

Annual Report and Accounts 2020



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Corporate Directory

Directors	Joseph Bayer Rodney Turner Ross Andrews
Company Secretary	Elemental Company Secretary Limited
Company registration number	09226823
Registered office	27 Old Gloucester Street London United Kingdom WC1N 3AX
Auditors	Elderton Audit UK Level 2 267 St George's Terrace PERTH WA 6000 Australia
Solicitors	Osborne Clarke LLP One London Wall London, EC2Y 5EB United Kingdom
Bankers	Barclays Bank Rise London 41 Luke Street London, EC2A 4DP United Kingdom
Domicile of the company	United Kingdom
Country of incorporation	England and Wales
Legal form of entity	Public Limited Company
London Stock Exchange Code	IDP

Financial Highlights

	FY2020	FY2019	% change
Revenue*	£13.3m	£12.9m	+3%
Gross profit	£7.3m	£8.1m	-11%
Gross margin	55%	63%	-800bps
Underlying operating profit before tax**	(£0.3)	£1.4	-121%
Basic EPS (pence)	(2p)	7p	-128%
Cash and cash equivalents	£1.2m	£2.0m	-40%

*on a constant currency basis

** Underlying operating profit is calculated before share based payments

Operational Highlights

- Revenue up by 3% to £13.3m against an unprecedented market backdrop
- Skinny Tan Direct to Consumer (“DTC”) customer list grew by 48% to c.900,000:
 - UK list grew by 41% to 759,000k
 - Subscribed customers stood at 550,000 with recurring customer rate over the year of 34%. During lock down, recurring customer rate peaked at over 60%
- Strong DTC performance in Australia and the US
- Continued strong relationships with key retail partners including Boots, Superdrug, Tesco, Priceline, Myer and David Jones
- Launched new brand Nuthing into 800+ Superdrug stores and online
- Strong New Product Development (“NPD”) with 23 new products released
- Charles + Lee expansion in David Jones and further store distribution into Myer in Australia
- ERP group wide implementation; move to new integrated and more robust platform through Microsoft Business Central software

Outlook

- Further inroads being sought for product distribution in the US and Australia.
- Full year contribution of Nuthing and deferred launch activity from March to support revenue growth
- Roots development will be accelerated by a new media campaign and the roll out of new products and packaging
- Prolong expected to make further contribution as regulatory approvals are on target for being granted in Korea and Hong Kong
- Strong pipeline of NPD in topical brands expected at the end of H1 in readiness for peak season in Northern Hemisphere
- A positive start to the new financial year, trading up 3% compared to the previous year and in line with management's expectations

Financial Highlights (continued)

Joe Bayer, Executive Chairman of InnovaDerma, said:

"In the first half, we traded very positively and made significant investments for our peak season in the second half which was unfortunately beset by the outbreak of COVID-19, creating the toughest business environment we have encountered. The significant impact of COVID-19 and the associated closure of our bricks and mortar retail channels has combined with higher on-line advertising costs, lower margins of DTC product bundles to disappointingly impact our profit. Pleasingly, our revenue increased by 3% to £13.3m, underpinned by the strength of our brands and our multi-channel strategy which has made the business more agile and resilient in unprecedented times. Cash management has been a key area of focus and the Group has benefitted from good cash flows. As at 30 June 2020, the Group had c.£1.2m in cash and cash equivalents and continues to be debt free.

Our people have been core to our agility. They have been unfaltering and demonstrated an extraordinary ability to adapt to change, while working tirelessly to deliver to our customers. On behalf of the Board, I would like to express our heartfelt thanks for their hard work and commitment.

Current trading is positive and in line with expectations. We have taken time to review the way we spend and market products on DTC with the expectation of improved returns in addition to ensuring our overhead structure remains appropriate to business conditions. The appointment of PCA as our distributor in the Americas is an important step forward in diversifying our revenue streams outside the UK. Pleasingly Nuthing has launched in Priceline, Australia which is a great achievement for a young brand. We expect the pandemic will likely continue to cause further uncertainty for some time yet, however we believe we are well positioned and have the right strategy, financial strength and expertise to deliver further growth."

Executive Chairman's Statement

Introduction

This financial year has been a tale of two halves. In the first half, we delivered an excellent performance and benefitted from a diversified portfolio of brands and increased scale across our retail network and DTC channels. We made significant plans and investment to position the Group strongly for a typically busy second half, but the outbreak of COVID-19 presented immense challenges to our business. For us and for many businesses around the world, lockdown measures had a material impact on our sales, particularly through our bricks and mortar channel. However, our business benefits from having a diverse distribution channel and we generated strong levels of revenue in the early months of the pandemic.

The very high cost of on-line advertising and intense competition from traditional bricks and mortar retailers crowding the on-line space had a significant negative impact on group profits in the last three months of trading. The impact was compounded by the continued closure of stores and subsequent retail activity during our busiest and most profitable months of sales.

We delivered a robust revenue performance of £13.3m, up 3% (2019: £12.9m) primarily driven by our own DTC platform and through online beauty e-tailers. Gross margin decreased by 11% to £7.3m (2019: £8.1m) and operating loss before tax was £0.3m (2019: £1.4m profit) as a result of the culmination of the aforementioned events above.

In line with our prudent liquidity risk management, our cash levels remained at a healthy level and we had readily available stock for any potential incremental sales activity. The business continues to be appropriately funded with no debt.

Business Review

Topical

Skinny Tan has continued to gain in popularity. The brand benefitted from the rollout into Boots, Tesco, continued support from Superdrug and exceptional demand of Wonder Serum and the Choc range. The US DTC market performed exceptionally well, particularly benefitting from the relaunch of a number of leading Skinny Tan SKU's. Revenue for our core brand increased by 3% over the previous year with revenue from online up 13% over the same period last year. Our total customer base increased by 48%. The pandemic disruption to retailers in the last 4 months severely impacted what would have been strong growth.

Revenue for our premium hair care brand fell by 26% which is the result of no new pipeline fill in distribution in 2019, no new distributors added and less new triallists entering the brand. We conducted a review of the brand which included product claims and target demographics, sustainable packaging and formats, revised pricing and promotional strategy. The pandemic has delayed the relaunch of Roots; however, we are seeking to relaunch the brand in to Boots and Superdrug in the first half of the new financial year.

Charles + Lee, our affordable alternative premium range of men's skin care products, has continued to perform well. It is stocked in 75 high end retail stores (FY2019: 30) and in more than 400 Priceline stores. It delivered year on year growth of 35% driven by a larger retail presence and its popular gift packs especially over the Christmas period. Despite the lockdown in Australia, we are seeing strong repeat purchases from Priceline and the brand has been rolled out in nine of David Jones' stores, an upmarket chain of department stores. Additionally, we are launching Charles + Lee on-line in the UK and US whilst retail distribution in the UK is being discussed and

our US partner will be commencing presenting the brand to retail customers there. As we approach Christmas, we have a strong pipeline of new products to launch in time for this busy retail period.

We launched our new brand Nuthing, an innovative range of products for hair removal in February this year. The brand is currently stocked in all of c.800 Superdrug stores as well as being sold online and via the Company's own DTC platform. The brand has been well-received by consumers and performed well despite being only launched a few months ago. Post-period end, we secured ranging in 152 Priceline stores, the largest beauty retailer in Australia, proving its global applicability and the quality of our brand.

As announced on 28 September, we appointed The PCA Group as the exclusive distributor for all the Company's topical brands in North America and South America. The distribution agreement will include all major retailers and e-commerce companies in these regions including Amazon. This agreement is core to our strategy for diversifying our revenue streams outside the UK.

Life Sciences

Life Sciences delivered slightly lower revenues with Prolong decreasing by 9% from the £295k in the previous year. Despite the lower activity over the lockdown months, it was highly profitable with margins in excess of 80%

As previously announced, we have signed two major distribution agreements in Hong Kong and for the Gulf countries. Regulatory approval for Korea and Hong Kong is well progressed. In addition, we expect to gain our CE mark early next year, following a prolonged process as a result of Brexit which has delayed many applications. Whilst we will

Executive Chairman's Statement (continued)

be able to sell in Korea and in Hong Kong, the CE mark is required for the Gulf countries and Europe. Further distribution agreements are being progressed in line with gaining regulatory approvals.

We are in advanced discussions with a Korean manufacturer on a new generation helmet however the requirement to check regulatory approvals in various countries is taking some time to confirm. The lockdown of activities by manufacturers and regulatory authorities over the pandemic period has slowed our progress. Whilst we are positive about the opportunities in this space, we do not envisage any progress till the second half of the year.

Business Strategy

The second half of the year was unprecedented and presented many challenges, though we believe the business has proven to be resilient. The Board is mindful that we need to continue to be agile and deliver upon our strategic objectives in order to navigate what is likely to be continued uncertain times. Our objectives are:

- **Profitability:** to restore profitability through gross margin and cost management to pre- pandemic levels
- **Customer:** continue to develop our direct to consumer strategies and harness our customer relationships to enhance the customer journey
- **Sustainability:** to continually adopt sustainable practices and create positive social impact. Our aim is to create sustainable growth through our brands, reduce costs and risks and build organisational capability - in order to generate long-term value for our stakeholders.
- **Innovation:** to be forward thinking, progressive and agile in

our development of products and services to our customers

- **Diversity and Expansion:** to develop our brands and products both organically and through accretive acquisitions and build our global distribution network

People

On behalf of the Board, I would like to thank the highly dedicated team who worked so diligently under some very challenging conditions. The hard work, creativity and commitment to our business has been unfaltering. We will continue to develop our teams to ensure we have the skills and leadership required to make the business an on-going success.

At 30 June 2020, there were 24 women (2019: 25) employed across the Group making 60% (2019: 60%) of our Group-wide employee base. Of these employees, 5 were senior managers. No women were directors. This is a criteria consideration as the Board plans for future appointments.

Board and CEO changes

During the year, Haris Chaudhry, Executive Chairman, stepped down from the board and resigned from the business. Post year-end, Kieran Callan, Chief Executive Officer, stepped down as Chief Executive Officer and as a Director of the Group, by mutual agreement with the Board.

Warren Dockary was appointed Chief Financial Officer and will report to the Board. Warren is a Chartered Accountant and has been with the business since November 2018. He is a graduate from Massey University in New Zealand and has held senior finance roles in the consumer products and logistics industries.

The Group is making good progress for the identification and appointment of a new CEO and will provide an update as soon as an appointment is made. In the meantime, Joe Bayer

is serving as Interim CEO as well as Executive Chairman.

Outlook

The continued impact of COVID-19 is difficult to quantify as the situation changes, often rapidly. We are however seeing positive signs of trading with the new financial year having begun positively and current trading is in line with management's expectations, with revenue up 3% on the same period last year.

We have a resilient and agile business which is well-positioned to deliver further growth in our brands and distribution channels. Going forward, we have a number of new products which will be launched towards the end of first half across our topical business. The way we spend and market products on DTC has been reviewed with the expectation of improved returns. We will be making inroads into North America and South America and we expect these territories will begin to contribute to the business in the second half of the year.

UK retailers are showing signs of increase activity albeit very cautiously, with the major retailers committing to promotional activity to increase footfall. A lot will depend on the future pandemic environment.

Prolong has regulatory approvals well advanced in Korea and is expecting Hong Kong approval very soon which will open up these new markets.

While we are mindful of the very challenging environment, the Board is confident of the future and that we have the resources and are well-positioned to navigate these uncertain times.

Executive Chairman's Statement (continued)

Principal risks and uncertainties

This following are the principal risk factors that the Board believe could materially affect the Group's performance and prospects.

Pandemic Risk / COVID-19

The Group is exposed to the impact of the recent outbreak of COVID-19 and the risks relating to measures imposed by national governments to control the outbreak. The Group recognises the risk of a potential fall in revenue and profitability due to lower general economic activity.

Brexit/Regulatory changes

Brexit remains an unknown quantity that could impact consumer confidence and suppress economic activity. Regulatory changes, whether or not connected to Brexit, could have an adverse impact upon the Group. The Group monitors legislative and regulatory changes and alters its business practices where appropriate.

On-line Marketing/Technology shifts

The Group relies the various technology platforms to drive revenue through acquisition of new customers and the re-marketing to existing customers. The digital channel has become increasingly competitive with the major technology platforms moving to complex algorithms to determine bid costs. The Group recognises these shifts and is constantly reviewing bid costs in conjunction with using alternative avenues available in digital channel markets.

Loss of Key Personnel

An unforeseen loss of key personnel would be damaging to the Group and could result in the loss of key corporate knowledge. The Group has a continuity program in place to ensure that Directors would be able to minimise the disruption caused by the potential loss of key personnel.

Liquidity Risk

This is the risk that the Group does not maintain sufficient liquidity risk headroom to ensure it can always meet its working capital requirements as they fall due. The Group manages this risk through careful cash management policies. 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.

Financial Review

Overview

The Group delivered a positive revenue performance against unprecedented trading conditions. This was driven by some good overall gains in the first half and strong UK and Australian DTC sales in the second half. The Group revenues grew 3% to £13.3m (FY2019: £12.9m). Underlying operating profit before tax was reduced to a loss of £0.3m (FY2019: £1.4m profit).

The reported underlying operating profit is shown before the expensing of share-based payments, with a charge being made of £0.08m. This is the initial issue of share options by the Group and is put in place to incentivise and ensure alignment exists between directors, employees and shareholders.

Gross margins decreased by 800bps to 57% in FY2020 as compared to FY2019 of 63%. The demand and competition grew incrementally more competitive during the lockdown period and as a consequence bundling propositions had to be more competitive. The significant lack of more stable retail revenue over the last four months also had a substantial impact.

Marketing expenditure was £4.3m, 16% higher than the previous year (FY2019: £3.7m) driven by highly competitive on-line promotions, re-marketing and incremental acquisition

growth of DTC customers in all regions. Skinny Tan customer lists grew by 48% overall to 900,000 customers. There were on-going

challenges in the major on-line marketing platforms during the pandemic lockdown as the beauty category became an easy target for new entrants and the bidding value for target customers increased significantly. There was lower advertising and gate fee spend in all major retailers as stores were either closed or on restricted trading during the peak period.

The Company has continued to take a conservative approach to valuing the customer list intangible assets carried on the balance sheet. There was an amount of £0.8m capitalised in the past financial year, which has valued the entire Skinny Tan data base at just over £3 per customer. The industry standard for acquisition costs of a new on-line customer in our category and bundle size vary between £7-£12.

Cash and net debt

The Group has preserved cash well during the pandemic and continues to carry no external debt. Cash and equivalents balance were £1.2m as at 30 June 2020 down from £2.0m in the previous year. Inventory levels increased to £3.1m (FY2019: £2.4m) as a result of the lack of retailer sales during the lockdown. Inventory was planned and ordered in line with pre-COVID budgeted activity. Trade and other payables decreased to £2.5m (FY2019: £3.0m) with Receivables decreased to £1.2m (FY2019: £3.3m) as a result of much lower sales in the last two months of the year when retail was effectively closed.

Taxation

The Group has no recognised tax expense against the period loss, (FY2019: £0.4m). The Group has recognised a small timing difference as a deferred tax liability.

Executive Chairman's Statement (continued)

Dividends

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above.

The Directors have prepared Group forecasts and projections, which show that the Group has a reasonable expectation of maintaining sufficient working capital to enable the Group to meet its liabilities as they fall due for the foreseeable future, being a period of not less than 12 months from the date of approval of this report. At 30 June 2020, the Group had cash balances of £1,240,969 (2019: £2,043,048).

After making appropriate enquiries, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

By order of the board



Joe Bayer
Executive Chairman
08 October 2020

Directors' Report

The Directors present their annual report and along with the financial statements and auditors report of the Group for the year ended 30 June 2020.

Directors

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

Mr Haris Chaudhry (resigned as a Director 07th November 2019)

Mr Joseph Bayer

Mr Rodney Turner

Mr Kieran Callan (resigned as a Director 04 August 2020)

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 2020, the directors attended the following meetings of the board of directors:

	Meetings eligible to attend	Meetings attended
Haris Chaudhry	4	4
Joseph Bayer	10	10
Rodney Turner	10	10
Kieran Callan	10	10
Ross Andrews	10	10

Review of the Business

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

Business Model

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

Branches outside the UK

The Group's main operations are headquartered in London, United Kingdom. Due to the impact of COVID-19, the Group closed its offices in London and does not have plans to reopen them whilst the pandemic is ongoing. However, the Group still employs staff in the UK (working remotely) and considers its headquarters to remain in the UK. 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.

Greenhouse Gas Emissions

The Group's operations are in the sale of health and beauty products, in which greenhouse gas emissions are estimated to be negligible. The Group is aware that it needs to measure its operational carbon footprint in order to limit and control its environmental impact. However, it has not been practical to measure its carbon footprint during this period therefore the information is not included. In the future, the Group will only measure the impact of its direct activities, as the full impact of the entire supply chain of its suppliers cannot be measured practically.

Energy & Carbon Report

The Group believes that it consumes less than 40MWh during this period and a low energy user therefore further energy and carbon information has not been disclosed.

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.

Suppliers

Our supplier relationships are an important part of being able to innovate and offer trusted value to customers. In 2019, we focused on improving our supply chain; an essential facet of our strategy and one that can only be driven forwards through continuing, close engagement with our suppliers.

Customers and Retailers

Ensuring the customer is at the heart of every decision is crucial to the Board's strategy. This year, we have focused on our customers by building our DTC offering and working hard to understand more about them. We engage directly with customers through social media and continue to spend time learning about what they want and how we can help them.

We continue to build on our relationship with the retailers we work with and have found that COVID has presented a huge opportunity to work with them during this challenging time.

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 24 to these financial statements.

Capital Structure

At 30 June 2020, 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.

Corporate Governance Report

InnovaDerma has a standard listing on the London Stock Exchange and is thus not required to comply with the requirements of the U.K. Corporate Governance Code ("the Code") as issued by the Financial Reporting Council and available from its website www.frc.org.uk.

The disclosures below are required by the UKLA's Disclosure and Transparency Rule 7. The Board is committed to ensuring the highest standards of corporate governance, and voluntarily complies with, subject to a limited number of exceptions, the supporting principles and provisions set out in the Code.

Internal Controls

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The controls are appropriate for the Group in its current state. The Audit Committee consider each year if the current level of internal control is appropriate. On advice from the

Audit Committee, the Board does not consider any additional independent verification of the system of internal control to be required, based on the size of the Company and the Group, and the non- complex nature of both its management systems and financial structure.

The Group operates certain controls specifically relating to the production of consolidated financial information covering operational procedures, validation and review. The above procedures reflect the Group's commitment to ensuring it has policies in place that ensure high standards of integrity and transparency throughout its operations. Further, when these procedures detect unauthorised practises, the Group is committed to correction of such events.

The Group is committed to analysing its internal controls to make them more robust and further limit the risk of such incidents. The Board believes such action properly reflects the Group's commitment to financial discipline and integrity at all levels. The Board has reviewed the effectiveness of internal control systems in operation during the financial period through the processes set out above and no weaknesses or failings were identified.

Directors' Report (continued)

Audit Committee

The Audit Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial controls is maintained.

The ultimate responsibility for reviewing and approving the annual report and accounts and the half- yearly reports remains with the Board. The Audit Committee normally meets at least twice a year at the appropriate times in the reporting and audit cycle.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, together with requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Audit Committee covered in the terms of reference are external audit, internal audit, financial reporting and internal controls and risk management. The terms of reference also set out the authority of the committee to carry out its responsibilities.

The Audit Committee's terms of reference require that it comprise two or more independent Non- Executive Directors one of which is appointed the Committee Chair), and at least one person who is to have significant, recent and relevant financial experience.

Remuneration Committee

The Remuneration Committee has responsibility for the determination of the terms and conditions of employment, remuneration and benefits of each of the Chairman, Executive Directors, members of the executive and the company secretary, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management and the implementation of share option or other performance-related schemes. The Remuneration Committee meets at least once a year.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, together with the requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Remuneration Committee covered in its terms of reference are: determining and monitoring policy on and setting levels of remuneration, early termination, performance-related pay and pension arrangements; authorising claims for expenses from the Directors; reporting and disclosure of remuneration policy; share schemes (including the annual level of awards); obtaining information on remuneration in other companies; and selecting, appointing and terminating remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its responsibilities.

The Remuneration Committee's terms of reference require that it comprise two or more independent Non-Executive Directors (one of which is appointed the Committee Chair)

Nomination Committee

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary.

The Nomination Committee's terms of reference deal with such issues as membership and frequency of meetings, together with the requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Nomination Committee covered in its terms of reference include: review of the Board composition; appointing new Directors; reappointment and re-election of existing Directors; succession planning, taking into account the skills and expertise that will be needed on the Board in the future; reviewing time required from Non-Executive Directors; determining membership of other Board committees; and ensuring external facilitation of the evaluation of the Board. The Nomination Committee meets at least once a year.

The Nomination Committee's terms of reference require that it comprise two or more independent Non-Executive Directors (one of which is appointed the Committee Chair) and the Chairman.

Diversity Policy

The Board is satisfied that it has the appropriate balance of skills, experience and expertise necessary, and will give due regard to diversity in the event of further changes to both its own membership and/or the membership of the senior management team.

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 2020, 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 2019	Shares acquired during the period	Shares disposed during the period	Shares held on 30 June 2020
Joseph Bayer	121,523	87,717		209,240
Rodney Turner	51,097	10,900		61,997
Kieran Callan	15,800	13,500		29,300
Ross Andrews	30,000	64,860		94,860

Directors and former Directors interests in share-based options:

	Number of Options 1 July 2019	Issued	Number of Options 30 June 2020	Exercise Price	Expiry
Haris Chaudhry	–	–	–	–	–
Joseph Bayer	–	250,000	250,000	£1.20	22/1/2023
Rodney Turner	–	75,000	75,000	£1.20	22/1/2023
Ross Andrews	–	75,000	75,000	£1.20	22/1/2023
Kieran Callan	–	125,000	125,000	£1.20	22/1/2023
Total		525,000	525,000		

Remuneration Report (audited)

Annual Statement

The Remuneration committee review the Executive and Non-Executive Director salaries and fees in November of each year. Adjustments were made to reflect the comparative fees paid to a band of similar sized listed companies.

The Company's previous Remuneration Policy as approved by the shareholders did not explicitly encompass the operation of a share option plan. However, the remuneration committee was of the view that the share option plan was covered under the principles set out under the Company's then remuneration policy and therefore permitted. The remuneration committee also believed that it was in the best interests of the Company in order to recruit and retain directors and senior management.

Annual Report on Remuneration

The table below sets out the details of the remuneration payable to the Executive and Non-Executive Directors for the year ended 30 June 2020:

Director	(A)	(B)	(C)	(D)	(E)	Total	Total: Fixed	Total: Variable
Haris Chaudhry	117,816	–	–	–	10,463	128,279	128,279	–
Joseph Bayer	141,703	–	–	–	13,238	154,941	154,941	–
Rodney Turner	21,544	–	–	–	782	22,326	22,236	–
Ross Andrews	26,248	–	–	–	–	26,248	26,248	–
Kieran Callan	124,650	–	–	–	6,432	131,082	131,082	–

(A) = Salary and Fees

(B) = All taxable benefits

(C) = Money or other assets received/receivable for the relevant financial year (annual bonus)

(D) = Money or other assets received/receivable for more than one financial year (long-term incentive awards).

(E) = Pension Related Benefits.

Directors' Report (continued)

Director's Pension

The Group remits the required statutory amount for Directors pension funds should the structure of their contract with Group require it so. The Group does not carry any defined benefit fund obligations.

Policy & Practice

The following remuneration policy (the "Policy") is presented for approval by the members of the Group.

Through the implementation of the Policy, the Board seeks to align the interests of Executive Directors and other senior management with those of shareholders, within the framework set out in the UK Corporate Governance Code. Central to this Policy is the Company's commitment to long-term, performance-based incentivisation and the encouragement of share ownership, both of which are aligned to embedding an 'ownership mindset' within the Company's culture.

The primary objective of the Policy is to promote the long-term success of the business by ensuring remuneration reflects business performance and personal contribution to the delivery of the Company's strategy in a way which creates long-term shareholder value.

Through the operation of the Policy, the Committee seeks to ensure that:

- The Company will attract, motivate and retain individuals of the highest calibre;
- Executive Directors and senior management are rewarded in a fair and balanced way which promotes the long-term success of the Company;
- Executive Directors and senior management receive a level of remuneration that is appropriate to their scale of responsibility and individual performance;
- The overall approach to remuneration has regard to the sector and geography within which the Company operates and the markets from which it draws its Executive Directors and senior management; and
- Risk is properly considered in setting the Policy and in determining remuneration packages.

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.

The elements of the remuneration package for the Executive Directors and other senior management are annual salary, retirement benefits and allowances, employee annual bonus plan and participation in a share option scheme, which promotes the creation of sustainable shareholder value.

Salaries are reviewed annually. The factors taken into account in the review include:

- Role and experience;
- Company performance;
- Personal performance;
- Competitive market practice; and
- Benchmarking against an appropriate comparator group.

When setting executive director salaries, account is taken of movements in salaries generally across the Company.

The Group has in place with certain senior managers a bonus scheme which is based on criteria which is determine by key performance indicators set by the CEO.

The remuneration committee has undertaken 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. This has resulted in the establishment of an EMI Share Option Plan which issued share options to Executive and Non-Executive

Directors to ensure their objectives are aligned to those of shareholders. There is an intent to issue these EMI share options to senior executives to ensure they too are incentivised in driving shareholder wealth.

A remuneration committee is in place 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 and the CEO.

Notes to the Policy

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

The rules of the incentive plans permit the substitution or variance of performance conditions to produce a fairer measure of performance as a result of unforeseen circumstances or transactions and include discretions for upwards adjustment to the number of shares to be realised

in the event of a takeover, scheme of arrangement or voluntary winding up. Non-significant changes to the performance metrics may be made by use of discretion under the share option rules.

The Committee reserves the right to make remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the policy table set out above where the terms of the payment were agreed: (i) before the Policy came into effect; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

Policy for Non-Executive Directors

The fees paid to Non-Executive Directors reflect their experience and ability and the time demands of their Board and Board Committee duties.

The remuneration of the Chairman is determined by the Remuneration Committee for approval by the Board.

The remuneration of the other Non-Executive Directors is determined by the Chairman for approval by the Board.

The fees are reviewed from time to time, taking account of any changes in responsibilities and market practice.

The following table summarises directors' remuneration package:

Fixed Elements	Purpose	Operation	Maximum potential payment	Performance Metrics
Base Salary	Reflects the individual's skills, responsibilities and experience. Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy.	Reviewed annually and paid monthly in cash. Consideration is typically given to a range of factors when determining salary levels, including: <ul style="list-style-type: none"> Personal and companywide performance. Typical pay levels in relevant markets for each executive whilst recognising the need for an appropriate premium to attract and retain superior talent, balanced against the need to provide a cost- effective overall remuneration package. 	There is no maximum salary increase. However, ordinarily salary increases will be in line with market conditions and any adjustment that may come from salary benchmarking. Increases may be made above this level to take account of individual circumstances, which may include: <ul style="list-style-type: none"> Increase in size or scope of the role or responsibility. Increase to reflect the individual's development and performance in the role. 	Individual and business performance is considered when setting and reviewing salaries.
Share Option Plan	Incentivises directors and executives to deliver performance which is aligned to the business strategy over the longer term and the creation of shareholder value. Acts as a retention tool to retain the executives required to deliver the business strategy.	Is conducted in line with the EMI Share Option Rules and as approved by the Board.	The maximum number of Share Options that can be issued in total and to participants is outlined in the EMI Share Option Rules.	No detailed or specific performance matrix has been set; however the Board takes into consideration seniority, length of service, and contribution to the Groups performance.

Directors' Report (continued)

Service 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 which have been executed prior to the appointment.

Mr Callan's contract was continuous, until terminated by either party giving 6 months' notice in writing. As set out above, Mr Callan ceased to be an employee of the Company as of 31 August 2020.

Mr Bayer's contract is continuous, until terminated by either party. Mr Bayer may terminate the contract by giving 6 months' notice in writing. The company may terminate by giving 12 months' notice in writing.

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

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



Joe Bayer
Executive Chairman
08 October 2020

Report of the Independent Auditor to the Members of Innovaderma plc

ELDERTON

AUDIT (UK)

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 2020 and of the Group's loss 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 2020, 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.

Report of the Independent Auditor to the Members of Innovaderma plc (continued)

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 2.0% of revenue: £265,300. 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 (£13,258,938) 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:	Our audit work assessed the design 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.
<i>Direct to customer sales</i> 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.	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.
<i>Retail & Wholesale sales</i> 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.	Key Observations: We noted no material instances of inappropriate revenue recognition arising in our testing.
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.	

Impairment of Intangible Assets

Refer to Note 12, Intangible assets (£7,810,389) 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 2020, the net book value of intangible assets was £7.810m, incorporating goodwill from the acquisition of subsidiaries, as well as brands purchased and external customer lists.	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.
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 focused our assessment on the intangibles assets arising from the acquisition of Innovaderma AUS & NZ Pty Ltd and Egon Medical, 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.

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 £265,300, which represents 2.0% of the Group's revenue for the year ended 30 June 2020.

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 2019, reflecting the increase in the Group's revenues during the year to 30 June 2020.

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.

Report of the Independent Auditor to the Members of Innovaderma plc (continued)

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.

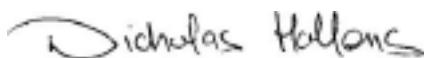
Responsibilities for the financial statements and the audit

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 HOLENS

Senior Statutory Auditor for and on behalf of Elderton UK

Statutory Auditor, Chartered Accountants Perth, Australia

8 October 2020

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2020

	Note	Year ended 30 June 2020 £	Year ended 30 June 2019 £
Revenue	7	13,258,938	12,851,835
Cost of sales		(5,974,335)	(4,763,366)
Gross profit		7,284,603	8,088,468
Other Income		108,192	19,859
Marketing expenses		(4,231,160)	(3,683,649)
Wages & salaries expenses		(1,758,420)	(1,458,813)
Administrative expenses		(1,780,209)	(1,554,707)
Profit/(Loss) before tax		(376,994)	1,411,159
Income Tax expense	6	67,624	(398,612)
Net profit/(loss) for the period		(309,369)	1,012,547
Other comprehensive income		(19,153)	(49,712)
Total comprehensive income for the period		(328,523)	962,835
Attributable to:			
Owners of the parent		(335,604)	826,227
Non-controlling interests		7,081	136,608
Basic & diluted profit/(loss) per share	27	(£0.02)	£0.07

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	As at 30 June 2020 £	As at 30 June 2019 £	As at 30 June 2018 £
Current assets				
Cash and cash equivalents	8	1,240,969	2,043,048	1,906,215
Trade and other receivables	9	1,211,120	3,295,255	1,918,982
Inventory	10	3,116,068	2,364,530	2,873,533
Prepayment and other assets	11	282,628	314,210	180,138
Total current assets		5,850,785	8,017,043	6,878,868
Non-current assets				
Property, Plant and Equipment		149,410	53,455	45,197
Intangible assets	12	7,810,389	6,578,562	5,694,469
Other assets		15,539	17,186	30,368
Deferred tax asset	13	402,269	234,329	158,583
Total non-current assets		8,377,607	6,883,532	5,928,617
Total assets		14,228,393	14,900,575	12,807,485
Current liabilities				
Trade and other payables	14	2,578,153	2,957,136	2,309,132
Current tax payable	14	1,313,418	1,202,729	638,778
Total current liabilities		3,891,571	4,159,865	2,947,910
Non-current liabilities				
Borrowings	15	944	-(552)	12,627
Deferred tax liability	16	-	170	3,560
Total non-current liabilities		944	-(382)	16,187
Total liabilities		3,892,515	4,159,483	2,964,097
Net assets		10,335,878	10,741,092	9,843,388
Equity				
Share Capital	17	1,735,798	1,735,798	1,727,771
Share premium		8,288,479	8,288,479	8,219,525
Merger reserve	18	(721,132)	(721,132)	(721,132)
Warrant Reserve		-	-	132,000
Foreign Exchange reserve		(221,260)	(172,202)	(157,099)
Non-controlling interest		255,169	318,970	234,465
Retained Profit/ (Accumulated Losses)	19	998,824	1,291,179	407,858
Total equity and reserves		10,335,878	10,741,092	9,843,388

These financial statements were approved and authorised for release by the Directors on 02 October 2020 and are signed on its behalf by:



Joe Bayer
Executive Chairman
Company Registration Number: 09226823

Consolidated Statement of Changes in Equity

For the year 1 July 2019 to 30 June 2020

	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 2019	1,735,798	8,288,479	(721,132)	–	(172,202)	1,291,179	318,970	10,741,092
Comprehensive income								
Profit for the period	–	–	–	–		(316,450)	7,081	(309,369)
Other comprehensive income	–	–	–	–	(19,153)	–	–	(19,153)
Total comprehensive income for the year	–	–	–	–	(19,153)	(316,450)	7,081	(328,522)
Transactions with owners, in their capacity as owners								
Shares issued	–	–	–	–	–	–	–	–
Foreign exchange differences on translation of foreign denominated subsidiaries			–	–	(29,905)	27,483	–	(2,423)
Increase holding in Skinny Tan AU	–	–	–	–	–	(3,387)	(70,882)	(74,269)
Cost of Share Warrant			–	–				–
Cost of shares issued	–	–	–	–	–	–	–	–
Total transactions with owners, in their capacity as owners	–	–	–	–	(29,905)	24,096	(70,882)	(76,692)
Balance at 30 June 2020	1,735,798	8,288,479	(721,132)	–	(221,260)	998,824	255,169	10,335,878

Consolidated Statement of Cash Flows

For the period 1 July 2019 to 30 June 2020

	Note	Year ended 30 Jun 2020 £	Year ended 30 Jun 2019 £
Cash flows from operating activities			
Receipts from customers		15,343,072	11,475,562
Payments to suppliers and employees		(14,496,338)	(10,220,492)
Decrease (Increase) Share-based payments provision		(78,421)	–
Taxes Paid		(167,940)	(75,746)
Interest received		4	3
Net cash used by operating activities	25	600,377	1,179,327
Cash flows from investing activities			
Purchase of property, plant and equipment		(106,223)	(46,844)
Payments for product development/Intangibles		(1,251,646)	(884,094)
Net cash used by investment activities		(1,357,869)	(930,938)
Cash flows from financing activities			
Proceeds from borrowings		–	–
Proceeds from issue of shares / Warrants		–	132,000
Repayments of borrowings		1,496	(13,179)
Transaction costs for shares issued		–	–
Net cash from financing activities		1,496	118,821
Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		(755,996)	367,210
Effect of movement in foreign exchange rates		2,043,048	1,906,214
Cash and cash equivalents at the end of the period	8	1,240,969	2,043,048

Parent Company Statement of Financial Position

As at 30 June 2020

	Note	As at 30 June 2020 £	As at 30 June 2019 £
Current assets			
Cash and cash equivalents		436,466	977,084
Prepayments		25,205	182,047
Total current assets		461,671	1,159,130
Non-current assets			
Intercompany Receivable	20	4,844,084	5,018,328
Investment In subsidiaries	21	2,581,826	2,312,379
Product development		233,295	215,851
Deferred Tax Asset		112,952	–
Total non-current assets		7,772,156	7,546,558
Total assets		8,233,827	8,705,689
Current liabilities			
Trade and other payables		89,210	(2,340)
Total current liabilities		89,210	(2,340)
Non-current liabilities			
Convertible Notes		–	–
Total non-current liabilities		–	–
Total liabilities		89,210	–(2,340)
Net assets		8,144,617	8,708,029
Equity			
Share Capital	17	1,738,282	1,738,282
Share premium	17	8,288,479	8,288,479
Warrant Reserve		–	–
Foreign Exchange reserve		(109,337)	(109,337)
Accumulated Losses		(1,772,807)	(1,209,395)
Total equity and reserves		8,144,617	8,708,029

Parent Company Statement of Changes In Equity

For the year 1 July 2019 to 30 June 2020

	Ordinary Share Capital £	Share Premium £	Warrant Reserve £	Foreign Exchange Reserve £	Accumulated Earnings/ (Losses) £	Total Equity
Balance as at 30 June 2019	1,738,282	8,288,479	-	(109,337)	(1,209,395)	8,708,029
Comprehensive income						
Profit for the period	-	-	-	-	(563,412)	(563,412)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(563,412)	(563,412)
Transactions with owners, in their capacity as owners						
Shares issued	-	-	-	-	-	-
Foreign exchange differences on translation of foreign denominated subsidiaries	-	-	-	-	-	-
Cost of Share Warrant	-	-	-	-	-	-
Cost of shares issued	-	-	-	-	-	-
Total transactions with owners, in their capacity as owners	-	-	-	-	-	-
Balance at 30 June 2020	1,738,282	8,288,479	-	(109,337)	(1,772,807)	8,144,617

Notes to the Financial Statements

For the year ended 30 June 2020

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 2020. 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.

Notes to the Financial Statements (continued)

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

Notes to the Financial Statements (continued)

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 of 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

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 2020, InnovaDerma PLC did not have any contingent liabilities.

Contractual Commitments

At 30 June 2020, InnovaDerma PLC had not entered into any contractual commitments.

Notes to the Financial Statements (continued)

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-20 £	Year ended 30-Jun-19 £
Revenue by Geographical region		
United Kingdom	10,857,320	11,856,668
United States of America	1,612,918	667,781
Australia/NZ/Asia	788,700	327,386
	13,258,938	12,851,835

	Year ended 30-Jun-20 £	Year ended 30-Jun-19 £
Assets by Geographical region		
United Kingdom	9,651,812	10,349,659
United States of America	1,573,957	1,022,694
Australia/NZ/Asia	2,962,624	3,528,222
	14,228,393	14,900,575

4. Operating profit/(loss)

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

	Year ended 30-Jun-20 £	Year ended 30-Jun-19 £
<i>Expenses:</i>		
Directors' remuneration	462,879	324,101
Depreciation	10,268	104,085
Auditor's remuneration		
– As auditors (for parent company and consolidation)	34,994	34,467
– Taxation compliance (for parent company and subsidiaries)	3,442	3,185

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. Staff and Directors

	Year ended 30-Jun-20 £	Year ended 30-Jun-19 £
<i>Staff costs for the Group during the period:</i>		
Wages and salaries	1,563,214	1,300,661
Pension costs (including superannuation)	195,206	158,152
	1,758,420	1,458,813

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

	Year ended 30-Jun-20	Year ended 30-Jun-19
Management staff	5	5
Other employees	35	36
	40	41
<i>Role</i>	Number of Men	Number of Women
Directors	5	–
Senior Managers	2	5
Other Employees	9	19

Directors Costs

Remuneration with respect to Executive and Non-Executive directors during the year ended 30 June 2020 are disclosed below:

		Super- annuation and Pension	Consultancy Fees	Total	Total 2019
Haris Chaudhry	117,816	10,463	–	128,279	109,806
Joseph Bayer	141,703	13,238	–	154,941	115,108
Rodney Turner	8,228	782	13,316	22,326	18,175
Ross Andrews	–	–	26,248	26,248	19,992
Kieran Callan	124,650	6,432	–	131,082	61,020
				462,876	324,101

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

Directors and former Directors interests in share-based options;

	Number of Options 1 July 2019	Issued	Number of Options 30 June 2020	Exercise Price	Expiry
Haris Chaudhry	–	–	–	–	–
Joseph Bayer	–	250,000	250,000	£1.20	22/1/2023
Rodney Turner	–	75,000	75,000	£1.20	22/1/2023
Ross Andrews	–	75,000	75,000	£1.20	22/1/2023
Kieran Callan	–	125,000	125,000	£1.20	22/1/2023
Total		525,000	525,000		

The total number of share options which could be issued as shares stands at 600,000 which represents 4.1% of the Company's issued share capital.

Notes to the Financial Statements (continued)

6. Taxation

	Year ended 30 June-20 £	Year ended 30 June-19 £
<i>Current Tax</i>		
Current tax on profits in the period	(30,137)	409,060
Deferred tax expense	(45,379)	(11,843)
Under/over provision for income tax	7,892	1,395
Income Tax Expense	(67,624)	398,612

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-20 £	Year ended 30 June-19 £
Profit before taxation	(376,994)	1,411,159
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 19%	(73,229)	262,056
Differences in tax rates in subsidiary jurisdictions	(92,272)	(46,077)
Effect of change in tax rate	–	–
Excluded (gain)/loss from foreign jurisdictions	14,112	103,759
Losses carried forward	92,380	77,214
Under (over) provision in prior years	(8,121)	1,395
Permanent differences	(494)	265
Total current tax	(67,624)	398,612

7. Revenue

	Year ended 30-Jun-20 £	Year ended 30-Jun-19 £
Haircare Products	980,346	1,322,209
Life Science devices	265,956	298,744
Skin & Beauty Products	12,012,636	11,230,882
	13,258,938	12,851,835

8. Cash and cash equivalents

	30-Jun-20 £	30-Jun-19 £
Cash at bank	1,240,969	2,043.048

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-20 £	30-Jun-19 £
Trade Receivables	1,211,120	3,295,255

10. Inventory

	30-Jun-20 £	30-Jun-19 £
Finished goods (Leimo)	76,229	227,586
Finished goods (Charles & Lee, Stevie K)	292,759	215,949
Finished Goods (Prolong)	89,390	42,106
Finished Goods (Roots)	353,309	258,881
Finished Goods (Nuthing)	148,157	-
Finished goods (Skinny Tan)	2,130,607	1,553,330
Stock Material (Work in Progress)	25,617	66,678
	3,116,068	2,364,530

The costs of inventories recognised as an expense and included in cost of sales amounted to £4,102,834 for the year.

11. Prepayments and Sundry Assets

	30-Jun-20 £	30-Jun-19 £
Deposits held	2,653	10,318
Prepayments	273,296	303,892
Input tax	-	-
Sundry assets	6,679	-
	282,628	314,210

Notes to the Financial Statements (continued)

12. Intangible Assets

	30-Jun-20 £	30-Jun-19 £
<i>Group:</i>		
Goodwill (Skinny Tan)	652,180	408,067
Customer Lists	3,047,565	2,168,388
Goodwill (Leimo / Growlase)	1,781,399	1,841,818
Brands (Charles and Lee and Stevie K)	43,940	43,940
Digital Asset (Prolong)	75,833	65,816
Intellectual Property (Ergon)	1,552,280	1,472,920
ERP Microsoft System	35,765	–
Brand Development Costs	621,427	577,613
	7,810,389	6,578,562

Movement in capitalised development costs:

	30-Jun-20 £	30-Jun-19 £
Balance brought forward	577,613	252,392
Development expenditure during the year	43,814	325,221
	621,427	577,613

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

13. Deferred tax asset

	30 June-20 £	30 June-19 £
Deferred tax items recognised in income statement:		
Other timing differences	16,761	24,359
Income tax losses	385,508	209,970
	402,269	234,329

14. Trade and other payables

	30-Jun-20 £	30-Jun-19 £
Trade payables	2,238,428	2,738,363
Other payables	339,725	218,773
Current tax payable	1,313,418	1,202,729
	3,891,571	4,159,865

15. Borrowings

	30-Jun-20 £	30-Jun-19 £
General Borrowings	944	(522)
	944	(522)

16. Deferred tax liability

	30 June-20 £	30 June-19 £
Deferred tax items recognised in income statement:		
Other timing differences	–	170
	–	170

17. Contributed equity

	No. of shares	Share Capital £	Share Premium £
2019/20			
Opening balance as at 1 July 2019	14,496,633	1,735,798	8,288,479
Shares issued during the year	–	–	–
Share issue costs	–	–	–
Balance as at 30 June 2020	14,496,633	1,735,798	8,288,479
2018/19			
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

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.

Notes to the Financial Statements (continued)

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-20 £	30-Jun-19 £
Balance brought forward	1,291,179	407,858
Profit for the period	(292,355)	883,321
Balance carried forward	998,824	1,291,179

20. Intercompany loan – parent company

	30-Jun-20 £	30-Jun-19 £
Balance brought forward	4,977,858	4,998,093
Movement in funds	(133,774)	(20,235)
Balance carried forward	4,844,084	4,977,858

21. Investment in subsidiaries

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

Company Name	Date of Acquisition	Percentage Holding 30 June 2020	Percentage Holding 30 June 2019
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	95.5%	94%
SkinnyTan UK Limited (a)	28 May 2015	95.5%	94%
Ergon Medical Limited (b)	28 April 2017	100%	100%

a) During the year, InnovaDerma PLC paid £108,000 to acquire a further 1.5% 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	
		2020 £	2019 £	2020 £	2019 £
Mr Haris Chaudhry	Loan payable ¹	-	-	-	1,552

23. Commitments and contingencies

At 30 June 2020, the Group did not have any contingencies.

At 30 June 2020, the Group had an obligation to pay £6,489 in rent for the forthcoming 1 month as we have ceased this lease as of 31 July 2020, this is under a non-cancellable operating lease.

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

	30-Jun-20 £	30-Jun-19 £
Profit after income tax	(309,369)	1,012,547
Depreciation	10,268	38,586
Expenses settled in shares	-	-
(Increase) in trade and other receivables	2,117,785	(1,497,163)
(Increase) in inventory	(751,539)	509,003
Increase in trade and other payables	(306,174)	1,171,987
Increase in forex exchange gains/loss	7,346	20,113
Increase in taxes payable	(167,940)	(75,746)
Net cash outflow from operations	600,377	1,179,327

Notes to the Financial Statements (continued)

25. 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 2020 were classified as follows:

	Note	30-Jun-20 £	30-Jun-19 £
Financial assets			
Cash and cash equivalents	8	1,240,969	2,043,048
Trade and other receivables	9	1,211,120	3,295,255
Total financial assets		2,452,089	5,338,303
Financial liabilities			
Trade and other payables	14	3,891,571	4,159,865
Borrowings	15	944	-552
		3,892,515	4,159,313

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 access to debtor finance facilities made available by Market Finance Limited.

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.

26. Share Based Payments

Executive and Managers Share Option Scheme

The Group operates both a qualifying and non-qualifying EMI share option plan.

There have been a number of options granted throughout the financial year ended 30th June 2020. The details are below:

Date of grant	Number of options	Exercise Price	Fair Value	Amount Expensed
22/1/2020	525,000	£1.20	£0.15	£78,421

The company has used the Black Scholes based option pricing model to calculate the fair value of the share options issued.

27. 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-20 £	Year ended 30-Jun-19 £
Profit/(loss) for the year	(309,369)	1,012,547
Weighted average number of shares	14,496,633	14,496,633

29. Subsequent Events

Kieran Callan stepped down as a Director and CEO of the Group effective 31st August 2020.

30. Company Details

The registered office of InnovaDerma PLC is:

27 Old Gloucester Street
London, United Kingdom, WC1N 3AX



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