in all its relations to ensure InnovaDerma exceeds any required standard in this area.

Research and Development

The Group undertakes a variety of research activities into potential new products and new technologies that could form part of their future offerings to customers. The Group classifies all such spending as research and expenses the costs accordingly.

It is the view of the directors at this stage that the Group is unable to confirm the potential flow of benefits from new products until they arrive to market. Given that, it is not possible to capitalise these expenditures as development.

Financial Instruments

Information regarding the Group's financial risk management objectives and policies, including exposure to market, credit and liquidity risks, are presented in Note 26 to these financial statements.

Capital Structure

At 30 June 2016, the ordinary share capital of InnovaDerma PLC consisted of 10,318,535 shares, valued at EUR 0.10 each. There are no restrictions on the transfer of securities in the Company, and no restrictions on voting rights.

Post Balance Sheet Events

On 7 September, InnovaDerma PLC was admitted to the Official List and to trading on the Main Market of the London Stock Exchange. Trading on the Marche Libre Paris segment of Euronext was suspended on the same date.

On 20 September, 27,000 ordinary shares of EUR 0.10 were allotted.

Aside from the above items, the directors are not aware of any significant events since the end of the reporting period.

Indemnification of Officers

No indemnities have been given, during or since the end of the financial period, for any person who is or has been an officer or auditor of the consolidated group.

InnovaDerma PLC has paid for professional indemnity insurance for the directors of the Company. The policies cover the year to 30 June 2016, and subsequent.

Proceedings on Behalf of the Group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the period.

Director's Interests

At the period end date, the directors of the company had the following interests in the shares of the company, through both direct and indirect holdings:

Director	Shares held on 1 July 2015	Shares acquired during the period	Shares disposed during the period	Shares held on 30 June 2016
Haris Chaudhry	5,858,790	-	-	5,858,790
Geert Lemair	46,667	5,070	-	51,737
Joseph Bayer	93,333	20,180	-	113,513
Rodney Turner	46,667	4,430	-	51,097
Clifford Giles	25,000	-	-	25,000

Remuneration Report (audited)

Policy & Practice

The Group operates on a strictly 'capital efficient' approach and therefore director's remuneration has been based on conservative market matching rates in order to act in the best interest of the company during the company's growth phase. At this time, outside of existing shareholdings, there are no performance components included in directors' remuneration. A remuneration committee has been formed to oversee this aspect of the Group's operations.

Contracts

Directors' remuneration in its various forms was agreed by the Executive Chairman and relevant contracts have been executed prior to the appointment.

Mr Chaudhry's contract is for a fixed term of four years, and may be terminated with sixteen weeks' notice, given in writing.

All other director's contracts are for a fixed term of three years, and may be terminated with four weeks' notice, given in writing.

Amount of emoluments & compensation

Year to 30 June 2016	*Salary*	*Superannuation (9.5% of salary)*	*Consultancy Fees*	*Total*
Haris Chaudhry	150,000	14,250	Nil	**164,250**
Geert Lemair [1]	15,995	1,505	17,500	**35,000**
Joseph Bayer	96,002	10,078	Nil	**106,080**
Rodney Turner	27,150	2,850	Nil	**30,000**
Clifford Giles	-	-	Nil	**-**

[1] Mr Lemair was remunerated via payroll until 31 December 2015, after which time he invoiced for his services

Period 19 September 2014 – 30 June 2015	*Salary*	*Superannuation (9.5% of salary)*	*Consultancy Fees*	*Total*
Haris Chaudhry	47,475	4,510	Nil	**51,985**
Geert Lemair [1]	-	-	Nil	**-**
Joseph Bayer [1]	-	-	Nil	**-**
Rodney Turner [1]	-	-	Nil	**-**
Clifford Giles [1]	-	-	Nil	**-**

[1] These directors have agreed to forego any remuneration for this period.

End of audited section.

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and the Directors' 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 or period. Under that law the Directors have elected to prepare the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") 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 of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of 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 corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Directors' statement as to disclosure of information to the auditor

The Directors at the date of approval of this report confirm that:

- to the best of their knowledge and belief, there is no relevant audit information of which the

Group's auditor is unaware; and

- the Directors have taken all the steps that that might reasonably be expected to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

On behalf of the Board

Haris Chaudhry
Executive Chairman
31 October 2016

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2016

We have audited these financial statements of InnovaDerma PLC for the year ended 30 June 2016 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Cash Flow, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation 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.

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.

Respective responsibilities of the directors and auditors

As explained more fully in the Director's Responsibilities Statement in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2016 and of the group's profit for the year then ended;
- the group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Remuneration Report

We have audited the remuneration report, shown within the Directors' Report, for the year ended 30 June 2016. The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 421 of the Companies Act 2006. Our responsibility is to express an opinion on the Remuneration Report, based on our audit, in accordance with section 497 of the Companies Act 2006.

Opinion on Remuneration Report

In our opinion, the Remuneration Report complies with the requirements of section 421 of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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's 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.

Nicholas Hollens

Nicholas Hollens – Senior Statutory Auditor
For and on behalf of KSI (WA) – Statutory Auditors
35 Outram Street
West Perth WA 6005
Australia

31 October 2016

INNOVADERMA PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Year ended 30 June 2016 $	Period from 19 September 2014 to 30 June 2015 $
Revenue	7	8,412,696	1,047,651
Cost of sales		(3,580,405)	(345,733)
Gross profit		4,832,291	701,918
Other income		64,671	-
Marketing expenses		(2,257,847)	(849,347)
Administrative expenses		(1,044,259)	(431,862)
Wages and salaries		(1,056,315)	(184,947)
Listing expenses		(65,914)	(136,056)
Operating profit/(loss)		**472,627**	**(900,294)**
Profit/(loss) before tax		**472,627**	**(900,294)**
Tax expense	6	(125,248)	-
Net profit/(loss) for the period		**347,379**	**(900,294)**
Other comprehensive income/(loss)		24,744	(7,707)
Total comprehensive income/ (loss) for the period		**372,123**	**(908,001)**
Attributable to:			
Owners of the parent		246,434	(908,001)
Non-controlling interests		125,689	-
		372,123	**(908,001)**
Basic & diluted profit/(loss) per share	28	0.04	(0.12)

INNOVADERMA PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	30 June 2016 $	30 June 2015 $
Current assets			
Cash and cash equivalents	**8**	207,682	212,618
Trade and other receivables	**9**	1,970,619	112,142
Inventory	**10**	1,107,635	341,794
Prepayments and other assets	**11**	75,006	69,411
Total current assets		**3,360,942**	**735,965**
Non-current assets			
Property, Plant and Equipment		14,362	16,509
Intangible assets	**12**	3,480,804	3,418,479
Other assets		-	3,298
Deferred tax asset	**13**	176,782	-
Total non-current assets		**3,671,948**	**3,438,286**
Total assets		**7,032,890**	**4,174,251**
Current liabilities			
Trade and other payables	**14**	2,799,695	788,322
Total current liabilities		**2,799,695**	**788,322**
Non-current liabilities			
Borrowings	**15**	1,078,912	688,063
Deferred tax liability	**16**	7,264	-
Total non-current liabilities		**1,086,176**	**688,063**
Total liabilities		**3,885,871**	**1,476,385**
Net assets		**3,147,019**	**2,697,866**
Equity			
Shares	**17**	2,496,023	2,479,468
Share premium		2,553,149	2,492,674
Merger reserve	**18**	(1,308,057)	(1,308,057)
Foreign exchange reserve		17,037	(7,707)
Accumulated losses	**19**	(736,822)	(958,512)
Non-controlling interests		125,689	-
Total equity and reserves		**3,147,019**	**2,697,866**

INNOVADERMA PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

These financial statements were approved and authorised for release by the Directors on 31 October 2016 and are signed on its behalf by:

Haris Chaudhry
Executive Chairman

Company Number: 09226823

INNOVADERMA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR 1 JULY 2015 TO 30 JUNE 2016

	Ordinary Share Capital $	Share Premium $	Merger Reserve $	Foreign Exchange Reserve $	Accumulated Losses $	Non-controlling interests $	Total Equity $
Balance as at 1 July 2015	**2,479,468**	**2,492,674**	**(1,308,057)**	**(7,707)**	**(958,512)**	**-**	**2,697,866**
Comprehensive income							
Profit/ (loss) for the period	-	-	-	-	221,690	**125,689**	**347,379**
Other comprehensive income	-	-	-	24,744	-	**-**	**24,744**
Total comprehensive income for the period	**-**	**-**	**-**	**24,744**	**221,690**	**125,689**	**372,123**
Transactions with owners, in their capacity as owners							
Shares issued	16,555	60,475	-	-	-	**-**	**77,030**
Cost of shares issued	-	-	-	-	-	**-**	**-**
Total transactions with owners, in their capacity as owners	**16,555**	**60,475**	**-**	**-**	**-**	**-**	**77,030**
Balance at 30 June 2016	**2,496,023**	**2,553,149**	**(1,308,057)**	**17,037**	**(736,822)**	**125,689**	**3,147,019**

INNOVADERMA PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD 1 JULY 2015 TO 30 JUNE 2016

	Note	Year ended 30 June 2016 $	Period from 19 September 2014 to 30 June 2015 $
Cash flows from operating activities			
Receipts from customers		6,554,219	1,000,968
Payments to suppliers and employees		(7,040,706)	(1,708,565)
Interest received		128	-
EMDG Grants received		64,543	-
Payments for corporate listing (non-repeating)		-	(136,056)
Net cash used by operating activities	**25**	**(421,816)**	**(843,653)**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(18,343)
Payments for product development		(62,325)	(31,922)
Net cash received on acquisition of subsidiaries		-	32,771
Purchase of Skinny Tan Pty Ltd		-	(50,000)
Net cash used by investing activities		**(62,325)**	**(67,494)**
Cash flows from financing activities			
Proceeds from borrowings		390,849	22,838
Repayments of borrowings		-	(106,527)
Proceeds from convertible notes		-	127,510
Proceeds from shares issued		63,612	1,391,162
Transaction costs for shares issued	**17**	-	(311,218)
Net cash from financing activities		**454,461**	**1,123,765**
Increase/(decrease)in cash and cash equivalents		(29,680)	212,618
Cash and cash equivalents at the beginning of the period		212,618	-
Effect of movement in foreign exchange rates		24,744	-
Cash and cash equivalents at the end of the period	**8**	**207,682**	**212,618**

INNOVADERMA PLC

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	30 June 2016	30 June 2015 $
Non-current assets			
Intercompany receivable	**20**	3,568,627	1,157,379
Investment in subsidiaries		45,180	50,175
Goodwill	**12**	1,399,424	3,892,098
Total non-current assets		5,013,231	5,099,652
Total assets		5,013,231	5,099,652
Current liabilities			
Trade and other payables		36,680	14,363
Total current liabilities		36,680	14,363
Non-current liabilities			
Convertible notes		127,510	127,510
Total non-current liabilities		127,510	127,510
Total liabilities		164,190	141,873
Net assets		4,849,041	4,957,779
Equity			
Shares	**14**	2,496,023	2,479,468
Share premium		2,553,149	2,492,674
Retained earnings		(200,131)	(14,363)
Total equity and reserves		4,849,041	4,957,779

In accordance with section 408 of the UK Companies Act 2006, the company is availing itself of the exemption from presenting its individual statement of profit or loss and other comprehensive income. The company's loss for the financial period as determined in accordance with IFRS's is $185,768. The company had no cashflow in the period, and therefore no cashflow statement has been prepared.

INNOVADERMA PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Ordinary Share Capital $	Share Premium $	Retained Earnings $	Total Equity $
Balance brought forward from 30 June 2015	2,479,468	2,492,674	(14,363)	**4,957,779**
Comprehensive income				
Loss for the period	-	-	(185,768)	**(185,768)**
Total comprehensive income for the period	**-**	**-**	**(185,768)**	**(185,768)**
Transactions with owners, in their capacity as owners				
Issue of shares	16,555	60,475	-	**77,030**
Total transactions with owners, in their capacity as owners	**16,555**	**60,475**	**-**	**77,030**
Balance as at 30 June 2016	**2,496,023**	**2,553,149**	**(200,131)**	**4,849,041**

1. Accounting Policies

1.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements are drawn up under the historical cost convention, except for the revaluation of financial assets.

IFRS, issued by the International Accounting Standards Board (IASB) set out accounting policies that the IASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the consolidated financial statements are presented below and have been consistently applied unless otherwise stated.

1.2 Going Concern

This report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by InnovaDerma PLC at 30 June 2016. A controlled entity is any entity over which InnovaDerma PLC has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Pooling of Interests on Incorporation of Parent Entity
On 28 November 2014, InnovaDerma PLC acquired 100% of the shares of InnovaDerma AUS & NZ Pty Ltd, InnovaDerma International Limited, InnovaDerma NZ Limited, and ID Philippines, Inc. As all parties were under common control before and after the transaction, the acquisitions were scoped out of IFRS 3, and thus accounted for using the pooling of interests method.

Under this method the assets and liabilities of the acquiree are recorded at book value and intangible assets are only recognised if they were previously recognised by the acquiree. No goodwill is recorded and expenses of the combination are written off immediately in profit or loss. The difference between the consideration paid/transferred and the nominal value of the share capital in the acquired companies has been reflected as a Merger Reserve within equity.

After the acquisition, the consolidation is processed as normal, on a line by line basis for revenue, expenses, assets and liabilities.

Subsequent Business Combinations
Business combinations occur where an acquirer obtains control over one or more businesses.
A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for

from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are expensed to the statement of comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill
Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Parent Company's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Non-controlling interests
The interest of non-controlling shareholders in subsidiary companies (holdings of greater than 0%, but less than 50%), are initially recognised at fair value. Subsequent results of the subsidiary are apportioned to the non-controlling interests in proportion to their shareholding.

1.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods – retail
The group manufactures and sells a range of health and beauty products for sale to the retail market. Sales of goods are recognised when an order is executed and stock is segregated from the Group's inventory, ready for collection in accordance with that customer's terms of trade.
The life science products are often sold with volume discounts; customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases.

Internet revenue
Revenue from the provision of the sale of goods on the internet is recognised as at the date that payment is received, because that is the point the buyer accepts legal responsibility for the good being sold. Transactions are settled by credit or payment card.

1.5 Finance income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

1.6 Intangible Assets

Brands
Externally acquired brands, where identifiable, are capitalised as assets of the group. Brands are initially capitalised at historical cost, or attributable value, when acquired as part of a business combination.

Brands have a limited legal life, however the Group monitors global expiry dates and renews registrations where required. Brands recorded in the financial statements are not currently associated with products which are likely to become commercially or technically obsolete. Accordingly, the Directors are of the view that brands have an indefinite life.

Brands are tested annually for impairment and carried at cost less accumulated impairment charges.

1.7 Impairment

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

1.8 Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project. At this stage, the useful life of the project has not been determined as development is incomplete, hence amortization has not commenced.

1.9 Cash & Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

1.11 Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.12 Trade Payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. They are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. Current liabilities represent those amounts falling due within one year.

1.13 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable and payable. The net amount of GST recoverable from, or payable to, the ATO is included with the receivables or payables in the statement of financial position.

1.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1.15 Income Tax

Income tax expense or benefit represents the sum of current corporation tax payable and provision for deferred income taxes.

Current income tax payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group’s liability for current corporation tax is calculated using tax rates and laws that have been enacted or substantively enacted at the period-end date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the date of the statement of financial position where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the period-end date.

1.16 Post Retirement Benefits

For salaries paid (all by the Australian subsidiary):

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Superannuation – the Australian defined contribution pension scheme – is mandated by Australian law and presently set at 9.5% of gross salary payable to an employee.

The group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

1.17 Foreign Currencies

Functional and presentation currency
Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions.

Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at the reporting date. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

1.18 Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

1.19 Segment Reporting

The operating segment was 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 segment, has been identified as the board of directors, which has overall control for strategic decisions.

1.20 Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation or future events and are based on current trends and economic data, obtained both externally and within the Group.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policies described in Note 1.6 and Note 1.7. The recoverable amounts of cash-generating units (required to determine fair value less costs to sell) have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

1.21 New accounting standards for application in future periods

(a) New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on 1 July 2015 that would be expected to have a material impact on the group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the financial statements of the group, except the following set out below:

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories:

1) those measured as at fair value and 2) those measured at amortised cost. The determination is made at initial recognition.

The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9’s full impact. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

2. Parent Information

Guarantees
InnovaDerma PLC has not entered into any guarantees, in the financial period, in relation of the debts of its subsidiary.

Contingent Liabilities
At 30 June 2016, InnovaDerma PLC did not have any contingent liabilities.

Contractual Commitments
At 30 June 2016, InnovaDerma PLC had not entered into any contractual commitments.

Consolidation of subsidiaries
In the prior year, following the incorporation of InnovaDerma PLC, the following subsidiaries: InnovaDerma AUS and NZ Pty Ltd, InnovaDerma International Limited, InnovaDerma NZ Limited, and ID Philippines, Inc were acquired through a share for share exchange. The subsidiaries have been consolidated using the pooling of interest method on the basis that the entities being combined were ultimately controlled by the same party, both before and after the combination. Under this method the assets and liabilities of the acquiree are recorded at book values and intangible assets and contingent liabilities are only recognised if they were previously recognised by the acquiree. No goodwill is recorded and expenses of the combination are immediately written off in the profit or loss.

	Net Assets Acquired $
The carrying value of the subsidiaries' net assets at the date of combination were as follows:	
InnovaDerma AUS & NZ Pty Ltd	(58,118)
InnovaDerma International Limited	-
InnovaDerma NZ Limited	-
ID Philippines Inc	-

The shares in InnovaDerma AUS & NZ Pty Ltd, InnovaDerma International Limited, InnovaDerma NZ Limited, and ID Philippines, Inc were exchanged for 8,969,960 Ordinary Euro 0.10 shares in InnovaDerma PLC.

3. Operating segments

Operating segments must be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

As a new group, currently in its growth phase, the Board (the group's chief operating decision maker) believe that, at 30 June 2016, there was only one business segment, the hair and beauty division.

The revenue and results of this segment are those of the consolidated entity as a whole and are set out in the statement of profit or loss and other comprehensive income. The segment assets and liabilities of this segment are those of the consolidated entity and are set out in the statement of financial position.

4. Operating profit/(loss)

The following items have been included in arriving at the operating profit/(loss):

	Year ended 30 June 2016 $	**Period from 19 September to 30 June 2015 $**
Gains on foreign exchange	-	-
Expenses:		
Directors' remuneration	321,498	47,475
Depreciation	3,180	1,834
Auditor's remuneration		
- As auditors (for parent company and consolidation)	30,000	16,000
- Taxation compliance (for parent company and subsidiaries)	10,000	5,000

All remuneration payable to the auditors has been disclosed above. No other non-audit services have been provided. No benefits in kind are payable to the auditors.

Contributions to superannuation (money purchase pension schemes) are made on behalf of four directors of the group.

5. Employees

	Year ended 30 June 2016 $	Period from 19 September to 30 June 2015
Staff costs for the Group during the period:		
Wages and salaries	993,766	168,902
Social security costs	-	-
Pension costs (including superannuation)	62,549	16,045
	1,056,315	**184,947**

The average monthly number of staff (including executive Directors) employed by the Group during the period amounted to:

	Year ended 30 June 2016	Period from 19 September to 30 June 2015
Management staff	4	4
Other employees	14	21
	18	**25**

6. Taxation

	Year ended 30 June 2016 $	Period from 19 September to 30 June 2015 $
Current Tax		
Current tax on profits in the period	294,766	-
Deferred tax expense	(169,518)	
Income Tax Expense	**125,248**	**-**

Factors affecting current tax charge

The effective rate of tax for the period is higher than the standard rate of corporation tax in the UK of 20% due to tax on subsidiaries located in higher tax jurisdictions. The differences are explained below:

	Year ended 30 June 2016 $	**Period from 19 September 2014 to 30 June 2015 $**
Profit/(Loss) before taxation	472,627	(900,294)
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 20%	94,525	(180,059)
Differences in tax rates in subsidiary jurisdictions	82,005	
Excluded (gain)/loss from foreign jurisdictions	(51,316)	177,186
Losses carried forward	-	2,873
Permanent differences	34	-
Total current tax	**125,248**	**-**

7. Revenue

	Year ended 30 June 2016 $	**Period from 19 September 2014 to 30 June 2015 $**
Haircare Products	951,624	922,113
Skin & Beauty Products	7,461,072	125,538
	8,412,696	**1,047,651**

8. Cash and cash equivalents

	30 June 2016 $	**30 June 2015 $**
Cash at bank	**207,682**	**212,618**

Cash at bank is included as cash and cash equivalents in connection with the statement of cash flows.

When in overdraft, this balance is included in trade and other payables.

9. Trade and other receivables

	30 June 2016 $	30 June 2015 $
Trade Receivables	**1,970,619**	**112,142**

10. Inventory

	30 June 2016 $	30 June 2015 $
Finished goods (Leimo)	310,219	248,532
Finished goods (Stop and Pose)	-	10,886
Finished goods (Skinny Tan)	797,416	82,376
	1,107,635	**341,794**

The costs of inventories recognised as an expense and included in cost of sales amounted to $2,539,817 for the year.

11. Prepayments and Sundry Assets

	30 June 2016 $	30 June 2015 $
Deposits held	9,690	24,570
Prepayments	35,844	-
Input tax	29,472	29,472
Sundry assets	-	15,369
	75,006	**69,411**

12. Intangible Assets

Group:

	30 June 2016 $	30 June 2015 $
Brands (Skinny Tan)	444,202	444,202
Brands (Leimo)	2,794,024	2,794,024
Brands (Stop & Pose)	148,331	148,331
Development Costs	94,247	31,922
	3,480,804	**3,418,479**

Movement in capitalised development costs:

	30 June 2016 $	30 June 2015 $
Balance brought forward	31,922	-
Development expenditure during the year/period	62,325	31,922
	94,247	**31,922**

Parent Company

	30 June 2016 $	30 June 2015 $
Goodwill	1,399,424	1,399,424
Brands (Leimo)	-	2,492,674
	3,892,098	**3,892,098**

In the prior period, the Parent Company acquired the Leimo brand by issuing shares to the seller. During this financial year, the brand was transferred to the subsidiary trading in those products – InnovaDerma AUS & NZ Pty Ltd.

13. Deferred tax asset

	30 June 2016 $	30 June 2015 $
Deferred tax items recognised in income statement:		
- Other timing differences	37,292	-
- Income tax losses	139,490	-
	176,782	**-**

14. Trade and other payables

	30 June 2016 $	30 June 2015 $
Trade payables	1,814,709	687,608
Other payables	690,711	100,714
Current tax payable	294,482	-
	2,799,695	**788,322**

15. Borrowings

	30 June 2016 $	30 June 2015 $
General Borrowings	951,402	560,553
Convertible Notes	127,510	127,510
	1,078,912	**688,063**

Convertibles

During the period to 30 June 2015, the Group issued convertible notes worth a total of $127,510. The bonds mature two years from the issue date (29 May 2015) at their nominal value, or can be converted into shares at the holder's option at any point between the date of the group's public listing and the maturity date. If exercised, the number of shares issued will be calculated based on the group's share price at the exercise date.

Given the number of shares issued is variable, depending on the share price at that time, governing accounting standards categorise the entire convertible note as a liability, with no equity component. Upon conversion, the borrowings balance will be cleared and a corresponding balance of the same value will be created in equity.

16. Deferred tax liability

	30 June 2016 $	30 June 2015 $
Deferred tax items recognised in income statement:		-
- Prepayments	7,264	-
	7,264	**-**

17. Contributed equity

	30 June 2016 No. of shares	30 June 2016 $
Opening balance as at 1 July 2015	10,209,920	2,479,468
Shares issued during the year	108,615	16,555
Balance as at 30 June 2016	**10,318,535**	**2,496,023**

	30 June 2015 No. of shares	30 June 2015 $
Shares issued on incorporation	4	5
Share for share exchange to acquire subsidiaries [1]	8,969,960	1,308,157
Shares issued to complete brand acquisition	626,400	91,362
Share split (original incorporation shares)	36	-
Shares issued on exercise of convertible notes	613,520	1,391,162
Share issue costs	-	(311,218)
Balance as at 30 June 2015	**10,209,920**	**2,479,468**

[1] The subsidiaries acquired were InnovaDerma AUS & NZ Pty Ltd, InnovaDerma International Limited, InnovaDerma NZ Limited, and ID Philippines Inc.

The holder of the ordinary shares is entitled to one vote per share at any meeting of the Company whether in person or by proxy. The holder is entitled to receive dividends declared from available profits and to the surplus of assets on a winding up.

18. Merger reserve

InnovaDerma PLC acquired 100% of the share capital of InnovaDerma AUS & NZ Pty Ltd, InnovaDerma International Limited, InnovaDerma NZ Limited, and ID Philippines, Inc, on 28 November 2014.

These transactions are noted as being completed under common control – all companies involved in the deal were controlled by Mr Haris Chaudhry before and after the transaction was processed.

This condition falls under a scope exemption for IFRS 3. Per IAS 8.12, the company may, in this circumstance, utilise pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards.

As a UK company, the directors decided to apply UK Generally Accepted Accounting Principles, which make provision for Pooling of Interests in a common control situation, also commonly referred to as Merger Accounting.

In this circumstance, the difference between the consideration transferred and the nominal value of share capital acquired is taken to equity, creating a Merger Reserve.

28 November 2014 Acquisitions:

	$
Consideration transferred (8,969,960 shares)	1,308,157
Value of share capital acquired	(100)
Value of Merger Reserve	**1,308,057**

19. Accumulated losses

	30 June 2016 **$**	**30 June 2015** **$**
Balance brought forward	(958,512)	-
Acquisition of subsidiaries (pooling of interests)	-	(58,218)
Profit/(loss) for the period	221,690	(900,294)
Balance carried forward	**(736,822)**	**(958,512)**

20. Intercompany loan – parent company

	30 June 2016 $	30 June 2015 $
Balance brought forward	1,157,379	-
Leimo brand transfer (see Note 12)	2,492,674	-
Movement in funds	(81,426)	1,157,379
Balance carried forward	**3,568,627**	**1,157,379**

21. Investment in subsidiaries

During the year, the Company held interests in the following subsidiaries:

Company Name	*Date of Acquisition*	*Percentage Holding 30 June 2016*	*Percentage Holding 30 June 2015*
InnovaDerma AUS & NZ Pty Ltd [1]	28 November 2014	100%	100%
InnovaDerma International Limited [1]	28 November 2014	100%	100%
InnovaDerma NZ Limited [1]	28 November 2014	100%	100%
ID Philippines Inc [1]	28 November 2014	100%	100%
Bach Health Pty Ltd	23 January 2015	100%	100%
InnovaScience Inc	31 March 2015	100%	100%
Skinny Tan Pty Ltd	28 May 2015	80%	100%
Skinny Tan UK Limited	28 May 2015	80%	100%

[1] Please see notes 1.3 and 16 for further detail on the method of accounting applied for the acquisitions.

The results of these subsidiaries have been consolidated on a line by line basis into the consolidated financial statements.

22. Business Combination

In the prior year, the Group acquired 100% of the share capital of Skinny Tan Pty Ltd, in exchange for cash consideration of $50,075. The acquisition expands the range of products the Group can offer in the hair and beauty sector and is anticipated to facilitate scalability in the Group's offerings for the coming financial year, as expansion continues into new markets.

The following table shows the allocation of consideration paid for Skinny Tan Pty Ltd, the fair value of assets acquired, liabilities assumed, and the non-controlling interest at the acquisition date.

Consideration	
Cash Consideration	50,075
Total Consideration	**50,075**
Recognised fair value of assets acquired and liabilities assumed	
Accounts receivable	5,444
Inventory	72,023
Other assets	16,299
Brand	431,515
Intellectual property	12,687
Trade and other payables	(240,373)
Borrowings	(247,520)
Total fair value of assets acquired and liabilities assumed	**50,075**

23. Related party transactions

Name	Transaction	Amount received from / (paid to) in year		Amount due from/(to) related party	
		2016 $	*2015 $*	2016 $	*2015 $*
Farris Marketing Concepts Pty Ltd	Loan payable[1]	-	*151,495*	(151,495)	*(151,495)*
Farris Marketing Concepts Pty Ltd	Acquisition of Stop & Pose Brand	-	*(200,000)*	-	-
Cyngenta Capital & Advisory	Provision of services[2]	(27,237)	-	-	-
Zaymar Investments Pty Ltd	Loan payable[1]	736,007	*60,000*	(796,007)	*(796,007)*
Mr Haris Chaudhry	Loan payable[1]	(173,757)	*173,757*	-	*(173,757)*

[1] These loans are interest free and unsecured.

[2] These expenses were settled via the issue of equity instruments in InnovaDerma PLC.

Common control acquisition of subsidiaries

As more fully discussed in Note 18, InnovaDerma PLC acquired several subsidiaries via a share for share exchange. These subsidiaries were majority controlled by Mr Haris Chaudhry, a director of InnovaDerma PLC; hence, the majority of shares issued for the acquisition were issued to Mr Chaudhry.

Nature of related parties

Farris Marketing Concepts Pty Ltd and Zaymar Investments are related parties of Mr Haris Chaudhry, the Executive Chairman.

Key Management Personnel

All transactions with key management personnel (the directors) during the year ended 30 June 2016 are disclosed below:

	Salary	*Superannuation*	*Consultancy Fees*	*Total*	*Total 2015*
Haris Chaudhry	150,000	14,250	Nil	**164,250**	*51,985*
Geert Lemair	15,995	1,505	17,500	**35,000**	-
Joseph Bayer	96,002	10,078	Nil	**106,080**	-
Rodney Turner	27,150	2,850	Nil	**30,000**	-
Clifford Giles	-	-	-	**-**	-
	289,147	**28,683**	**17,500**	**335,330**	*51,985*

During the period, there were no advances, credits or guarantees subsisting on behalf of the directors.

Ultimate Controlling Party

As at the year-end date, the Group was controlled by Mr Haris Chaudhry, who is the majority shareholder of InnovaDerma PLC.

24. Commitments and contingencies

At 30 June 2016 the Group did not have any contingencies.

At 30 June 2016, the Group had an obligation to pay $71,000 in rent for the forthcoming 12 months, under a non-cancellable operating lease.

25. Reconciliation of operating profit to net cash outflow from operations

	Year ended 30 June 2016	Period from 19 September to 30 June 2015 $
Profit after income tax	347,379	(900,294)
Depreciation	2,147	1,834
Expenses settled in shares	13,418	-
(Increase) in trade and other receivables	(1,860,774)	(117,765)
(Increase) in inventory	(765,841)	(203,891)
Increase in trade and other payables	1,716,891	376,463
Increase in taxes payable	124,964	-
Net cash outflow from operations	**(421,816)**	**(843,653)**

26. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable & loans from related parties.

The Group's financial instruments at 30 June 2016 were classified as follows:

	Note	30 June 2016	30 June 2015 $
Financial assets			
Cash and cash equivalents	8	207,682	212,618
Trade and other receivables	9	1,970,619	112,412
Total financial assets		**2,178,301**	**325,030**
Financial liabilities			
Trade and other payables	14	2,799,695	788,322
Borrowings	15	1,078,912	688,063
		3,878,607	**1,476,385**

Fair value versus carrying amounts

All items shown in the preceding table as either financial assets or financial liabilities are short term instruments whose carrying value is equivalent to the fair value. There is not considered to be a material difference between the fair value and the carrying value.

Specific Financial Risk Exposures and Management

The Group's activities expose it to a number of financial risks that include market risk, credit risk and liquidity risk.

(a) Market Risk

i) Foreign exchange risk
The Group does not hold any material financial assets denominated in a foreign currency at the period end, hence it is not exposed to foreign exchange risk.

ii) Interest rate risk
The Group had interest-bearing liabilities during the period, but is not exposed to interest rate risk because the interest rates on their liabilities are set by private agreement, not by reference to market rates. The group does not have any liabilities to financial institutions as at 30 June 2016. As such, sensitivity analysis with regard to movements in interest rates would not be meaningful.

(b) Credit risk
Exposure to credit risk relating to financial assets arises from the potential non-performance of counter-parties of contract obligations that could lead to financial losses to the group.

Credit risk exposures
The Group had no significant concentrations of credit risk.

(c) Liquidity risk
Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through careful cash management policies. In order to meet its short term obligations, the group has the support of several key shareholders who are willing to provide funds to the group on an as-needed basis.

For loans receivable and payable, please refer to Note 9 – Trade and Other Receivables, Note 14 – Trade and Other Payables & Note 15 - Borrowings. Loans are unsecured and have no fixed repayment date.

27. Share Based Payments

No share options have been granted to employees or directors.

28. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

The following reflects earnings and share data used in the earnings per share calculation.

	Year ended 30 June 2016	**Period from 19 September to 30 June 2015 $**
Profit/(loss) for the year	347,379	(900,294)

Weighted average number of shares	10,301,983	7,449,281

29. Subsequent Events

On 7 September, InnovaDerma PLC was admitted to the Official List and to trading on the Main Market of the London Stock Exchange. Trading on the Marche Libre Paris segment of Euronext was suspended on the same date.

On 20 September, 27,000 ordinary shares of EUR 0.10 were allotted.

Aside from the above items, the directors are not aware of any significant events since the end of the reporting period.

30. Company Details

The registered office of InnovaDerma PLC is:

27 Old Gloucester Street
London
United Kingdom
WC1N 3AX

The principal place of business is:

Level 17, 31 Queen Street
Melbourne VIC 3000
Australia