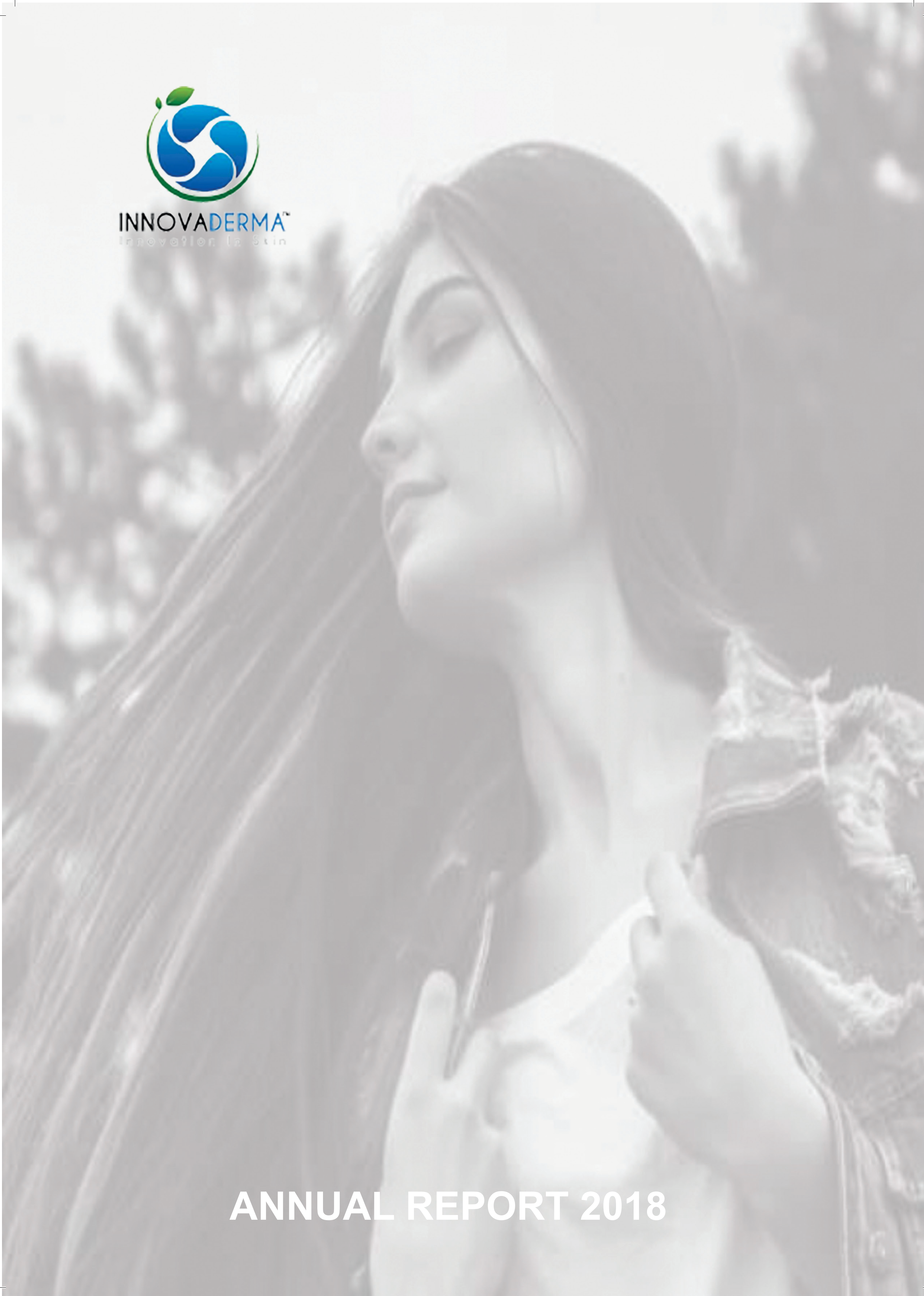

INNOVADERMA™

Innovation In Skin

ANNUAL REPORT 2018

CONTENTS

CONTENTS	Page

INNOVADERMA PLC

CORPORATE DIRECTORY

Directors	Haris Chaudhry Joseph Bayer Rodney Turner Kieran Callan Ross Andrews
Company Secretary	Elemental Company Secretary Limited
Company registration number	09226823
Registered office	27 Old Gloucester Street London United Kingdom WC1N 3AX
Auditor	Greenwich & Co UK 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

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Directors present their strategic report on InnovaDerma PLC and its controlled entities (hereafter “the Group” or “InnovaDerma”) for the year ended 30 June 2018.

Principal activity

InnovaDerma specializes in the research, manufacture and marketing of clinically proven products in life sciences, beauty and personal care products. InnovaDerma has presence in the UK, Europe, US, Australasia, North Asia and Africa.

Financial Highlights

- The Company experienced strong revenue growth reflected in a 21% improvement over the previous year
- Profit before tax of £0.67m was lower due to investments made in brand development and growth
- Excellent performance from Roots Double Effect ("Roots") which delivered almost £1m (£917k) in sales in its first year of launch
- DTC revenue, customer base and reach, increased significantly with this channel delivering record number of orders in the last quarter of FY2018
- The Company remains free of bank or secured debt

Operational Highlights

- The Skinny Tan brand has continued its transformation into becoming a more complete beauty brand with significant product extensions and placement into non-tanning categories
- The successful launch of Roots has provided the Company with a non-seasonal, revenue generating brand which will be supported by a pipeline of new product extensions
- DTC continues to provide a strong platform for sales growth and customer engagement
- Our customer database grew significantly driven by our digital marketing channels

Post-Period End and Outlook

- As announced on 19 September 2018, Skinny Tan™ portfolio to be sold online and in 1,250 of Boots stores from February and March 2019 respectively
- Strong revenue growth and profit improvement expected with significant new retail channels added in the UK and Australia and distributors appointed in multiple global regions
- Supply chain issues resolved with excellent product availability and inventory levels to support expected significant growth
- Outlook for the life sciences portfolio remains strong with the introduction of a new Prolong™ manufacturer which will significantly reduce product costs
- Secured ranging of Charles + Lee™ in Australia’s leading pharmacy groups Terry White Chemmart and Priceline
- Roots expected to add material growth to revenue and profit as it gains momentum through new product line extensions and new distribution opportunities in multiple geographies
- Appointment of Kieran Callan as the UK based CEO to manage the strong growth expected in FY2019

Haris Chaudhry, Executive Chairman of InnovaDerma, said:

"I am pleased to report this has been a year of significant progress and achievement with our brands delivering revenue growth as they penetrate new geographical markets and distributors. Customer centricity lies at the heart of our business and our innovative DTC channel and strong social media engagement enables us to reach our customers and ensures we optimise their experience. Our DTC channel is key to our growth and remains core to retaining and driving brand loyalty.

"In just three years, Skinny Tan has transformed from a bronzing only to a beauty brand, become the most followed self-tanning brand on Facebook and has set the template for other brands to follow successfully. Our in-house developed premium-haircare brand Roots, delivered an excellent performance and it is particularly pleasing that in 12 months, it has secured distribution in UK's leading retail chains, Superdrug, Boots and Tesco. The Company is trading in line with expectations post year end and is well positioned for future revenue and profit growth from our stable of strong brands."

Executive Chairman's Statement

Introduction

I am pleased to report another year of strong progress and achievement for InnovaDerma, one which has seen revenue growth, new product development, product launches and entry into major new retail chains globally.

Group revenues grew strongly by 21% on a constant currency basis to approximately £10.7m (FY2017: £8.9m), primarily driven by our Direct to Consumer ("DTC") channel which delivered a record number of orders in the second half of the year and generated the highest ever monthly revenue in May and June. Profit before tax was £0.67m (FY2017: £1.03m) and lower primarily as a result of significant investments made across the business which were critical to sustaining the future growth and included the launch of Prolong. Stock availability issues for Roots, which have since been resolved, and lower than expected revenue out of the US in June, also contributed to the lower than expected profit versus the original forecast. Our flagship brand Skinny Tan benefitted from new product development and delivered an excellent performance. Roots, our in-house developed premium-haircare range which was launched just one year ago, made a positive contribution to the Group's business and is now available in UK's leading retail chains.

Throughout the financial year, the Company has developed and strengthened its product portfolio and created a bedrock of multiple brands and products which will fuel the growth in revenue and profit expected in FY2019. We developed and launched multiple new sub-brands and extensions for our two core brands, Skinny Tan and Roots. The Charles + Lee and Stevie K Cosmetics product range were also extended, and we created an innovative marketing campaign for Prolong, the world's first FDA-cleared device for premature ejaculation for launch in US and Australia.

Self-tanning

The growth of the Skinny Tan brand has continued, with revenue strengthening year on year during the peak tanning season. The online customer community has grown, and brand loyalty has driven increased orders with the strengthening DTC platform.

Skinny Tan's sales-out for the period to 30 June 2018 has grown significantly. Sales-through the DTC channel were up 20% YoY showing the strength of our DTC model that has underpinned the significant growth of Skinny Tan since it was acquired by the Company in May 2015. The number of SKUs (individual product lines) increased from 31 to 45 during the period. However, as most of these new products were launched in the last quarter of the FY18, we expect the impact of this growth will be evidenced during the new financial year.

Investment into new product development is key to ensuring that Skinny Tan remains at the forefront of the bronzing category and in the period, the Company launched Bum Booster and the Skin Blur range. The Company also launched FACE by Skinny Tan, a range of innovative tanning products formulated for facial use. The exclusivity with Superdrug expires in February 2019 and, to enhance growth, the Company has undertaken increased product development work on multiple product extensions for new retail channels expected in FY2019. The Company has transitioned the brand from tanning-only to an emerging beauty brand and aims to target a much larger market and year-round utility through developing new products aimed at a wider demographic.

The international distribution of Skinny Tan is key to driving global brand awareness and revenue. Post period end, it was announced that Skinny Tan had entered a number of new geographies including France, Germany, Ireland and appointed a significant distributor to open up and manage sales in the Nordic countries including Norway, Sweden, Denmark and The Netherlands. We will also be making our first entry into Canada, and Japan.

Haircare

Roots, a premium haircare brand launched in August 2017, was developed because the Company identified a gap in the market for high quality premium haircare brand that assists in reducing hair loss. It has the advantage of providing consistent revenue throughout the year and, as the brand grows, it will help to offset the seasonality of Skinny Tan. Additionally, it has a target market and client longevity far stronger than the self-tanning market.

The Company sold close to £1m worth of Roots products during the FY2018 despite a limited retail footprint (circa 400 Superdrug stores) and challenges in the availability of the product in its launch year which bodes extremely well with the long-term prospects of the brand. The product has gone from strength to strength and 12 months after launch this highly effective and popular brand is now available in Superdrug (789 stores), Boots (359 of the largest of Boots' 2,500 stores) and from November in Tesco (432 of the largest of 3,000+ stores) which demonstrates our ability to create a popular brand and monetize it within a very short time frame.

Roots was launched with five products and this has now been extended to nine products including heat protect spray, conditioning spray and conditioning mask, which were developed as a result of customer demand/feedback via social media. The majority of these were launched late in the FY and multiple new product lines are in the process of launching throughout the new FY which is expected to double the SKU count this year. The Company believes that Roots will become a significant brand in FY2019 and we are seeking to expand the retail footprint within the UK and elsewhere internationally. Roots has now been registered with the FDA for US launch and Health Canada for an impending launch in Canada during this financial year.

As mentioned above, demand for Roots exceeded supply of available inventory in the second half of FY2018. These supply chain issues have now been addressed and the Company has developed a substantial inventory to supply our own DTC, our retail partners and as and when we launch into other retail chains and new territories.

Cosmetic and Skincare

Charles + Lee is an affordable alternative premium range of men's skin care products, marketed as an effective and understated brand, containing natural and organic ingredients. It is cruelty free and has been certified by the Roundtable on Sustainable Palm Oil (the "RSPO"). Charles + Lee is performing well and gaining good momentum, especially in retail stores. We have extended the brand to incorporate a men's shaving range, oil-free moisturiser and an after-shave balm.

The Company launched Charles + Lee in 30 of Myer's stores (Australia's largest department store chain) in the first half of FY2018 which was subsequently extended to 46 stores. Terry White Chemmart, a retail chain in Australia, began to range its products in August 2018. The brand is beginning to earn recognition internationally and post period end we announced Charles + Lee will make its entry into New Zealand, South Africa and India, one of the fastest growing consumer markets globally.

The brand was presented to Australia's largest Beauty retailer Priceline (with approximately 450 stores nationally) this month and the Company has received confirmation that it will be launched in stores prior to the Christmas peak buying season.

Stevie K Cosmetics is an award winning, mid-priced, bold range of cosmetics with strong branding and eye-catching packaging. During the period the brand's new website was launched, and its lipsticks and eye makeup can be purchased through its DTC platform.

The Company has expanded the product line for Stevie K Cosmetics and remains committed to launching the product in the UK. However, given the competition in the colour cosmetics space and the Company's significant financial investment to expand the product range across Skinny Tan, Roots and

Charles + Lee, it has been decided to defer Stevie K Cosmetics' launch on DTC and retail until we are confident that a successful launch can be monetised and generate a suitable return on investment.

Life Sciences

The Company is seeking to build its life sciences product portfolio, particularly in skincare, by either developing its own devices and or acquiring businesses which are complementary to HeadMaster and Prolong™.

Prolong, the world's only FDA-cleared medical device for premature ejaculation, was launched in the United States and Australia in May. The launch was supported by a highly creative marketing campaign, a first of its kind, ground-breaking sex-positive platform with the aim to normalise and de-stigmatise discussions around sexual health and wellbeing for men. This resulted in the Company selling 622 units during the two-month period (May-June). The Company is seeking CE Mark regulatory approval for Prolong and, once obtained, the device will be launched in the UK and Europe.

The marketing campaigns were scaled back from July owing to a number of Prolong units exhibiting battery switch issues. Consequently, the Company is in discussions with a large manufacturer to start production during the first half of the new FY which will also have the benefit of reducing the cost of each unit by more than 40% compared to the current model. This development ensures that the gross profit margins are increased considerably once marketing has restarted. The packaging of the unit is also being improved and the Company remains confident of a successful relaunch prior to Christmas.

As part of wider global re-launch, the Company has completed Japanese FDA registration through its distributor and is commencing registration both in China and India (two of the largest markets globally) to take advantage of the reduced cost of goods in what is traditionally price sensitive markets.

The Company is in discussions with a number of distributors around the globe to launch the devices in their territories throughout the new financial year. Post-period end, although the marketing campaign has halted, sales are consistent through DTC and is expected to grow once the marketing campaigns are scaled up.

HeadMaster, a wearable FDA-cleared helmet to aid hair generation and reduce hair loss, is expected to augment Prolong as an incremental revenue generator and the Company has placed an order for the first production run and expect to launch the brand in the first half of FY2019.

People

On behalf of the Board, I would like to welcome Kieran Callan to his new role as Chief Executive Officer. Kieran started with us as CEO this month and brings with him more than three decades of experience in senior management and Chief Executive Officer roles with a solid track record of delivering significant and profitable growth. He will be based in the UK and will manage the strong growth expected in FY2019, major new retail chains and the launch of new products. We have a highly dedicated team who work very hard and are committed to making InnovaDerma a truly exceptional business. On behalf of the Board, I would like to thank them all for their quality of work and commitment.

Post-Period End and Outlook

We recognise that as a growth business, we must be prudent on how we allocate our resources to maximise return on investment. Our priority this year will be to grow our core revenue generating brands, Skinny Tan and Roots, and expand the distribution channels for Charles + Lee and Prolong. We remain committed to our other brands and we expect product launches for Headmaster and Stevie K Cosmetics online and in certain territories in FY2019.

In three years, Skinny Tan has been transformed from bronzing-only to a beauty brand with excellent brand awareness - especially in the UK. Our focus will be to continue to grow the brand through our DTC channel, new retail chains and in new territories. Innovation is a key driver to ensuring brand relevance and ensuring we continue to resonate with our customers. We have a healthy innovation pipeline and expect to launch new sub products throughout FY2019 alongside securing new retail chains as the exclusivity with Superdrug expires in February 2019. Skinny Tan remains the most-followed self-tanning brand globally on the world's largest social media platform, Facebook. Skinny Tan is now also positioned to enter a number of new geographies including the Nordic countries Canada and Japan through our fast-growing distributor network.

Roots has the benefit of being non-seasonal, providing us with consistent revenue throughout the year. This exciting brand is now available in Boots and Superdrug and will be available in Tesco from November and our focus will be to expand our retail presence further within UK with new retail channels and deeper distribution within the existing retail channels. This will be augmented by expanding the brand internationally and with continued focus to launch new products for our customers. The Company expects continued roll out of new products throughout FY2019 and expects the number of SKUs to double during the period.

Charles + Lee is making excellent progress having just secured Australia's largest beauty retailer (Priceline) by stores and we expect the brand to be launched in new international markets including South Africa, Canada and India in the coming months. The brand is expected to be launched in the UK this financial year.

The Company is making excellent progress and trading is broadly in line with expectations with Roots continuing to show strong growth. We have an exciting and innovative life sciences portfolio which is in its early stages and expected to make a positive contribution to the Group's performance this FY. Our efforts this financial year will be to secure further distribution deals for Prolong and continue to normalise and de-stigmatise discussions around sexual health and wellbeing for men. Prolong has been well received internationally and we expect to launch the product in new territories including Japan.

In summary, the outlook for the Company is robust, supported by a strong brand portfolio, our ever-growing online DTC channel, international retail and distribution partners and a pipeline of new products.

Finance Director's Review

Overview

The Group delivered solid sales growth, driven predominantly by a robust UK DTC performance, strong Superdrug sales out and a very pleasing Roots introduction to the market. The key focus for the past twelve months has been supporting sales growth through DTC customer acquisition, major new product development and rolling out planned launches. Group revenues grew 21% to £10.7m (FY2017: £8.9m) Profit before tax of £0.67m was lower than the previous year (FY2017: £1.03m).

Operating Results

Costs associated with new product development and launches impacted gross margins and increased operating expenses. Gross margins declined from 63% in FY2017 to 57% in the financial year under review. The combination of product mix in Skinny Tan, which now covers a broader range of price points, and introductory launch offerings of new products into the major retailers have reduced average selling prices. However, we expect benefits will be generated from the expansion of products, price points and channels as the product offering stabilises with the major retailers.

Marketing expenditure was £2.3m, 14% lower than the previous year (FY2017: £2.7m). Whilst spend on launch costs, public relations and associated sales driven initiatives was higher than the previous year, the Group has reflected the significant investment in increasing its customer list as an intangible asset against the respective brands. Overall the direct total customer database has grown 66% from the previous year. This focussed investment has driven the growth in D2C activity over the year and is an integral platform for future growth.

The Group has continued to invest in organisational capability and brand support with the subsequent increase in salary and wage costs. Administration expenses were increased on the previous year primarily due to expansion in our facilities, higher depreciation charge and higher merchant service charges coming from increased DTC volumes.

Other income recorded of £0.08m was significantly lower than the previous period as the volume of intercompany transactions reduced significantly due to less product movement between subsidiaries as manufacturing is now fully consolidated in the UK.

Cash and net debt

The Group continues to carry no external bank debt and has now only £13k of related party loans (FY2017: £0.405m). The Group undertook a capital raising in October 2017 where the issue of 1,600,000 shares realised net proceeds £4.2m. Cash and equivalents was £1.9m as at 30 June 2018, which remains a comfortable level to meet business as usual requirements. Inventory levels increased to £2.9m (FY2017: £2.3m) which reflected the increased product range. Trade and other payables decreased slightly to £2.3m (FY2017: £2.4m).

Taxation

The Group has recognised a tax expense of £0.3m against profit (FY2017: £0.3m). The effective tax rate of 38.1% is an increase over last year (FY2017: 33%) due to the differences in tax rates in subsidiary jurisdictions. We did receive the benefit of an overprovision from previous years which reduced the impact of foreign jurisdictions on the lower UK tax rate.

The Group has recognised a small timing difference as a deferred tax liability.

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	2	2
Other Employees	5	20

By order of the board

Haris Chaudhry
Executive Chairman
02 October 2018

INNOVADERMA PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Directors present their report and financial statements of the Group for the year ended 30 June 2018.

Directors

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

Mr Haris Chaudhry
Mr Joseph Bayer
Mr Rodney Turner
Mr Kieran Callan
Mr Ross Andrews (appointed 26th July 2017)

Company Secretary

The following served as Company Secretary during the period:

Elemental Company Secretary Limited, London.

Meetings of the Directors

During the year to 30 June 2018, the directors attended the following meetings of the board of directors:

	Meetings eligible to attend	Meetings attended
Haris Chaudhry	11	11
Joseph Bayer	11	11
Rodney Turner	11	11
Kieran Callan	11	11
Ross Andrews	10	10

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 business.

Branches outside the UK

The Group's main operations are headquartered in London, United Kingdom. Offices are maintained in Australia, 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 in the 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 it 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 2018, the ordinary share capital of InnovaDerma PLC consisted of 14,376,633 shares, with a nominal value of 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 12th September 2018, 120,000 warrants were exercised at £1.10 and converted into ordinary shares of EUR 0.10.

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 2018, 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 2017	Shares acquired during the period	Shares disposed during the period	Shares held on 30 June 2018
Haris Chaudhry	5,780,220	-	775,000	5,030,222
Joseph Bayer	113,513	-	-	113,513
Rodney Turner	51,097	-	-	51,097
Kieran Callan	11,000	-	-	11,000
Ross Andrews		15,000		15,000

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.

The committee is chaired by Mr Ross Andrews, Mr Rodney Turner is the other participating member. All aspects of key management personnel remuneration are now overseen by the remuneration committee, including the new contracts which have been prepared for the Executive Directors.

The remuneration committee is undertaking a strategic review of the structure of director remuneration to ensure that the correct mix of fixed remuneration and performance-related incentives are provided, to maintain the Company's competitiveness in the corporate marketplace.

Contracts

Directors' remuneration in its various forms was historically agreed by the Executive Chairman but is now overseen exclusively by the remuneration committee. All directors are provided with relevant contracts have been executed prior to the appointment.

Mr Chaudhry's contract is continuous, until terminated by either party. Mr Chaudhry may terminate the contract by giving twenty weeks' notice, in writing.

Mr Bayer's contract is continuous, until terminated by either party. Mr Bayer may terminate the contract by giving twelve weeks' notice, in writing.

All other director's contracts are for a fixed term of two years from the date of their appointments

INNOVADERMA PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Amount of emoluments & compensation

Year to 30 June 2018 **£**	**Salary**	**Superannuation**	**Consultancy Fees**	**Total**	*Total 2017*
Haris Chaudhry	172,786	16,414	-	189,200	184,806
[1] Geert Lemair	-	-	-	-	15,686
Joseph Bayer	109,431	10,396	-	119,827	103,557
Rodney Turner	17,279	1,641	-	18,920	19,546
[3] Clifford Giles	-	-	-	-	16,669
[4] Ross Andrews	-	-	18,831	18,831	-
[2] Kieran Callan	-	-	18,494	18,494	8,236
	299,496	**28,451**	**37,325**	**365,272**	**348,500**

[1] Geert Lemair resigned from the Board on the 10th of January 2017

[2] Kieran Callan was appointed to the board on the 30th of January 2017

[3] Clifford Giles resigned from the board on the 3rd May 2017

[4] Ross Andrews was appointed to the board on the 26th July 2017

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
02 October 2018

Greenwich & Co UK
Level 2, 35 Outram Street, West Perth WA 6005
PO Box 983, West Perth WA 6872 Australia
T + 61 8 6555 9500
www.greenwichco.com

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INNOVADERMA PLC

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with applicable law and IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Whom we are reporting to

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.

What we have audited

The financial report of InnovaDerma PLC for the year ended 30 June 2018, which comprises the following statements:

- Consolidated Statement of Profit or Loss and Other Comprehensive Income,
- Consolidated Statement of Financial Position,
- Consolidated Statement of Changes in Equity,
- Consolidated Statement of Cash Flows,
- Parent Company Statement of Financial Position,
- Parent Company Statement of Changes in Equity, and
- All related notes to the above.

The financial reporting framework that has been applied in the preparation of the Group and parent company financial statements is applicable law and IFRSs as adopted by the European Union.

Overview of Audit Approach

We identified the key audit risks to be revenue recognition, change of presentation currency, and possible impairment of intangible assets.

We set materiality for the Group at 1.5% of revenue: £160,489.

We performed full scope audit procedures over all Group entities at the head office in Melbourne, Australia.

Our Assessment of Risks of Material Misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

REVENUE RECOGNITION

Risk Description	InnovaDerma, as a Group, generates revenues from sales of various health and beauty products, including the Skinny Tan and Leimo lines. The method for recognising revenue varies depending on the type of sale being made: - *Direct to customer sales* These sales are made via the internet, and the sale is recognised at the point of purchase, as the customer has paid and accepted responsibility for the purchase of the good. - *Retail & Wholesale sales* These sales are recognised at the date the stock is segregated from other inventory, ready for collection or delivery in accordance with these customers terms of trade. There is are risks around the timing of revenue recognition of product sales, particularly focused on the contractual terms of delivery and location of sale. In addition, due to the volume of transactions in the year, and the different types of revenue, we have identified revenue recognition as a key risk for our audit. The Group's revenue recognition policy is disclosed in note 1.5.
How the scope of our audit responded to the risk	Our audit work assessed the design and implementation of controls over the recognition of revenue. We tested, in detail, a sample of completed orders around the year end date, with specific focus on recognition conditions for revenue. We assessed the transfer of risk and reward to the customer by reviewing dates of transaction completion on Shopify (the Group's online shopping portal), and dates of stock segregation and dispatch for retail and wholesale sales. **Key Observations**: We noted no material instances of inappropriate revenue recognition arising in our testing.

IMPAIRMENT OF INTANGIBLE ASSETS

Risk Description	Management are required to assess the carrying value of intangible assets and perform an impairment review under IAS 36 *Impairment of Assets* on an annual basis and whenever an indication of impairment exists. At 30 June 2018, the net book value of intangible assets was £5.694m, incorporating goodwill from the acquisition of subsidiaries, as well as brands purchased and external customer lists. Assessment of the carrying value of capitalised development costs and possible impairment is a key risk due to the quantum of the balance recorded on the Group balance sheet, and the number and complexity of judgements involved in assessing the impairment.
How the scope of our audit responded to the risk	We obtained management's impairment review models covering key capitalised development costs. We determined that, of the assumptions underpinning the models, the key assumption was the short-term forecast cash flow projections applied. We focused our assessment on the goodwill arising from the acquisition of InnovaDerma AUS & NZ Pty Ltd, whose brand was showing indicators of potential impairment during the year. We obtained from management, and evaluated in detail, value in use calculations showing future sales of associated product lines. **Key Observations**: We concluded that the assumptions applied in the impairment models were appropriate and no impairments were identified from the work performed.

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of a misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work. We determined materiality for the Group financial statements as a whole to be £160,489, which represents 1.5% of the Group's revenue for the year ended 30 June 2018.

This benchmark is considered the most appropriate because this is a key performance measure used by the Board of Directors to report to investors on the financial performance of the Group.

Materiality for the current year is higher than the level that we determined for the year ended 30 June 2017, reflecting the increase in the Group's revenues during the year to 30 June 2018.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the Group financial statements. We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.

We agreed with the Board that we would report all audit differences in excess of £8,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeprivate. We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We are independent of the Group in accordance with the Auditing Practices Board's Ethical Standards for auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

The Group has operations in the UK, the USA, Australia, and the Philippines, but all are managed by the Group's management, which operates from Melbourne. Through our procedures, all Group entities were subjected to a comprehensive audit approach. Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- undertaking interim procedures before the year end date to evaluate the Group's internal control environment, including IT systems and controls;
- at this visit, we performed an evaluation of the design effectiveness of controls over key financial statement risk identified as part of our risk assessment, reviewed the accounts production process and performed certain transactional procedures for the first nine months of the year in advance of the year end;
- at the final audit visit, we undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks; and
- the scope of the current year audit has remained consistent with the scope of that of the prior year.

Opinion on Other Matters prescribed by the Companies Act 2006

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules, we are required to review:

- the Directors' statements in relation to going concern and longer-term viability, set out on pages 25 and 28; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the Audit Committee which we consider should have been disclosed.

We have nothing to report in respect of any of the above matters.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be

appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the Directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

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 Ethical Standards for Auditors.

Nicholas Hollens.

NICHOLAS HOLLENS

Senior Statutory Auditor for and on behalf of *Greenwich & Co UK*

Statutory Auditor, Chartered Accountants

Perth, Australia

2nd October 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	Year ended 30 June 2018 £	Year ended 30 June 2017 £
Revenue	**7**	10,699,311	8,858,173
Cost of sales		(4,607,346)	(3,281,748)
Gross profit		6,091,965	5,576,425
Other Income		81,715	204,941
Marketing expenses		(2,323,278)	(2,711,126)
Listing expenses		(36,256)	(85,126)
Wages & salaries expenses		(1,698,460)	(1,170,039)
Administrative expenses		(1,446,622)	(785,640)
Profit before tax		669,064	1,029,435
Income Tax expense	**6**	(254,869)	(340,482)
Net profit for the period		414,195	688,953
Other comprehensive income		(16,562)	(157,966)
Total comprehensive income for the period		397,633	530,987
Attributable to:			
Owners of the parent		291,098	350,173
Non-controlling interests		106,535	180,814
Basic & diluted profit/(loss) per share	**28**	£0.03	£0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	As at 30 June 2018 £	As at 30 June 2017 £	As at 30 June 2016 £
Current assets				
Cash and cash equivalents	**8**	1,906,215	207,301	119,687
Trade and other receivables	**9**	1,918,982	1,781,773	1,135,668
Inventory	**10**	2,873,533	2,258,989	638,330
Prepayment and other assets	**11**	180,139	114,705	43,226
Total current assets		6,878,868	4,362,768	1,936,911
Non-current assets				
Property, Plant and Equipment		45,197	127,199	8,277
Intangible assets	**12**	5,694,469	3,645,198	2,005,987
Other assets		30,368	14,031	-
Deferred tax asset	**13**	158,583	115,905	101,879
Total non-current assets		5,928,617	3,902,333	2,116,143
Total assets		12,807,485	8,265,101	4,053,054
Current liabilities				
Trade and other payables	**14**	2,309,132	2,419,332	1,443,754
Current tax payable	**14**	638,778	501,408	169,710
Total current liabilities		2,947,910	2,920,740	1,613,464
Non-current liabilities				
Borrowings	**15**	12,627	404,845	621,777
Deferred tax liability	**16**	3,560	-	4,186
Total non-current liabilities		16,187	404,845	625,963
Total liabilities		2,964,097	3,325,585	2,239,427
Net assets		9,843,388	4,939,516	1,813,627
Equity				
Share Capital	**17**	1,727,771	1,565,905	1,375,404
Share premium		8,219,525	3,890,210	1,405,161
Merger reserve	**18**	(721,132)	(721,132)	(721,132)
Warrant Reserve		132,000	-	
Foreign Exchange reserve		(157,099)	(53,686)	105,040
Non-controlling interest		234,465	164,481	(415,161)
Retained Profit/ (Accumulated Losses)	**19**	407,858	93,738	64,315
Total equity and reserves		9,843,388	4,939,516	1,813,627

These financial statements were approved and authorised for release by the Directors on 02 October 2018 and are signed on its behalf by:

Haris Chaudhry
Executive Chairman

Company Registration Number: 09226823

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 1 JULY 2017 TO 30 JUNE 2018

	Ordinary Share Capital	Share Premium	Merger Reserve	Warrant Reserve	Foreign Exchange Reserve	Accumulated Earnings/ (Losses)	Non-controlling interests	Total Equity
	£	£	£	£	£	£	£	
Balance as at 1 July 2017	**1,565,905**	**3,890,210**	**(721,132)**	**0**	**(53,686)**	**93,738**	**164,481**	**4,939,516**
Comprehensive income								
Profit for the period	-	-	-	-		307,659	106,535	**414,195**
Other comprehensive income	-	-	-	-	(16,562)	-	-	**(16,562)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(16,562)**	**307,659**	**106,535**	**397,633**
Transactions with owners, in their capacity as owners								
Shares issued	161,865	4,836,075	-	-	-	-	-	**4,997,940**
Foreign exchange differences on translation of foreign denominated subsidiaries	-	-	-	-	(86,851)	17,058	-	**(69,793)**
Increase holding in Skinny Tan AU	-		-	-	-	(10,598)	(36,551)	**(47,149)**
Cost of Share Warrant				132,000				**132,000**
Cost of shares issued		(506,760)	-	-	-	-	-	**(506,760)**
Total transactions with owners, in their capacity as owners	**159,382**	**4,329,315**	**-**	**132,000**	**(86,851)**	**6,460**	**(36,551)**	**4,506,238**
Balance at 30 June 2018	**1,727,771**	**8,219,525**	**(721,132)**	**132,000**	**(157,099)**	**407,857**	**234,465**	**9,843,388**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 1 JULY 2016 TO 30 JUNE 2017

	Ordinary Share Capital	Share Premium	Merger Reserve	Foreign Exchange Reserve	Accumulated Earnings/ (Losses)	Non-controlling interests	Total Equity
	£	£	£	£	£	£	
Balance as at 1 July 2016	**1,375,404**	**1,405,161**	**(721,132)**	**105,040**	**(415,161)**	**64,315**	**1,813,627**
Comprehensive income							
Profit for the year	-	-	-	-	508,139	180,814	**688,953**
Other comprehensive income	-	-	-	(157,966)	-	-	**(157,966)**
Total comprehensive income for the year	**-**	**-**	**-**	**(157,966)**	**508,139**	**180,814**	**530,987**
Transactions with owners, in their capacity as owners							
Shares issued	187,114	2,563,783	-	-	-	-	**2,750,897**
Acquisition of intellectual property- C+L and Stevie K™	3,387	27,613	-	-	-	-	**31,000**
Purchase of additional interest in Skinny Tan™ Pty Ltd	-	-	-	-	-	(80,648)	**(80,648)**
Cost of shares issued	-	(106,347)	-	-	-	-	**(106,347)**
Total transactions with owners, in their capacity as owners	**190,501**	**2,485,049**	**-**	**-**	**-**	**(80,648)**	**2,594,902**
Balance at 30 June 2017	**1,565,905**	**3,890,210**	**(721,132)**	**(52,926)**	**92,978**	**164,481**	**4,939,516**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD 1 JULY 2017 TO 30 JUNE 2018

	Note	Year ended 30 Jun 2018	Year ended 30 Jun 2017
		£	£
Cash flows from operating activities			
Receipts from customers		10,562,102	8,212,042
Payments to suppliers and employees		(10,454,037)	(8,820,953)
EDMG Grants		35,902	59,149
Taxes Paid		(42,678)	(56,784)
Interest received		1,029	25
Net cash used by operating activities	**25**	102,318	(606,521)
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,861)	(118,922)
Payments for product development/Intangibles		(2,049,271)	(117,163)
Net cash used by investment activities		(2,063,132)	(236,085)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Proceeds from issue of shares		4,416,000	1,529,630
Repayments of borrowings		(392,218)	(138,508)
Payments for convertible notes		-	(68,233)
Transaction costs for shares issued		(506,760)	(106,347)
Net cash from financing activities		3,517,022	1,216,542
Increase in cash and cash equivalents		1,556,209	373,936
Cash and cash equivalents at the beginning of the period		207,301	119,687
Effect of movement in foreign exchange rates		142,705	(286,322)
Cash and cash equivalents at the end of the period	**8**	1,906,215	207,301

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	As at 30 June 2018 £	As at 30 June 2017 £
Current assets			
Cash and cash equivalents		1,568,170	-
Prepayments		10,550	-
Total current assets		1,578,720	-
Non-current assets			
Intercompany Receivable	20	4,998,093	3,058,612
Investment In subsidiaries	21	2,312,379	2,057,865
Product development		215,571	-
Total non-current assets		7,526,043	5,116,477
Total assets		9,104,764	5,116,477
Current liabilities			
Trade and other payables		(62,191)	137,069
Total current liabilities		(62,191)	137,069
Total liabilities		(62,191)	137,069
Net assets		9,166,954	4,979,408
Equity			
Share Capital	17	1,727,771	1,565,905
Share premium	17	8,219,525	3,890,210
Warrant Reserve		132,000	-
Foreign Exchange reserve		(109,337)	(109,338)
Accumulated Losses		(803,004)	(367,369)
Total equity and reserves		9,166,954	4,979,408

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 $435,635. The company had no cashflow in the period, and therefore no cashflow statement has been prepared.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 1 JULY 2017 TO 30 JUNE 2018

	Ordinary Share Capital	Share Premium	Warrant Reserve	Foreign Exchange Reserve	Accumulated Earnings/ (Losses)	Total Equity
	£	£	£	£	£	
Balance as at 30 June 2017	**1,565,905**	**3,890,210**	**-**	**(109,338)**	**-367,369**	**4,979,408**
Comprehensive income						
Profit for the period	-	-	-		(435,635)	**(435,635)**
Other comprehensive income	-	-	-		-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(435,635)**	**(435,635)**
Transactions with owners, in their capacity as owners						
Shares issued	161,866	4,836,075	-	-	-	**4,997,941**
Foreign exchange differences on translation of foreign denominated subsidiaries	-	-	-	-	-	**-**
Cost of Share Warrant	-		13,2000	-	-	**132,000**
Cost of shares issued	-	(506,760)		-	-	**(506,760)**
Total transactions with owners, in their capacity as owners	**161,866**	**4,329,315**	**132,000**	**-**	**-**	**4,623,181**
Balance at 30 June 2018	**1,727,771**	**8,219,525**	**132,000**	**(109,338)**	**(803,004)**	**9,166,954**

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 2018. 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.

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 Foreign Currencies

Functional and presentation currency
An entity's functional currency is the currency of the primary economic environment in which it operates. Since incorporation, InnovaDerma PLC has had global operations, with its trading subsidiaries using different functional currencies including British pounds, Australian dollars, and United States dollars, reflective of their local operating environments.

At 1 July 2016, the directors reviewed the Group's spread of economic activity in its different functional currencies and decided to change the presentation currency of the Group from Australian Dollars to British Pounds. The directors believe this will better reflect the levels of activity within the Group, as well as enhance comparability with its industry peer group. The change in presentation currency represents a voluntary change in accounting policy and has been applied retrospectively.

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.

1.5 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.

1.6 Finance income

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

1.7 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.

Digital Asset
A specific website/e-commerce platform developed by InnovaDerma PLC is an intangible asset, and therefore subject to the same recognition and measurement requirements. Expenditure on websites in existence (which were previously expensed in prior financial statements) cannot be later recognised as part of the cost of an intangible asset at a later date.

The stages of a website's development and treatment of these expenditures is as follows:

a) Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
b) Application and Infrastructure Development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing
c) Graphical Design Development – includes designing the appearance of web pages.
d) Content development – includes creating, purchasing, preparing and uploading information, either textual or graphical in nature, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Accounting treatment - providing for purposes other than to advertise and promote InnovaDerma's products (e.g. digital photographs of products) and not previously recognised as an expense, then to capitalise.

Amortisation Useful life, InnovaDerma is to assess whether the useful life of an intangible asset is finite or indefinite. An intangible asset has an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. An intangible asset with a finite useful life is to be amortised over its useful life. The amortisation method should reflect the pattern in which the asset's future economic benefits are expected to be consumed. If that pattern cannot be determined reliably, the straight-line method is to be used. Amortisation is to be charged in relation to the asset from the first day that it is put into use and to cease at the earlier of the date that the asset is classified as held for sale in accordance with AASB 5 Non-Current Assets held for Sale and Discontinued Operations and the date that the asset is derecognised.

The amortisation period and method for an intangible asset with a finite useful life are to be reviewed at least at the end of each annual reporting period. If the expected useful life or expected pattern of consumption of the future economic benefits is different from previous estimates, the amortisation period or the method is to be changed accordingly. Guidance given in relation to amortisation of websites is that the best estimate of a website's useful life shall be short.

Intangible assets with an indefinite useful life are not to be amortised.

An intangible asset shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising is to be recognised in the statement of comprehensive income when the asset is derecognised. Gains must not be classified as revenue, but shown as a gain in the statement of comprehensive income.

Operating stage – follows completion of development, when InnovaDerma is maintaining and enhancing the applications, infrastructure, graphical design and content of the website.

Accounting treatment – recognise as an expense when incurred unless the definition and recognition criteria still apply, and these costs have been subsequently incurred in order to add to, replace part of or service the existing intangible asset.

This does not apply to expenditure on purchasing, developing, and operating hardware (e.g. web servers, staging servers, production servers and laptops) of a website. This expenditure is to be accounted for in line with IAS 16.

Customer Lists

Separately Identifiable Direct costs incurred in the creation of Customer Lists (Lists of previous buyers maintained in order to continue business relationship) are recognised as an intangible asset, in accordance with the provisions of IAS 38. The asset is an identifiable asset from which future economic benefits are expected. InnovaDerma has full control over the databases as they are linked to website domains and only the Company can engineer the data. InnovaDerma generates close to 50% of its Group revenue from direct to consumer (DTC) sales. A material proportion of sales are driven by customer lists and the economic value to the business of this customer list is an integral component of the future of the business.

Costs have been recognised with the specific task of customer acquisition and include the relevant costs from digital suppliers and other avenues where the intention is to grow the lists.

Amortisation Useful life, InnovaDerma is to assess whether the useful life of an intangible asset is finite or indefinite. An intangible asset has an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. An intangible asset with a finite useful life is to be amortised over its useful life. The amortisation method should reflect the pattern in which the asset's future economic benefits are expected to be consumed. If that pattern cannot be determined reliably, the straight-line method is to be used.

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

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 Goods and Services Tax (GST) & Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the Australian Taxation Office (ATO) or HER MAJESTY'S REVENUE & CUSTOMS (HMRC)

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

1.15 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.

1.16 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.

1.17 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.

For salaries paid (all by the UK subsidiary):

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity which in the UK is NEST (National Employment Savings Trust).

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.

1.18 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 segments were 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 2017 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 2017 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 to the debts of its subsidiary.

Contingent Liabilities
At 30 June 2018, InnovaDerma PLC did not have any contingent liabilities.

Contractual Commitments
At 30 June 2018, InnovaDerma PLC had not entered into any contractual commitments.

3. Operating segments

The Group has three (3) geographical/regional segments it operates in the United Kingdom, the United States of America, and the Asia Pacific region respectively. Each region is subject to differing rates of profitability, stage of development, opportunities for growth, future prospects, and risks in the Group's growth stage. The Group's internal management and reporting structure is geographically structured with senior executives responsible for each region. We have specific customers in line with these regions and have acquired assets within each region.

	Year ended 30-Jun-18 £	Year ended 30-Jun-17 £
Revenue by Geographical region		
United Kingdom	9,563,773	7,215,482

United States of America	650,535	919,018
Australia/NZ/Asia	485,003	723,673
	10,699,311	**8,858,173**

	Year ended 30-Jun-18 £	Year ended 30-Jun-17 £
Assets by Geographical region		
United Kingdom	9,957,818	5,091,029
United States of America	825,388	478,593
Australia/NZ/Asia	2,024,279	2,695,479
	12,807,485	**8,265,101**

4. Operating profit/(loss)

The following items have been included in arriving at the operating profit:

	Year ended 30-Jun-18 £	Year ended 30-Jun-17 £
Expenses:		
Directors' remuneration	365,272	348,500
Depreciation	109,251	13,137
Auditor's remuneration		
- As auditors (for parent company and consolidation)	33,625	20,659
- Taxation compliance (for parent company and subsidiaries)	2,659	3,542

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-Jun-18 £	Year ended 30-Jun-17 £

Staff costs for the Group during the period:		
Wages and salaries	1,548,165	1,115,912
Pension costs (including superannuation)	150,295	54,127
	1,698,460	**1,170,039**

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

	Year ended 30-Jun-18	**Year ended 30-Jun-17**
Management staff	5	5
Other employees	29	19
	34	**24**

6. Taxation

	Year ended 30 June 2018 £	**Year ended 30 June 2017 £**
Current Tax		
Current tax on profits in the period	395,955	345,651
Deferred tax expense	(39,117)	(44,644)
Under/over provision for income tax	(101,969)	39,475
Income Tax Expense	**254,869**	**340,482**

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 19% due to tax on subsidiaries located in higher tax jurisdictions. The differences are explained below:

	Year ended 30 June 2018 £	**Year ended 30 June 2017 £**
Profit before taxation	669,064	1,029,435
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 19%	127,122	195,785
Differences in tax rates in subsidiary jurisdictions	115,111	67,352
Effect of change in tax rate	18,612	(931)
Excluded (gain)/loss from foreign jurisdictions	95,708	38,801
Losses carried forward	-	-

Under (over) provision in prior years	(101,969)	39,475
Permanent differences	285	-
Total current tax	**254,869**	**340,482**

7. Revenue

	Year ended 30-Jun-18 £	Year ended 30-Jun-17 £
Haircare Products	997,206	144,837
Life Science devices	101,429	0
Skin & Beauty Products	9,600,675	8,713,336
	10,699,311	**8,858,173**

8. Cash and cash equivalents

	30-Jun-18 £	30-Jun-17 £
Cash at bank	**1,906,215**	**207,301**

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-Jun-18 £	30-Jun-17 £
Trade Receivables	**1,918,982**	**1,781,773**

10. Inventory

	30-Jun-18 £	30-Jun-17 £
Finished goods (Leimo)	105,855	117,645

Finished goods (Charles & Lee and Stevie K)	149,513	47,563
Finished Goods (Prolong	74,465	-
Finished Goods (Roots)	106,620	-
Finished goods (Skinny Tan)	2,263,204	2,093,781
Stock Material (Work in Progress)	173,876	-
	2,873,533	**2,258,989**

The costs of inventories recognised as an expense and included in cost of sales amounted to £3,284,379 for the year.

11. Prepayments and Sundry Assets

	30-Jun-18	30-Jun-17
	£	£
Deposits held	7,021	12,351
Prepayments	165,770	77,937
Input tax	0	17,412
Sundry assets	7,348	7,006
	180,139	**114,706**

12. Intangible Assets

Group:

	30-Jun-18	30-Jun-17
	£	£
Goodwill (Skinny Tan)	402,357	357,852
Customers Lists	1,240,435	-
Goodwill (Leimo)	1,862,847	1,604,595
Brands (Charles+Lee and Stevie K)	38,482	-
Digital Asset (Prolong)	139,870	-
Intellectual Property (Ergon)	1,463,370	1,333,721

Development Costs	547,107	349,030
	5,694,469	**3,645,198**

Movement in capitalised development costs:

	30-Jun-18	**30-Jun-17**
	£	**£**
Balance brought forward	294,715	54,315
Development expenditure during the year	252,392	294,715
	547,107	**349,030**

*Refer to note 1.7 for definition and recognition criteria for intangible assets

13. Deferred tax asset

	30 June 2018	**30 June 2017**
	£	**£**
Deferred tax items recognised in income statement:		
- Other timing differences	16,161	40,031
- Income tax losses	142,422	75,874
	158,583	**115,905**

14. Trade and other payables

	30-Jun-18	**30-Jun-17**
	£	**£**
Trade payables	1,392,803	1,583,801
Other payables	930,114	835,572
Current tax payable	624,993	501,367
	2,947,910	**2,920,740**

15. Borrowings

	30-Jun-17	**30-Jun-16**
	£	**£**

General Borrowings	12,627	404,845
	12,627	**404,845**

16. Deferred tax liability

	30 June 2018 £	30 June 2017 £
Deferred tax items recognised in income statement:		
- Other timing differences	3,560	-
	3,560	**-**

17. Contributed equity

2017/18	No. of shares	Share Capital £	Share Premium £
Opening balance as at 1 July 2017	12,569,556	1,565,905	3,890,210
Shares issued during the year	1,807,077	159,381	4,836,075
Share issue costs	-		(506,760)
Balance as at 30 June 2018	**14,376,633**	**1,725,286**	**8,219,525**

2016/17	No. of shares	Share Capital £	Share Premium £
Opening balance as at 1 July 2016	10,318,535	1,375,404	1,405,161
Shares issued during the year	2,251,021	190,501	2,591,396
Share issue costs	-	-	(106,347)
Balance as at 30 June 2017	**12,569,556**	**1,565,905**	**3,890,210**

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)	721,187
Nominal value of share capital acquired	(55)
Value of Merger Reserve	**721,132**

19. Retained Profits

	30-Jun-18	30-Jun-17
	£	£
Balance brought forward	93,738	(415,161)
Profit for the period	314,1120	508,899
Balance carried forward	**407,858**	**93,738**

20. Intercompany loan – parent company

	30-Jun-18	30-Jun-17
	£	£
Balance brought forward	3,058,612	1,865,784
Movement in funds	(1,939,481)	(1,192,828)
Balance carried forward	**4,998,093**	**3,058,612**

21. Investment in subsidiaries

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

Company Name	*Date of Acquisition*	*Percentage Holding 30 June 2018*	*Percentage Holding 30 June 2017*
InnovaDerma AUS & NZ Pty Ltd	28 November 2014	100%	100%
InnovaDerma International Limited	28 November 2014	100%	100%
InnovaDerma NZ Limited	28 November 2014	100%	100%
ID Philippines Inc	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 (a)	28 May 2015	93%	91%
SkinnyTan UK Limited (a)	28 May 2015	93%	91%
Ergon Medical Limited	28 April 2017	100%	100%

a) During the year, InnovaDerma PLC paid £208,991 to acquire a further 2% of Skinny Tan Pty Ltd, and through direct holding, SkinnyTan UK Limited. This was satisfied by the payment of $173,724 and 37,186 shares in InnovaDerma Plc

22. Related party transactions

Name	Transaction	Amount received from/ (paid to) in year 2018 £	2017 £	Amount due from/(to) related party 2018 £	*2017* £
Farris Marketing Concepts Pty Ltd	Loan payable[1]	(85,395)	-	-	89,502
Cygenta Capital & Advisory	Provision of services[2]	(26,773)	-	-	-
Graise Partners International Pty Ltd	Provision of services[2]	(3,078)	-	-	-
Zaymar Investments Pty Ltd	Loan payable[1]	(292,274)	(138,508)	(13,186)	(320,231)
Mr Haris Chaudhry	Loan payable[1]	160	1,470	1,552	-

[1] These loans are interest free and unsecured.

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

Variation in Amount due to Farris Marketing between 2017 and 2018 due to valuation of AUD loan in GBP as at 30 June 2017

Nature of related parties

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

Cygenta Capital & Advisory Pty Ltd is a related party of Mr Joseph Bayer, the Executive Director.

Graise Partners International Pty Ltd is a related party of Mr Rodney Turner, a Non-Executive Director.

23. Key Management Personnel

All transactions with key management personnel (the directors) during the year ended 30 June 2018 are disclosed below:

Year to 30 June 2018 ***£***	**Salary**	**Superannuation**	**Consultancy Fees**	**Total**	*Total 2017*
Haris Chaudhry	172,786	16,414	-	189,200	184,806
Geert Lemair	-	-	-	-	15,686
Joseph Bayer	109,431	10,396	-	119,827	103,557
Rodney Turner	17,279	1,641	-	18,920	19,546
Clifford Giles	-	-	-	-	16,669
Ross Andrews	-	-	18,831	18,831	-
Kieran Callan	-	-	18,494	18,494	8,236
	299,496	**28,451**	**37,325**	**365,272**	**348,500**

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

24. Commitments and contingencies

At 30 June 2018, the Group did not have any contingencies.

At 30 June 2018, the Group had an obligation to pay £69,353 in rent for the forthcoming 12 months, under a non-cancellable operating lease.

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

	30-Jun-18 **£**	**30-Jun-17** **£**
Profit after income tax	414,195	688,953
Depreciation	95,863	13,136
(Increase)/decrease in trade and other receivables	(218,980)	(981,290)
(Increase)/decrease in inventories	(614,544)	(1,620,659)
Increase in trade and other payables	27,170	1,307,276
Increase/(decrease) in payables settled by Shares	449,940	-
(Increase)/decrease in foreign exchange gains/losses	(8,648)	4,275
Increase/(decrease) in taxes payable	(42,678)	(18,212)

Net cash outflow from operations	102,318	(606,521)

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 2018 were classified as follows:

	Note	30-Jun-18 £	30-Jun-17 £
Financial assets			
Cash and cash equivalents	**8**	1,906,215	207,301
Trade and other receivables	**9**	1,918,982	1,781,773
Total financial assets		**3,825,197**	**1,989,074**
Financial liabilities			
Trade and other payables	**14**	2,947,910	2,920,740
Borrowings	**15**	12,627	404,845
		2,960,537	**3,325,585**

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 2018. 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 during the current or preceding financial year. In this Financial year, an exercisable warrant for 120,00 shares at £1.10, were issued to a supplier for services provided. This warrant was exercised and the new shares issued on 18 September 2018.

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-Jun-18	**Year ended 30-Jun-17**
	£	**£**
Profit/(loss) for the year	414,195	688,953
Weighted average number of shares	13,891,362	11,395,485

29. Subsequent Events

On the 12th of September 2018 the Warrants issued where exercised at £1.10 per share with total payment to the company being £132,000 as per agreement.

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 10, Suite 1031, 1 Queens Road
Melbourne VIC 3004
Australia