INNOVA DERMA™
Innovation In Skin

2019 Annual Report

CONTENTS

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 2 267 St George's Terrace PERTH WA 6000 Australia
Domicile of the company	United Kingdom
Country of incorporation	England and Wales
Legal form of entity	Public Limited Company
London Stock Exchange Code	IDP

The Directors present their strategic report on InnovaDerma PLC and its controlled entities (hereafter "the Group" or "InnovaDerma") for the year ended 30 June 2019.

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

	FY2019	FY2018	% change
Revenue*	£12.9m	£10.7m	+21%
Gross profit	£8.1m	£6.1m	+32.8%
Gross margin	63%	57%	+600bps
Profit before tax	£1.4	£0.7	+100%
Basic EPS (pence)	7p	3p	+133%
Cash and cash equivalents	£2.0	£1.9	+5%

**on a constant currency basis*

Operational Highlights

- Significantly increased national distribution of Skinny Tan - in c.2,300 stores (FY2018: c.800)
- Highly successful launch of Wonder Serum - No.1 SKU (Stock Keeping Unit) in its category in Boots regularly since launch
- Roots secured several new retail distribution channels, including Tesco, and multiple product extensions launched
- DTC customer base grew strongly, delivering record number of orders in H2 2019 with revenue up 22% on the previous year
- Multiple new international retail and distribution opportunities secured for Skinny Tan, Roots and Prolong

Outlook

- A very positive start to the new financial year with current trading being in line with management's expectations
- Skinny Tan will benefit from a full-year contribution from ranging in Boots in FY2020
- Significant new retail and DTC channels added in UK, US and Australia and distributors appointed in multiple regions globally expected to contribute to future growth
- Roots development will be accelerated by a new social media campaign and the roll out of new products
- Major new product launch with multiple SKUs intended to disrupt a large new category in H2 generated by the in-house team for DTC and retail channels
- Prolong expected to make a significant contribution to current FY driven by DTC channel and multiple distribution contracts signed covering eight countries with minimum-order quantities
- Implementation of a new ERP to facilitate management of rapid growth
- Supply chain being consolidated to ensure inventory management has the capability to support expected growth

Haris Chaudhry, Executive Chairman of InnovaDerma, said:

“I am very pleased to report an excellent set of results and a year of strong operational progress. Despite retail headwinds, we have delivered an impressive 21% rise in revenue and doubled profit before tax with good gross margin improvement. Our performance has been supported by the disciplined execution of our strategy, continuous product innovation to disrupt our markets and leveraging consumer desire for unique and high performing products.

“We are excited about the opportunities that lie ahead, supported by a near term major launch in a new category, fast-growing retail footprint and with a robust foundation in place, the Group is well placed to generate further growth. The year has started very positively, and current trading is in line with management’s expectations.”

Executive Chairman's Statement

Introduction

I am pleased to report an excellent set of results and a period of significant progress underpinned by our execution of three clear strategic aims as outlined at our interim results: to leverage commercial opportunities secured with retail partners and distributors; to grow our DTC channel and focus on new product development. This focus has enabled us to deliver strong growth across our key performance indicators. Revenue increased by 21% to £12.9m and profit before tax doubled to £1.4m. These results were achieved in the context of a volatile economic environment and a challenging retail sector.

Retail partners and distribution channels

We have well-established and deep relationships with our retail partners and distributors enabling us to range our brands in the UK and internationally. During the year, Skinny Tan secured ranging in more than 1,300 stores in Boots and together with Superdrug, our core brand is now available in more than 2,000 stores in the UK. Roots, our haircare range has extended its distribution and is now available in 1,800 stores in the UK (FY2018: c.400) and now sold in Canada. Charles + Lee, our men's skincare range has received positive feedback internationally and completed its entry into New Zealand and secured opening orders in South Africa. In our Life Sciences business, Prolong successfully secured two distribution agreements in Hong Kong and eight Middle Eastern countries and established minimum-order quantities in excess of 6,000 devices for the first contractual year.

Project innovation

Accelerating growth through innovation is a key driver of the business. Consumer tastes, trends and expectations are continuously changing. There is a growing trend towards more natural, organic and highly effective ingredients which is influencing the pace and the way in which we innovate. Our disciplined execution has delivered highly successful new product launches including Wonder Serum by Skinny Tan which combines self-tanning technology, with anti-aging, anti-oxidant and hydrating skincare ingredients. The product was very well-received, achieving positive often five-star reviews from our customer base and is regularly the best-selling product in its category in Boots. Roots, our haircare range also benefitted from new product development and the brand now has 14 products for a range of different hair types. Charles + Lee, our affordable alternative premium range of men's skin care products is growing in popularity and we have extended the product range to include shave care to capitalise on the growing trend in men's grooming.

DTC channel

Our DTC channel is an important platform to engage directly with our customers and is key to our marketing campaigns. Digital and online shopping has changed the retail industry and since InnovaDerma was founded, our strategy has always embraced the opportunities presented by the digital transformation across marketing, social media and e-commerce. Our digital strategy has differentiated and strengthened our business. In H1 2019, following changes in the Facebook algorithm, we implemented a new DTC strategy which encompasses complimentary channels such as Instagram, Google, Ad Roll and Taboola to provide us with depth and breadth of consumer engagement. This has enabled us to deliver strong growth of the DTC channel with our customer base growing by c.50% to more than 600,000. Our DTC channel also delivered a record number of orders in H2 2019 and revenue is up 22% on the previous year.

Growth strategy

We delivered strong results, with solid execution this financial year. The Board believes there are significant opportunities to grow the business and our focus in FY2020 will be based on the following initiatives to generate further growth over the long term:

- Skinny Tan performed very well in Boots and we will seek additional ranging and increased store depth as the category review process commences. This will be underpinned by the benefit of having a full year revenue contribution from the account. Our core brand will bring a number of innovative new products to market during the year to ensure the brand remains at the forefront of category development and to capitalise on the success of products such as Wonder Serum, which demonstrates the ability of the brand to compete effectively in skincare and skin conditioning;

- Superdrug will launch an exclusive Skinny Tan limited edition range in time for Christmas 2019 and also create a major feature around a specially designed gift pack;

- The DTC channel will receive major investment through the addition of Artificial Intelligence, a 360-degree strategy for comprehensive consumer engagement and contracting of a proven digital sales platform to drive revenue. This is a multi-market strategy covering the UK, US and Australia;

- Roots will receive major marketing investment to capitalise on the increase in store presence in Boots. This will be supported by the roll out of new product development;

- In international markets, Roots will continue to build its presence in existing and new geographies including India and the EU through our new distributor relationships;

- Charles & Lee will continue to build in Australia and New Zealand driven by a strong pipeline of new product development. New opportunities will be developed in international markets. In addition, we will continue our discussions with a key UK retail partner for a launch in H2. Charles & Lee is in the process of being launched in the US and UK markets through our DTC channel. We believe there is a strong fit between the brand and social media as a method of engaging with consumers; and

- Innovative new product with multiple SKUs in a new category on the topical side of our business is planned for launch in H2. The product is to be launched with an initial 12 SKUs and has been formulated and designed with the intention to disrupt a large category. Our new brand has been generated by the in-house new product development team.

People

On behalf of the Board, I would like to thank the highly dedicated team who worked so diligently to deliver this strong year of continued growth for the business. I am always impressed by their hard work, creativity and commitment to our business. In order to sustain our growth trajectory, the business has invested in additional personnel for our DTC channel, in addition to retail management in the UK. This ensures we have the skills and capacity to deliver on the strategies and plans we have developed.

Outlook

The new financial year has begun very positively, and current trading is line with management's expectations. We look forward to a year of significant growth both in terms of revenue and earnings. We are excited about our new product launches, especially the new category we will be entering later this year. This combined with our expanded retail and DTC channels, both for topical and life science products, gives us much confidence in the business and its future growth opportunities.

CEO Statement

The period under review marked a strong year of progress for the Company. We have secured new distribution channels in the UK and internationally, released category leading products and strengthened our digital platform.

Topical

Self-tanning

The growth of the Skinny Tan has continued, with the brand securing the number two or three self-tanning brand in Boots (depending on the period) and the exclusive Wonder Serum product regularly being the number one SKU across the total category. The online customer community has also grown, particularly on Instagram and the business has implemented a 360-degree multi-platform strategy to ensure we exploit all growth channels in the DTC environment.

Skinny Tan's sales for the period to 30 June 2019 has grown significantly. Sales through the DTC channel was up 22% year on year which reflects 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 increased from 45 to 58 during the period. These new products are being progressively rolled into distribution which will support further growth during the new financial year.

Off the back of the fantastic success of Wonder Serum, additional new product development is being undertaken in the serums format to bring new and additional product benefits to consumers. It is essential that Skinny Tan remains at the forefront of the bronzing category and is seen as an innovator.

The brand continues its transition from bronzing-only to an emerging beauty brand and it is targeting a much larger market and year-round utility through developing new products aimed at a wider demographic.

The international distribution of Skinny Tan has been an area of specific focus as it represents the next major growth opportunity for the brand. Post period end, Skinny Tan entered into a new DTC marketing agreement in the US with a major digital marketing organisation. It has also relaunched in Australia via our DTC channel with encouraging early results. Our Canadian distributor is seeking distribution for the 2020 season and in Europe discussions are under way to potentially launch Skinny Tan with a new distributor in certain regions.

Haircare

Roots continues to develop as a premium haircare range which assists in reducing hair loss. It has delivered consistent revenue throughout the year achieving one of our key objectives of offsetting the seasonality of Skinny Tan. Additionally, unlike Skinny Tan, it has global applicability providing a huge potential target market.

The brand now has distribution in Boots, Superdrug, Tesco and Asda. In the case of Boots, its shelf presence was doubled, and new SKU's were added in the range review which went live in store in July. This is a major vote of confidence in the brand and we have planned a comprehensive marketing support programme to fully capitalise on this opportunity.

Roots has continued to evolve and has launched new products to cater for both coloured hair, with a 'Protect' range, and specific hair types such as curly hair. The 'Curls' product forms part of the Boots range expansion. The brand now has 14 (up from the original five) products in total providing a comprehensive offering to meet the needs of consumers across a wide range of hair types and conditions.

Roots was launched into its first retail distribution in Canada this year and our partner there is pursuing additional opportunities. It is also close to completing registration for the Indian market and opening orders will be received as soon as this has been finalised.

Skincare

Charles + Lee is our affordable alternative premium range of men's skin care products and has had a breakthrough year in FY2019. The Company launched Charles + Lee initially in 30 of Myer's stores (Australia's largest department store chain) and then followed up with a hugely successful Christmas gift pack. This earned it an extension to all stores. The brand went on to secure ranging in Australia's largest Beauty retailer Priceline (with approximately 450 stores nationally) and Terry White Chemmart, a retail pharmacy chain in Australia.

The brand is demonstrating that it has international appeal having successfully completed its entry into New Zealand and secured opening orders in South Africa. The registration process for the Indian market is under way and opening orders will be received as soon as this is finalised.

In the UK we have had extensive discussions with our key retail partners with a positive response. We will continue to develop these opportunities with the objective of converting them in FY2020.

The brand continues to innovate and has added a number of exciting and very well received products during the year. The shave range and the hair and body wash have been particularly successful. The range now consists of 16 SKU's and three different gift sets.

Life Sciences

Prolong

Life Science has made significant progress throughout the period. Prolong delivered very promising revenue growth with average gross margins in excess of 65% during the period. The Company recommenced marketing for Prolong in USA and Australia in Q2 of calendar year 2019 which has created momentum and supported our revenue generation.

The Company had been negotiating exclusive contracts with distributors worldwide throughout the period. As a direct result, we have signed two major distribution agreements in Hong Kong and eight Middle Eastern countries and established minimum-order-quantities in excess of 6,000 for the first contractual year. The Company expects to secure more distribution contracts throughout the current FY which will support incremental and strong revenue generation combined with increasing DTC sales.

Outside of the US, Australia and New Zealand where the Company already has regulatory approvals, it undertook regulatory approvals process for Hong Kong, China, India, Canada, UK, Europe & GCC countries. The Company's objective is to broaden its distribution where it has regulatory approvals thereby growing Prolong's revenue and profit base through the incremental distribution contracts and DTC channels.

GrowLase

The Company has secured inventory of its FDA-cleared hair loss helmet, GrowLase, during the period and is creating various online platforms to enable it to generate scale.

As part of ensuring the product remains an attractive proposition to its target audience, is competitive amongst other hair loss devices and to ensure recurring sales, the Company embarked on two separate projects:

- Obtaining visual-evidence of progress amongst dozens of men and women suffering from hair loss through a third party-managed process using GrowLase. Before and after images will then be used in all our marketing
- Designing a new wet-products regime with GrowLase branded shampoo, conditioner, day serum and spray.

Both projects are expected to complete in the first half of this financial year with the objective of bringing the expanded range of product lines under the GrowLase brand to a far wider and geographically diverse client base through our DTC platform and distribution channels globally and adding annuity streams through repeat purchases after the initial purchase.

As our distribution channels grow in Life Sciences and begin to contribute a material level of annualised revenue and profit, the Company would seek to acquire new products that would benefit from its DTC platform and distribution channels.

Finance Director's Review

Overview

The Group delivered a strong revenue performance, driven predominantly by our UK DTC platform and our retail channels. In addition, Roots contributed strongly in the year under review. 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 £12.9m (FY2018: £10.7m). Profit before tax rose by 100% to £1.4m (FY2018: £0.7m).

Operating Results

Gross margins increased 600bps from 57% in FY2018 to 63% in the financial year under review. The stronger DTC channel revenue mix as against retail sales in Skinny Tan, drove higher returns. The successful launch of new products Wonder Serum and Coconut Water spray generated a higher sales basket size than previously achieved.

Marketing expenditure was £3.7m, 60% higher than the previous year (FY2018: £2.3m) driven by launch and promotional costs for the Boots roll-out, continued support for Superdrug, other new retailers and a strong drive on DTC customer acquisition and re-marketing. As we highlighted in the half year report, the DTC channel was presented with significant technology challenges as major platforms devised higher charges for less promotion. We also highlighted a change in our approach which was rewarded with very strong DTC revenues in the second half, a combination of better strategic spend and new product offerings setting the pace. Our DTC customer database grew significantly, both in the UK and the US, with the business having just over 625,000 customers, up from 422,500 a year ago. As highlighted previously, we see this as a critical asset for the generation of future revenue for the business. The Company has taken a conservative approach to valuing the customer list intangible assets carried on the balance sheet.

Staff costs reduced slightly, with a reduction in director payments and a move to replace higher salaried cost personnel with better support staff. Administration costs were only 4% higher at £1.5m over the comparative period last year.

Revenue for the year was slightly impacted by the occurrence of the last two DTC trading days falling on the weekend. Orders were placed however, as they were not delivered, the Company held over the resulting revenue and profit. The impact of £122k in revenue and £68k in profit will flow into FY20.

Cash and net debt

The Group remains in a strong cash position and continues to carry no external debt. Cash and equivalents balance were £2.0m as at 30 June 2018 up from £1.9m in the previous year. Inventory levels reduced to £2.4m (FY2018: £2.9m) as a result of better inventory and supply chain management. Trade and other payables increased to £3.0m (FY2018: £2.3m) with Receivables increasing to £3.3 (FY2018: £1.9m) as a result of strong season opening Boots and Superdrug sales.

Taxation

The Group has recognised a tax expense of £0.4m against profit (FY2018: £0.3m). The effective tax rate of 28% is a reduction over last year (FY2018: 38%) due to the strong performance in the UK market. 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

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	3
Other Employees	9	22

By order of the board

Haris Chaudhry
Executive Chairman
02 October 2019

The Directors present their report and financial statements of the Group for the year ended 30 June 2019.

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

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 2019, 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	11	11

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 2019, the ordinary share capital of InnovaDerma PLC consisted of 14,496,633 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

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 2019, 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 2018	Shares acquired during the period	Shares disposed during the period	Shares held on 30 June 2019
Haris Chaudhry	5,189,756	-	1,000,000	4,189,756
Joseph Bayer	113,513	8,100	-	121,523
Rodney Turner	51,097	-	-	51,097
Kieran Callan	11,000	4,800	-	15,800
Ross Andrews	15,000	15,000		30,000

Note: Haris Chaudhry's shareholding is comprised of holdings held by Zaymar Investments Pty Ltd 4,111,186 shares, Farris Marketing Concepts Pty Ltd 28,570 shares and Faryaal Chaudhry 50,000 shares.

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

Amount of emoluments & compensation

	Salary	**Superannuation**	**Consultancy Fees**	**Total**	*Total 2018*
Haris Chaudhry	100,279	9,527	-	109,806	189,200
Joseph Bayer	105,121	9,987	-	115,108	119,827
Rodney Turner	16,598	1,577	-	18,175	18,920
Ross Andrews	-	-	19,992	19,992	18,831
Kieran Callan	56,500	4,520	-	61,020	18,494
	278,498	**25,611**	**19,992**	**324,101**	**365,272**

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

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 2019

Greenwich & Co UK
Level 2, 267 St Georges Terrace, Perth WA 6000
PO Box 983, West Perth WA 6872, Australia
T 08 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 InnovaDerma Plc ("the Company" or "the parent Company") and its subsidiaries (collectively referred to as the Group) affairs as at 30 June 2019 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 2019, 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 and possible impairment of intangible assets.

We set materiality for the Group at 1.5% of revenue: £196,231.

We performed full scope audit procedures over all Group entities.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. we have determined the matter described below to be a key audit matter to be communicated in our report.

Revenue Recognition
Refer to Note 7, Revenue (£12,851,835) and accounting policy Notes 1.5

Key Audit Matter	How our audit addressed the matter
InnovaDerma, as a Group, generates revenues from sales of various health and beauty products, including the Skinny Tan 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 a risk 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.	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 control 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
Refer to Note 12, Intangible assets (£6,578,562) and accounting policy Notes 1.7

Key Audit Matter	How our audit addressed the matter
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 2019, the net book value of intangible assets was £6.578m, 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.	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 £196,231, which represents 1.5% of the Group's revenue for the year ended 30 June 2019.

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 2018, reflecting the increase in the Group's revenues during the year to 30 June 2019.

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 has 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 and 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; 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

2 October 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	Year ended 30 June 2019	Year ended 30 June 2018
		£	£
Revenue	**7**	12,851,835	10,699,311
Cost of sales		(4,763,366)	(4,607,346)
Gross profit		8,088,469	6,091,964
Other Income		19,859	81,715
Marketing expenses		(3,683,649)	(2,323,278)
Listing expenses		(48,489)	(36,256)
Wages & salaries expenses		(1,458,813)	(1,698,460)
Administrative expenses		(1,506,218)	(1,446,622)
Profit before tax		1,411,159	669,064
Income Tax expense	**6**	(398,612)	(254,869)
Net profit for the period		1,012,547	414,195
Other comprehensive income		(49,712)	(16,561)
Total comprehensive income for the period		962,835	397,633
Attributable to:			
Owners of the parent		826,227	291,098
Non-controlling interests		136,608	106,535
Basic & diluted profit/(loss) per share	**28**	£0.07	£0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	As at 30 June 2019	As at 30 June 2018	As at 30 June 2017
		£	£	£
Current assets				
Cash and cash equivalents	**8**	2,043,048	1,906,215	207,301
Trade and other receivables	**9**	3,295,255	1,918,982	1,781,773
Inventory	**10**	2,364,530	2,873,533	2,258,989
Prepayment and other assets	**11**	314,210	180,139	114,705
Total current assets		8,017,043	6,878,868	4,362,768
Non-current assets				
Property, Plant and Equipment		53,455	45,197	127,199
Intangible assets	**12**	6,578,562	5,694,469	3,645,198
Other assets		17,186	30,368	14,031
Deferred tax asset	**13**	234,329	158,583	115,905
Total non-current assets		6,883,532	5,928,617	3,902,333
Total assets		14,900,575	12,807,485	8,265,101
Current liabilities				
Trade and other payables	**14**	2,957,136	2,309,132	2,419,332
Current tax payable	**14**	1,202,729	638,778	501,408
Total current liabilities		4,159,865	2,947,910	2,920,740
Non-current liabilities				
Borrowings	**15**	(552)	12,627	404,845
Deferred tax liability	**16**	170	3,560	-
Total non-current liabilities		(382)	16,187	404,845

Total liabilities		4,159,483	2,964,097	3,325,585
Net assets		10,741,092	9,843,388	4,939,516
Equity				
Share Capital	**17**	1,735,798	1,727,771	1,565,905
Share premium		8,288,479	8,219,525	3,890,210
Merger reserve	**18**	(721,132)	(721,132)	(721,132)
Warrant Reserve		-	132,000	-
Foreign Exchange reserve		(172,202)	(157,099)	(53,686)
Non-controlling interest		318,970	234,465	164,481
Retained Profit/(Accumulated Losses)	**19**	1,291,179	407,858	93,738
Total equity and reserves		10,741,092	9,843,388	4,939,516

These financial statements were approved and authorised for release by the Directors on 02 October 2019 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 2018 TO 30 JUNE 2019

	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 2018	**1,727,771**	**8,219,525**	**(721,132)**	**132,000**	**(157,099)**	**407,858**	**234,465**	**9,843,388**
Comprehensive income								
Profit for the period	-	-	-	-		875,939	136,608	**1,012,547**
Other comprehensive income	-	-	-	-	(49,712)	-	-	**(49,712)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(49,712)**	**875,939**	**136,608**	**962,835**
Transactions with owners, in their capacity as owners								
Shares issued	10,511	121,489	-	-	-	-	-	**132,000**
Foreign exchange differences on translation of foreign denominated subsidiaries		-	-	-	34,609	2,579	-	**37,189**
Increase holding in Skinny Tan AU	-		-	-	-	2,319	(52,103)	**(49,785)**
Cost of Share Warrant				(132,000)				**(132,000)**
Cost of shares issued		(52,535)	-	-	-	-	-	**(52,535)**
Total transactions with owners, in their capacity as owners	**10,511**	**68,954**	**-**	**(132,000)**	**34,609**	**4,898**	**(52,103)**	**(65,131)**
Balance at 30 June 2019	**1,735,798**	**8,288,479**	**(721,132)**	**-**	**(172,202)**	**1,291,179**	**318,970**	**10,741,092**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD 1 JULY 2018 TO 30 JUNE 2019

	Note	Year ended 30 Jun 2019	Year ended 30 Jun 2018
		£	£
Cash flows from operating activities			
Receipts from customers		11,475,562	10,562,102
Payments to suppliers and employees		(10,220,492)	(10,454,037)
EDMG Grants		-	35,902
Taxes Paid		(75,746)	(42,678)
Interest received		3	1,029
Net cash generated/(used) by operating activities	**25**	1,179,327	102,318
Cash flows from investing activities			
Purchase of property, plant and equipment		(46,844)	(13,861)
Payments for product development/Intangibles		(884,094)	(2,049,271)
Net cash used by investment activities		(930,937)	(2,063,132)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Proceeds from issue of shares		132,000	4,416,000
Repayments of borrowings		(13,179)	(392,218)
Payments for convertible notes		-	-
Transaction costs for shares issued		-	(506,760)
Net cash from financing activities		118,821	3,517,022
Increase in cash and cash equivalents		367,210	1,556,208
Cash and cash equivalents at the beginning of the period		1,906,214	207,301
Effect of movement in foreign exchange rates		(230,377)	142,705
Cash and cash equivalents at the end of the period	**8**	2,043,048	1,906,214

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	As at 30 June 2019	As at 30 June 2018
		£	£
Current assets			
Cash and cash equivalents		977,084	1,568,170
Prepayments		182,047	10,550
Total current assets		1,159,130	1,578,720
Non-current assets			
Intercompany Receivable	**20**	5,018,328	4,998,093
Investment In subsidiaries	**21**	2,312,379	2,312,379
Product development		215,851	215,571
Deferred Tax Asset		-	-
Total non-current assets		7,546,558	7,526,043
Total assets		8,705,689	9,104,764
Current liabilities			
Trade and other payables		(2,340)	(62,191)
Total current liabilities		(2,340)	(62,191)
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		(2,340)	(62,191)
Net assets		8,708,029	9,166,954
Equity			
Share Capital	**17**	1,738,282	1,727,771
Share premium	**17**	8,288,479	8,219,525
Warrant Reserve		-	132,000
Foreign Exchange reserve		(109,337)	(109,337)
Accumulated Losses		(1,209,395)	(803,004)
Total equity and reserves		8,708,029	9,166,954

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 $406,025. 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 2018 TO 30 JUNE 2019

	Ordinary Share Capital	Share Premium	Warrant Reserve	Foreign Exchange Reserve	Accumulated Earnings/ (Losses)	Total Equity
	£	£	£	£	£	
Balance as at 30 June 2018	**1,727,771**	**8,219,525**	**132,000**	**(109,337)**	**(803,004)**	**9,166,954**
Comprehensive income						
Profit for the period	-	-	-		(406,390)	**(406,390)**
Other comprehensive income	-	-	-		-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(406,390)**	**(406,390)**
Transactions with owners, in their capacity as owners						
Shares issued	10,511	121,489	-	-	-	**132,000**
Foreign exchange differences on translation of foreign denominated subsidiaries		-	-	-	-	**-**
Cost of Share Warrant			(132,000)	-	-	**(132,000)**
Cost of shares issued	-	(52,535)	-	-	-	**(52,535)**
Total transactions with owners, in their capacity as owners	**10,511**	**68,954**	**(132,000)**	**-**	**-**	**(52,535)**
Balance at 30 June 2019	**1,738,282**	**8,288,479**	**-**	**(109,337)**	**(1,209,395)**	**8,708,029**

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 2019. 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.

To give effect to the change in presentation currency, the assets and liabilities of the Group, which were presented in Australian dollars as at 30 June 2016, were converted into British pounds at a fixed exchange rate on 1 July 2016 of A$1: £0.5763 and the contributed equity, reserves and retained earnings were converted at applicable historical rates.

The Australian dollar assets and liabilities at 1 July 2015 were converted at the rate of A$1: £0.5085 in order to derive British pound opening balances. Revenue and expenses for the twelve months ended 30 June 2016 were converted at the exchange rates ruling at the date of the transaction to the extent practicable (at an average of A$1: £0.5117 for the reporting period), and equity balances were converted at applicable historical rates.

The above stated procedures resulted in the recognition of a foreign currency translation reserve of (£158,726) on 1 July 2016, as set out in the statement of changes in equity.

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 card or a payment plan.

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 60% 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 if seen appropriate with regards to infinite/finite useful life.

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.

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 of the debts of its subsidiary.

Contingent Liabilities
At 30 June 2019, InnovaDerma PLC did not have any contingent liabilities.

Contractual Commitments
At 30 June 2019, 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-19 £	Year ended 30-Jun-18 £
Revenue by Geographical region		
United Kingdom	11,856,668	9,563,773
United States of America	667,781	650,535
Australia/NZ/Asia	327,385	485,003
	12,851,835	**10,699,311**

	Year ended 30-Jun-19 £	Year ended 30-Jun-18 £
Assets by Geographical region		
United Kingdom	10,349,659	9,957,818
United States of America	1,022,694	825,388
Australia/NZ/Asia	3,528,222	2,024,279
	14,900,575	**12,807,485**

4. Operating profit/(loss)

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

	Year ended 30-Jun-19 £	Year ended 30-Jun-18 £
Expenses:		
Directors' remuneration	324,101	365,272
Depreciation	104,085	109,251
Auditor's remuneration		
- As auditors (for parent company and consolidation)	34,467	33,625
- Taxation compliance (for parent company and subsidiaries)	3,185	2,659

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-19 £	Year ended 30-Jun-18 £
Staff costs for the Group during the period:		
Wages and salaries	1,300,661	1,548,165
Pension costs (including superannuation)	158,152	150,295
	1,458,813	**1,698,460**

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

	Year ended 30-Jun-19	Year ended 30-Jun-18
Management staff	5	5
Other employees	36	29
	41	**34**

6. Taxation

	Year ended 30 June 2019 £	Year ended 30 June 2018 £
Current Tax		
Current tax on profits in the period	409,060	395,955
Deferred tax expense	(11,843)	(39,117)
Under/over provision for income tax	1,395	(101,969)
Income Tax Expense	**398,612**	**254,869**

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 2019 £	Year ended 30 June 2018 £
Profit before taxation	1,411,159	669,064
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 19%	262,056	127,122
Differences in tax rates in subsidiary jurisdictions	(46,077)	115,111
Effect of change in tax rate	-	18,612
Excluded (gain)/loss from foreign jurisdictions	103,759	95,708
Losses carried forward	77,214	-
Under (over) provision in prior years	1,395	(101,969)
Permanent differences	265	285
Total current tax	**398,612**	**254,869**

7. Revenue

	Year ended 30-Jun-19 £	Year ended 30-Jun-18 £
Haircare Products	1,322,209	997,206
Life Science devices	298,744	101,429
Skin & Beauty Products	11,230,882	9,600,675
	12,851,835	**10,699,311**

8. Cash and cash equivalents

	30-Jun-19 £	30-Jun-18 £
Cash at bank	**2,043,048**	**1,906,215**

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-19 £	30-Jun-18 £
Trade Receivables	**3,295,255**	**1,918,982**

10. Inventory

	30-Jun-19	30-Jun-18
	£	£
Finished goods (Leimo & GrowLase)	227,586	105,855
Finished goods (Charles & Lee and Stevie K)	215,949	149,513
Finished Goods (Prolong)	42,106	74,465
Finished Goods (Roots)	258,881	106,620
Finished goods (Skinny Tan)	1,553,330	2,263,204
Stock Material (Work in Progress)	66,678	173,876
	2,364,530	**2,873,533**

The costs of inventories recognised as an expense and included in cost of sales amounted to £3,404,178 for the year.

11. Prepayments and Sundry Assets

	30-Jun-19	30-Jun-18
	£	£
Deposits held	10,318	7,021
Prepayments	303,892	165,770
Input tax	-	-
Sundry assets	-	7,348
	314,210	**180,139**

12. Intangible Assets

Group:

	30-Jun-19	30-Jun-18
	£	£
Goodwill (Skinny Tan)	408,067	402,357
Customers Lists	2,168,388	1,240,435
Goodwill (Leimo)	1,841,818	1,862,847
Brands (Charles+Lee and Stevie K)	43,940	38,482
Digital Asset (Prolong)	65,816	139,870
Intellectual Property (Ergon)	1,472,920	1,463,370
Development Costs	577,613	547,107
	6,578,562	**5,694,469**

Movement in capitalised development costs:

	30-Jun-19	30-Jun-18
	£	£
Balance brought forward	252,392	294,715
Development expenditure during the year	325,221	252,392
	577,613	**547,107**

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

13. Deferred tax asset

	30 June 2019	30 June 2018
	£	£
Deferred tax items recognised in income statement:		
- Other timing differences	24,359	16,161
- Income tax losses	209,970	142,422
	234,329	**158,583**

14. Trade and other payables

	30-Jun-19	30-Jun-18
	£	£
Trade payables	2,738,363	1,392,803
Other payables	218,773	930,114
Current tax payable	1,202,729	624,993
	4,159,865	**2,947,910**

15. Borrowings

	30-Jun-19	30-Jun-18
	£	£
General Borrowings	(522)	12,627
	(522)	**12,627**

16. Deferred tax liability

	30 June 2019 £	30 June 2018 £
Deferred tax items recognised in income statement:		
- Other timing differences	170	3,560
	170	**3,560**

17. Contributed equity

2018/19	No. of shares	Share Capital £	Share Premium £
Opening balance as at 1 July 2018	14,376,633	1,725,287	8,219,525
Shares issued during the year	120,000	10,511	121,489
Share issue costs	-	-	(52,535)
Balance as at 30 June 2019	**14,496,633**	**1,735,798**	**8,288,479**

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**

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-19	30-Jun-18
	£	£
Balance brought forward	407,858	93,738
Profit for the period	883,321	314,120
Balance carried forward	**1,291,179**	**407,858**

20. Intercompany loan – parent company

	30-Jun-19	30-Jun-18
	£	£
Balance brought forward	4,998,093	3,058,612
Movement in funds	(20,235)	(1,939,481)
Balance carried forward	**5,018,328**	**4,998,093**

21. Investment in subsidiaries

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

Company Name	*Date of Acquisition*	*Percentage Holding 30 June 2019*	*Percentage Holding 30 June 2018*
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	94%	93%
SkinnyTan UK Limited (a)	28 May 2015	94%	93%
Ergon Medical Limited (b)	28 April 2017	100%	100%

a) During the year, InnovaDerma PLC paid £104,142 to acquire a further 1% of Skinny Tan Pty Ltd, and through direct holding, SkinnyTan UK Limited.

b) During the financial year FY17 InnovaDerma PLC acquired Ergon Medical Limited, owner of Prolong. The following table shows the allocation of consideration paid for Ergon Medical Limited, the fair value of assets acquired, liabilities assumed, and the non-controlling interest at the acquisition date.

Consideration for Ergon	**£**
Cash Consideration	1,022,710
Total Consideration	**1,022,710**
Recognised fair value of assets acquired and liabilities assumed	
Other assets	3,532
Brand	1,333,721
Trade and other payables	(314,543)
Total fair value of assets acquired and liabilities assumed	**1,022,710**

22. Related party transactions

Name	**Transaction**	**Amount received from/ (paid to) in year**		**Amount due from/(to) related party**	
		2019	**2018**	**2019**	***2018***
		£	**£**	**£**	**£**
Farris Marketing Concepts Pty Ltd	Loan payable[1]	-	(85,395)	-	-
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)	-	(13,186)
Mr Haris Chaudhry	Loan payable[1]	-	160	1,552	1,552

[1] These loans are interest free and unsecured.

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

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 2019 are disclosed below:

	Salary	**Superannuation**	**Consultancy Fees**	**Total**	*Total 2018*
Haris Chaudhry	100,279	9,527	-	109,806	189,200
Joseph Bayer	105,121	9,987	-	115,108	119,827
Rodney Turner	16,598	1,577	-	18,175	18,920
Ross Andrews	-	-	19,992	19,992	18,831
Kieran Callan	56,500	4,520	-	61,020	18,494
	278,498	**25,611**	**19,992**	**324,101**	**365,272**

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

24. Commitments and contingencies

At 30 June 2019, the Group did not have any contingencies.

At 30 June 2019, the Group had an obligation to pay £77,876 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-19	**30-Jun-18**
	£	**£**
Profit after income tax	1,012,547	414,195
Depreciation	38,586	95,863
(Increase)/decrease in trade and other receivables	(1,497,163)	(218,980)
(Increase)/decrease in inventories	509,003	(614,544)
Increase in trade and other payables	1,171,987	27,170
Increase/(decrease) in payables settled by Shares	-	449,940
(Increase)/decrease in foreign exchange gains/losses	20,113	(8,648)
Increase/(decrease) in taxes payable	(75,746)	(42,678)
Net cash outflow from operations	1,179,327	102,318

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 2019 were classified as follows:

	Note	30-Jun-19 £	30-Jun-18 £
Financial assets			
Cash and cash equivalents	**8**	2,043,048	1,906,215
Trade and other receivables	**9**	3,295,255	1,918,982
Total financial assets		**5,338,303**	**3,825,197**
Financial liabilities			
Trade and other payables	**14**	4,159,865	2,947,910
Borrowings	**15**	(552)	12,627
		4,159,313	**2,960,537**

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 120,000 shares at £1.10, were issued to a supplier for services provided. Instrument is to be settled by 12 December 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-19	**Year ended 30-Jun-18**
	£	**£**
Profit/(loss) for the year	1,012,547	414,195
Weighted average number of shares	14,456,916	13,891,362

29. Subsequent Events

There were no subsequent to report.

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:

3rd Floor, 26 Finsbury Square
London, United Kingdom, EC2A 1DS