Company Registration Number 08326993

MICROSKIN PLC

FINANCIAL STATEMENTS

31 DECEMBER 2017

MICROSKIN PLC

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FOR THE PERIOD ENDED 31 DECEMBER 2017

MICROSKIN PLC

COMPANY DIRECTORY

AS AT 31 DECEMBER 2017

Directors	B Amor B Lowndes S McTaggart D Merson
Company Secretary	Elemental CoSec Limited
Company registration number	08326993
Registered office	27 Old Gloucester Street London United Kingdom WC1N 3AX
Auditor	Greenwich & Co UK Level 2 35 Outram Street West Perth WA 6005 Australia
Domicile of the company	United Kingdom
Country of incorporation	England and Wales
Legal form of entity	Public Limited Company
Marche Libre Paris Code	MLSKN

Your directors present their Strategic Report for Microskin PLC and its controlled entities (hereafter "the Group" or "Microskin") for the period ended 31 December 2017.

Principal activities

Microskin PLC is a global leader in skin simulation technology and manufacture a patented product that is used to treat skin related conditions such as, vitiligo, birthmarks, burns and eczema. Microskin (MLSKN) listed on the Euronext Marché Libre in September 2015.

For the last 12 years, the Microskin business model has been flourishing with the development of specialised Microskin Clinics (under license) managed by skincare and medical professionals. Microskin is currently licensed around the world in Australia, New Zealand, USA, Canada, Brazil, Estonia, Turkey, Saudi Arabia, Indonesia and India. New licenses are forecast to launch in Q1 & Q2 2018 in the UK, Italy, and Pakistan, with discussions for new licensees in Israel, Malaysia and Singapore progressing well.

In February 2017, Microskin acquired the international rights to market leading Australian brand ISOCOL. ISOCOL is an iconic Australian brand that has enjoyed 35+ years of sales success with an extensive established distribution network in Australia. ISOCOL's core product, "ISOCOL" is a Rubbing Alcohol Antiseptic and is one of the most versatile products available on the market. It has been a must-have product in Australian households, with a multitude of applications from general cleaning to skin treatment.

As a result of this acquisition Microskin now have an established team and channel to expand the international distribution of ISOCOL and Microskin products, along with other unique skin enhancement products Microskin PLC will partner with into the high demand UK, European, Asian and American markets in 2018.

No significant change in the nature of these activities occurred during the year.

Principal Risks and Uncertainties

The directors consider the main risk to the business is a potential lack of capital to fund the following:

- Aggressive business development to increase the rollout of clinics around the world.
- Develop "over the counter" product distribution opportunities.
- Product development to enhance our competitive advantage in the camouflage cosmetic market.
- Develop other applications of Microskin, such as sunscreen.

As the Group expands its operations to a variety of international locations, the directors are also mindful of the Group's exposure to foreign exchange risk. At present, clinic license fees represent a big percentage of the revenue for the Group and are fixed in Australian dollars, therefore not subject to exchange risk. Clinic royalty payments are paid as a percentage of revenue generated in the clinic. The funds are sent to us as Australian dollars and will fluctuate with exchange variation. The directors will give consideration to hedging contracts when the royalty stream is of sufficient size and regularity to justify it.

Review of Operations

After a lengthy and expensive process we have now gained approval to import and sell Microskin in Saudi Arabia, India and Pakistan. This is a significant breakthrough as these countries represent the biggest worldwide potential for Microskin, particularly in the treatment of Vitiligo.

A majority owned subsidiary has been established to raise funding to develop the Microskin retail products.

We are still pursuing our long term business strategy based around a Dermatologist affiliate program utilizing the Colour Match app. However regulatory issues in the countries mentioned above have caused significant delays. Consequently we consider it prudent to provide for a reduction in the carried forward value attributed to the app. This will be reviewed in the next annual accounts in light of the recent commencement of business in the current licensed territories and potential new territories.

Operating Results

The operating loss of the Group amounted to $1,143,638.

While we have been successful in signing license agreements in regions that represent enormous potential for us e.g. India, the Middle East and Brazil, extensive delays in receiving approvals to supply these jurisdictions continues to impact on results.

Financial Position

At 31 December 2017, the Group's Statement of Financial Position shows a net asset position of $16,508,103.

Business & Strategic Development

A number of acquisition opportunities are under review to continue the strategy of repositioning Microskin PLC as a holding company. The 10 to 1 share consolidation and conversion of all shares to the same class is also now in progress. The completion of this restructuring will enable to suspension on trading to be lifted.

Listing

Listing on the Marche Libre in Paris provides a platform for raising the necessary capital to fund business and product development initiatives.

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.

Employees

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

Role	*Number of Men*	*Number of Women*
Directors	4	-
Senior Managers	-	1
Other Employees	2	3

By order of the Board

Barry Amor

Director

22 August 2018

Your directors present their report on the Group for the financial period ended 31 December 2017.

Directors

The names of each person who has been a director during the period and to the date of this report are:

Barry Amor - Executive Chairman

Barry's 40 year career spans the telecommunications, industrial equipment and information systems sectors. The focus of these skills has been on laying solid foundations for organisations intent on developing and exporting a range of complex products and equipment targeting industrial and commercial applications. Barry has cultivated a solid understanding of the issues associated with building export-oriented businesses that have targeted various south-east Asian countries, the USA and New Zealand.

With a solid background in engineering, Barry began his career in telecommunications, subsequently gaining extensive experience in industrial automation, mining equipment, computer and communications hardware and enterprise software systems. The hands on experience gained founding businesses in several of these sectors has given him the ability to see the broad picture as well as the detailed nuances at work in the entrepreneurial environment. Later in his career he oversaw the foundation of a company which has set a new benchmark for enterprise resource planning (ERP) systems for mid-range organisations. Those systems boast a growing customer base in domestic and international markets. As chief executive charged with driving both product development and market growth, he gained an in-depth understanding of government grants for research and development and exports and the tax concessions appropriate to a company operating at the leading edge of technology development. This venture was preceded by a project in which he restructured and managed the sale of a national business distributing software and hardware. He has also run businesses distributing industrial control equipment, computer components and specialised equipment for application in coal mining and the oil industry.

In the last few years Barry has worked inside the corporate advisory sector, with several years working for Gramercy Venture Advisors. Barry is based in Brisbane, Australia.

Barry Lowndes – Director

Barry Lowndes brings to Microskin a wealth of knowledge and understanding from a management perspective. Prior to a period of full-time involvement with Microskin, Barry was the National Security Manager with the Millers Retail Group which comprises over 600 retail stores and 3,000 staff. It was Barry's responsibility to formulate policies and procedures to reduce a growing shrinkage problem, reduce theft and train employees. Barry oversaw the day-to-day activities of all group leaders, including the implementation of objectives and strategies for its managing directors. Barry's final position at Millers was as the chairman of the newly-formed Millers Shrinkage Board, which provided its shareholders with strategies to improve shrinkage performance. In recent times Barry has given up full-time involvement in the day-to-day affairs of Microskin; however, he retains an active involvement as a director.

David Merson – Director

For 21 years, David Merson was the chief executive officer of Mincom Limited, a company he founded in 1979. During his tenure, Mincom grew to become Australia's largest software developer and exporter with 1,200 staff, annual revenues of $200 million, and global leadership in a number of software product categories.

Scott McTaggart – Director

An investor and business consultant with shareholding and directorships in MezurX Pty Ltd (drilling services) and Euclideon Pty Ltd (3D graphics). Scott's career has included being a high school teacher, developing software for Mincom (involved in the divestiture of Petroleum Technology Mincom and the sale of Mincom as a shareholder), working for Paradigm Geophysical, Shell and GeoSource, before becoming an Adjunct Associate Professor at the University of Queensland, where he was also director/CEO of two National Earth Science Infrastructure Companies (ACcESS, AuScope). He has a Bachelor of Applied Science in Geophysics (1st Class Honours).

Information on company secretary

Elemental Company Secretary Limited have served the company in the function of company secretary in the period to 31 December 2017.

Group structure

The Group is controlled from Australia, where all its active operations are controlled. The parent company – Microskin PLC – is the only UK company in the Group, and it does not conduct operations.

Significant changes in state of affairs

In February 2017, via the issue of 17,745,404 shares, the Group acquired control of the international rights and distribution networks to the Australian product, "Isocol." This transaction valued the ISOCOL brand at EUR6m.

In October 2017, 1,129,900 shares in the Company that had not been fully paid up were cancelled.

Matters or circumstances arising after the end of the year

In April 2018, 16,666,666 shares, which had been issued to London Trade & Finance for the purposes of capital raising, were returned to the Company.

Aside from as above disclosed, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments and results

Beyond matters specifically discussed by the Board in the Director's Report and the Strategic Report, likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Research and Development

The Group undertakes a variety of research activities into potential new products and new formulations 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.

Environmental issues

The Group's operations, as a product manufacturer and retailer, have a negligible environmental impact. As such, there is no impact from laws of the Commonwealth or of a state or territory of Australia.

Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for any person who is or has been an officer or auditor of Microskin PLC.

Proceedings on behalf of the company

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

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

Meetings of directors

During the financial period, 8 meetings of directors (including committees of directors) were held. Attendances by each director during the period were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Barry Amor	8	8
Barry Lowndes	8	4
David Merson	8	8
Scott McTaggart	8	6

Dividend policy

The group does not intend to pay dividends for the foreseeable future. At this stage of the group's life cycle, and profits will be re-invested in the growth and future success of the business.

Financial Instruments

The Group holds a number of financial instruments. Information regarding the Group's financial risk management objectives and policies, including exposure to foreign exchange, price, cashflow, credit and liquidity risks, are presented in Note 25 to these financial statements.

Creditor payment policy

The group adheres to a standard payment policy for commercial creditors, meeting its obligations within the timeframe provided by their suppliers. Non-commercial creditors – typically the directors and their related parties – have deferred payment of bills to assist with the group's liquidity.

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:

31 December 2017	Balance at beginning of year	Acquired during the year	Balance at end of year
Barry Lowndes	37,218,020	-	37,218,020
Barry Amor	57,645,220	-	57,645,220
Scott McTaggart	1,656,250	-	1,656,250
David Merson	2,083,330	-	2,083,330
	98,602,820	**-**	**98,602,820**

Remuneration report (audited)

Policy & Practice

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

Contracts

Directors' remuneration in its various forms was agreed by Board resolution, not formalised by contracts at this stage, and these arrangements will continue until re-visited by either party. Thus, there has been no specification of termination benefits for directors at this time.

Amounts of emoluments and compensation

	Remuneration including superannuation	
Director	*Period to 31 December 2017*	*Year to 30 June 2016*
	$	$
Barry Lowndes	-	-
Barry Amor	206,100	137,400
Scott McTaggart	-	-
David Merson	-	-
	206,100	137,400

End of audited section

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year or period. Under that law the Directors have elected to prepare the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

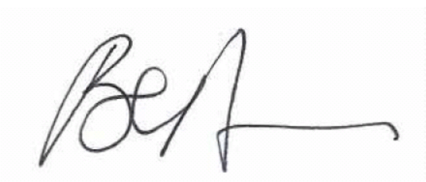
Directors' statement as to disclosure of information to the auditor

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

- to the best of their knowledge and belief, there is no relevant audit information of which the Group's auditor is unaware; and

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

On behalf of the Board



Barry Amor
Director
22 August 2018

Opinion

We have audited the consolidated financial statements of Microskin PLC ("Company" and "Parent Company") and its Subsidiaries ("Group") for the period ended 31 December 2017. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards of Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 14 to the financial statements considering the group's intangible asset holdings as at 31 December 2017, and the disclosure made in Note 1.2 to the financial statements considering the group's ability to continue as a going concern.

We draw attention to Note 14 in the financial statements, which indicates that there is uncertainty as to the quantum of future economic benefits which may be generated by the Colour Match app, valued at $7,476,731 at 31 December 2017.

We also draw attention to Note 1.2 in the financial statements, which indicates that the group paid operating expenses of $581,010 during the period, but only has cash at 31 December 2017 of $18,347.

We believe that the group's ability to continue as a going concern is dependent on the group securing additional funding through shareholder loans, or successful realisation of revenue growth via the Group's plans to expand their franchise locations and sales in the coming year.

As a result, there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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.

Overview of Audit Approach

We identified the key audit risks to be revenue recognition, change of presentation currency, and the valuation of prepayments.

We set materiality for the Group at 5% of recurring operating loss: £63,000.

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

Our Assessment of Risks of Material Misstatement

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

REVENUE RECOGNITION

Risk Description

Microskin, as a Group, generates revenues from sales and licensing of various second skin products.

The method for recognising revenue varies depending on the type of sale being made:

- *Retail sales*

  These sales are recognised at the date the stock is dispatched from the warehouse, in accordance with the terms of trade.

- *Franchise fees*

  This income is recognised on the date of signature of the franchising agreement, in accordance with the contractual terms agreed with the franchisee.

- *Royalty income*

  Royalty rates are established by franchise contracts, and amounts are then paid on a recurring basis depending on customers purchasing the product from that franchisee in that period.

  There are risks around the timing of revenue recognition, particularly focused on the contractual terms of franchises. In addition, due to the different types of revenue, we have identified revenue recognition as a key risk for our audit.

The Group's revenue recognition policy is disclosed in note 1.13.

How the scope of our audit responded to the risk	Our audit work assessed the design and implementation of controls over the recognition of revenue. We tested, in detail, a sample of completed orders around the year end date, with specific focus on recognition conditions for revenue. We assessed the transfer of risk and reward to the customer by reviewing dates of transaction completion in the Group's financial records, and dates of despatch. We evaluated the Group's contracts for franchising its products, with particular focus on the clauses and rates for royalties. **Key Observations**: We noted no material instances of inappropriate revenue recognition arising in our testing.

CONSIDERATION OF IMPAIRMENT OF COLOUR MATCH INTANGIBLE ASSET

Risk Description	The Group holds an intangible asset valued at $7,476,731 in relation to the Colour Match app technology acquired in a prior financial year. A provision for impairment was processed against this balance during the year. Given that this asset is not yet ready for use, coupled with its size, potential impairment of this asset was considered a key risk for the purposes of our audit. The note corresponding to this balance is note 14.
How the scope of our audit responded to the risk	We obtained the projections in relation to the group's results with the asset in use and vetted the assumptions applied in their calculation. We considered the basis for the impairment already applied to the asset during the period under audit and whether this was sufficiently well founded. We evaluated whether the asset was ready for use and thus, whether it was ready to commence amortisation. **Key Observations**: We concluded that the intangible asset is fairly stated and no additional impairment was required.

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 £63,000, which represents 5% of the Group's operating loss for the period ended 31 December 2017.

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.
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 £3,150, 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 is managed from Brisbane, Australia. 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 period audit has remained consistent with the scope of that of the prior year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or other appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Responsibilities of directors
As explained more fully in the Director's Responsibilities Statement on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company, or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nicholas Hollens

NICHOLAS HOLLENS

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

Statutory Auditor, Chartered Accountants

Perth, Australia

22 August 2018

MICROSKIN PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	Period ended 31 December 2017 $	Year ended 30 June 2016 $
Revenue	2	1,019,727	378,006
Cost of sales		(145,754)	(64,946)
Gross Profit		**873,973**	**313,060**
Other operating income	2	45,849	3,393
Administrative expense		(1,232,414)	(609,945)
Marketing expenses		(16,933)	(24,347)
Occupancy expenses		(71,902)	(62,937)
Finance costs		(192,211)	(64,004)
Bad debt expense		(550,000)	(4,846)
Operating Profit		**(1,143,638)**	**-**
Provision for impairment		(5,925,796)	-
(Loss)/Profit before income tax	3	**(7,069,434)**	**(449,626)**
Income tax (expense)/benefit	5	-	-
(Loss)/Profit for the year		**(7,069,434)**	**(449,626)**
Other comprehensive income:			
Exchange differences on translating foreign controlled entities		(3,528,213)	(120,013)
Total comprehensive income for the year		**(10,597,647)**	**(569,639)**
Basic & diluted earnings/(loss) per share (in cents)	8	(0.04)	(0.00)

All of the activities of the Group are classed as continuing.

All of the total comprehensive income for the period is attributable to the owners of the Group.

MICROSKIN PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31 December 2017 $	30 June 2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	18,347	16,933
Trade and other receivables	10	350,381	422,632
Inventories	11	49,427	86,422
Other assets	12.1	2,704,518	3,062,432
TOTAL CURRENT ASSETS		**3,122,673**	**3,588,419**
NON-CURRENT ASSETS			
Property, plant and equipment	13	36,548	51,659
Intangible assets	14.1	16,144,010	16,589,966
TOTAL NON-CURRENT ASSETS		**16,180,558**	**16,641,625**
TOTAL ASSETS		**19,303,231**	**20,230,044**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	1,042,182	642,472
Borrowings	16	1,752,946	895,180
TOTAL CURRENT LIABILITIES		**2,795,128**	**1,537,652**
NON-CURRENT LIABILITIES			
Borrowings	16	-	20,320
TOTAL NON-CURRENT LIABILITIES		**-**	**20,320**
TOTAL LIABILITIES		**2,795,128**	**1,557,972**
NET ASSETS		**16,508,103**	**18,672,072**
EQUITY			
Issued capital	17	28,872,074	25,878,757
Share premium	17	12,725,055	7,284,694
Reserves	18	(15,014,399)	(11,486,186)
Accumulated losses		(10,074,627)	(3,005,193)
TOTAL EQUITY		**16,508,103**	**18,672,072**

MICROSKIN PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

These financial statements were approved and authorised for release by the Directors on 22 August 2018 and are signed on its behalf by:

B Amor
Director

Company registration number: 08326993

MICROSKIN PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2017

	Ordinary Share Capital $	Share Premium	Merger Reserve $	Foreign Currency Reserve $	Accumulated Losses $	Total Equity $
Opening balance 1 July 2015	**13,425,955**	**233,101**	**(11,397,975)**	**31,802**	**(2,555,567)**	**(262,684)**
Comprehensive Income						
Loss for the year	-	-	-	-	(449,626)	(449,626)
Other comprehensive income	-	-	-	(120,013)	-	(120,013)
Total comprehensive income for the ear	**-**	**-**	**-**	**(120,013)**	**(449,626)**	**(569,639)**
Transactions with owners, in their capacity as owners						
Shares issued to acquire subsidiary	9,402,124	7,051,593	-	-	-	16,453,717
Shares issued in respect of share subscription facility	3,050,678	-	-	-	-	3,050,678
Balance as at 30 June 2016	**25,878,757**	**7,284,694**	**(11,397,975)**	**(88,211)**	**(3,005,193)**	**18,672,072**
Opening balance 1 July 2016	**25,878,757**	**7,284,694**	**(11,397,975)**	**(88,211)**	**(3,005,193)**	**18,672,072**
Comprehensive Income						
Loss for the period	-	-	-	-	(7,069,434)	(7,069,434)
Other comprehensive income	-	-	-	(3,528,213)	-	(3,528,213)
Total comprehensive income for the period	**-**	**-**	**-**	**(3,528,213)**	**(7,069,434)**	**(10,597,647)**
Transactions with owners, in their capacity as owners						
Shares issued to acquire brand & distribution rights	2,993,317	5,440,361	-	-	-	8,433,678
Balance as at 31 December 2017	**28,872,074**	**12,725,055**	**(11,397,975)**	**(3,616,424)**	**(10,074,627)**	**16,508,103**

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	Period ended 31 December 2017 $	Year ended 30 June 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		597,080	339,334
Payments to suppliers and employees		(985,879)	(544,858)
Finance costs		(192,211)	(64,004)
Income tax (paid)/reimbursed		-	-
Net cash (used in)/provided by operating activities	19	**(581,010)**	**(269,528)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for intangible asset		-	(17,692)
Purchase of property, plant and equipment		(3,726)	(12,428)
Net cash used by investing activities		**(3,726)**	**(30,120)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings			-
Proceeds from borrowings		837,446	310,193
Net cash from financing activities		**837,446**	**310,193**
Net increase (decrease) in cash and cash equivalents held		252,710	10,545
Effect of change in foreign currency		(251,296)	-
Cash and cash equivalents at beginning of period	9	16,933	6,388
Cash and cash equivalents at end of financial period	9	**18,347**	**16,933**

MICROSKIN PLC

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31 December 2017 $	30 June 2016 $
ASSETS			
CURRENT ASSETS			
Intercompany Loan		295,174	317,575
Other Loans Receivable		-	99,873
Other assets	12.2	2,714,137	3,050,678
TOTAL CURRENT ASSETS		3,009,311	3,468,126
NON-CURRENT ASSETS			
Intangible Assets	14.2	15,910,413	16,329,879
TOTAL NON-CURRENT ASSETS		**15,910,413**	**16,329,879**
TOTAL ASSETS		**18,919,724**	**19,798,005**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		69,682	20,500
Borrowings		216,610	-
TOTAL CURRENT LIABILITIES		**286,292**	**20,500**
NON-CURRENT LIABILITIES		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		**286,292**	**20,500**
NET ASSETS		**18,633,432**	**19,777,505**
EQUITY			
Issued capital	17	28,872,074	25,878,757
Share premium	17	12,725,055	7,284,694
Reserves		(3,711,763)	(191,420)
Accumulated losses		(19,251,934)	(13,194,526)
TOTAL EQUITY		**18,633,432**	**19,777,505**

In accordance with section 408 of the UK Companies Act 2006, the company is availing itself of the exemption from presenting its individual statement of profit or loss and other comprehensive income. The company's loss for the financial period as determined in accordance with IFRS's is $6,057,408 (2016: $8,673). The company had no cashflow in the period, and therefore no cashflow statement has been prepared.

MICROSKIN PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2017

	Ordinary Share Capital $	Share Premium $	Foreign Exchange Reserve $	Accumulated Losses $	Total Equity $
Opening balance 1 July 2015	13,425,955	233,101	(34,188)	(13,185,853)	439,015
Comprehensive income					
Loss for the period	-	-	-	(8,673)	(8,673)
Other comprehensive income	-	-	(157,232)	-	(157,232)
Total comprehensive income for the period	**-**	**-**	**(157,232)**	**(8,673)**	**(165,905)**
Transactions with owners, in their capacity as owners					
Shares issued to acquire subsidiary	9,402,124	7,051,593	-	-	16,453,717
Shares issued in respect of share subscription facility	3,050,678	-	-	-	3,050,678
Total transactions with owners, in their capacity as owners	**12,452,802**	**7,051,593**	**-**	**-**	**19,504,395**
Balance as at 30 June 2016	**25,878,757**	**7,284,694**	**(191,420)**	**(13,194,526)**	**19,777,505**
Opening balance 1 July 2016	25,878,757	7,284,694	(191,420)	(13,194,526)	19,777,505
Comprehensive income					
Loss for the period	-	-	-	(6,057,408)	(6,057,408)
Other comprehensive income	-	-	(3,520,343)	-	(3,520,343)
Total comprehensive income for the period	**-**	**-**	**(3,520,343)**	**(6,057,408)**	**(9,577,751)**
Transactions with owners, in their capacity as owners					
Shares issued to acquire brand & distribution rights	2,993,317	5,440,361	-	-	8,433,678
Balance as at 31 December 2017	**28,872,074**	**12,725,055**	**(3,711,763)**	**(19,251,934)**	**18,633,432**

The consolidated financial statements and notes represent those of Microskin PLC and its controlled entities ("the consolidated group" or "group"). The consolidated financial statements have been prepared for the period ending 31 December 2017.

1. Significant accounting policies

1.1 Basis of preparation

The 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 financial statements are drawn up under the historical cost convention.

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 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.

As at 31 December 2017 the Group had a cash balance of $18,347, while during the period it made payments to suppliers and employees totalling $985,879.

The Group has now embarked on an aggressive rollout of clinics throughout the world with franchises opening in Turkey, India, United Kingdom, France, Brazil and throughout Asia.

Further expansion of the licensed clinic network in the coming year will see clinic revenues cover fixed overheads and then start to contribute modest profits in future years. Negotiations continue with various multinationals which can potentially result in significant revenue streams to the Group.

In the short term, monies are being advanced to the company by the director, Mr Amor, to assist with day to day cashflow needs, until the Group's revenue streams grow to enable the company to be self sufficient. In light of these events and expected future developments, the Directors are confident that the Group has access to sufficient funds, now and in the future, to meet its working capital requirements for the coming year.

However, the Directors also recognise that the ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on Mr Amor's support and on the Group's future sales and success in generating further franchise arrangements. Given the current cash position, there is a material uncertainty about whether the Group can continue as a going concern.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Microskin PLC at the end of the reporting period. A controlled entity is any entity over which Microskin 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.

In the company statement of financial position investment in subsidiaries is accounted for at the nominal value of the shares issued on acquisition.

Asset Acquisitions
When the Group acquires a new company, but that company does not constitute a "business" under IFRS 3 (i.e. it is an asset holding company), the consideration transferred in relation to the acquisition is attributed to the assets of the acquiree.

1.4 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

1.5 Property, Plant and Equipment

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a reducing balance basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Plant and Equipment	5 – 66%
Motor Vehicles	25%
Leasehold improvements	2.5 – 10%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

1.6 Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a) The amount at which the financial asset or financial liability is measured at initial recognition;
b) Less principal repayments;
c) Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
d) Less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The group does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the group assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When available-for-sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

1.7 Impairment of non-financial assets

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 and dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. 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 value. Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) at a pre-tax discount rate reflecting the specific risks in the asset / CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of goodwill to nil and then to the other assets in the unit in proportion to their carrying amount.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Assets, other than goodwill that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

1.8 Intangibles

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life, which is estimated at 20 years, hence amortisation is charged at 5% per annum.

Computer software
Computer apps and software assets are recognised at cost of acquisition. Apps and software have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Computer apps and software assets are amortised over their useful life, commencing from the date they are ready for use.

At 30 June 2016, the only software asset held is not yet ready for use, hence no useful life has been estimated, and no amortisation policy has been set.

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.

Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

1.11 Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

1.12 Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

1.13 Revenue

Interest
Interest income is recognised using the effective interest method.

Franchise Fees
Franchise fees are amounts specified by contracts between the group and its franchisees. The contracts specify dates when fee amounts are to be invoiced. There are no other conditions affecting recognition of this revenue, thus it is governed by the contract dates.

Sales
Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Royalties & Government subsidies
Royalties & Government subsidies are accounted for on an accruals basis, with receipts apportioned over the period that the amount received relates to.

1.14 Impairment of assets

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.

Inventory is regularly assessed for potential indicators of impairment.

1.15 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

1.16 Income Tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

1.17 Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

1.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.19 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.20 Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of Microskin PLC's entities is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from Microskin PLC's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to Microskin PLC's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

1.21 Leases

The Group leases certain fixed assets, classified as motor vehicles. Leases of motor vehicles where the Group has substantially all the risks and rewards of ownership are classified as finance leases (or hire purchase). Finance leases are capitalised at the lease's commencement date, at the lower of the fair value of the leased asset, and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in short term (payments in less than 12 months) and long term (payments in more than 12 months) borrowings. The interest element of the finance cost is charged to the income statemenet over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability each period. The motor vehicles acquired are depreciated over the shorter of the useful life of the asset and the lease term.

1.22 Key estimates and judgements

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

Estimation of useful lives of assets

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

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If any impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell, or value-in-use calculations, which incorporate a number of key estimates and assumptions.

1.23 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 2016 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 January 2018 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 and intends to adopt IFRS 9 no later than the accounting period beginning on 1 January 2018.

IFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity´s contracts with customers. IFRS 15 was issued in May 2014.

The standard Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces all existing requirements (IAS 18 Revenue and IAS 11 Construction contracts and related interpretations). IFRS 15 has been endorsed by the EU in September 2016. The standard is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group will start applying IFRS 15 from 1 January 2018 and an impact assessment for the changes retrospective application will have is currently underway.

2. Revenue and Other Income

	Note	Period ended 31 December 2017 $	Year ended 30 June 2016 $
Sales revenue			
- Sale of goods		235,994	184,211
- Franchise fees		675,000	125,299
- Royalties		108,733	68,496
		1,019,727	**378,006**
Other revenue			
- Interest revenue		1	-
- Other revenue		51,251	3,393
- Currency (Loss)/Gain		(5,403)	-
		45,849	**3,393**
Total Revenue		**1,065,576**	**381,399**

3. Operating loss

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

	Period ended 31 December 2017 $	Year ended 30 June 2016 $
Depreciation of property, plant and equipment	18,837	16,954
Amortisation of intangible assets	26,490	17,158
Bad debt expense	550,000	4,846
Directors' remuneration	-	-
Auditor's remuneration		
- As auditors (for Microskin PLC)	9,500	8,500
- As tax agents (for Microskin PLC – tax compliance)	3,000	2,500
- As auditors (for Microskin Holdings Limited)	9,500	8,500

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.

4. Segment Information

The board of directors is the group's chief operating decision-maker. The board has determined the operating segments based on the information reviewed by the board for the purposes of allocating resources and assessing performance.

The board considers the business from both a geographic and product perspective. Geographically, management considers the performance in Australia, the USA, Scandinavia & the Baltics, South East Asia, India, Turkey & Saudi Arabia. These are locations that house either a Microskin group owned and operated clinic, or a franchised clinic. From a product perspective, at this stage in the group's life cycle, management consider there to be only one product: Microskin.

Location	**Revenue Period ended 31 December 2017 $**	**Revenue Year ended 30 June 2016 $**
Australia	119,656	187,603
United States of America	701,978	50,638
Scandinavia & the Baltics	6,521	7,897
Turkey	25,022	9,962
Saudi Arabia	12,561	-
Brazil	-	-
Canada	-	125,299
Other	199,838	-
	1,065,576	381,399

All locations outside of Australia are operated under franchise agreements. For this reason, all operating costs are attributed by management to the Australian segment. Income from outside of Australia is derived without the occurrence of overhead costs.

All group assets are attributed to the Australian segment. As noted above, the revenues from other geographic locations are from franchise arrangements. The Group does not have assets in those countries.

5. Income Tax Expense

	Note	Period ended 31 December 2017 $	Year ended 30 June 2016 $
Current tax expense			
R&D Tax Offset Receivable		-	-
R&D Tax Offset (previous overpayment)		-	-
Deferred tax expense			
Derecognition of deferred tax asset that is no longer probable to be utilised		-	-
Income tax (benefit) from continuing operations		**-**	**-**
		-	**-**

Factors affecting the current tax charge period ended 31 December 2017

	UK Activities (tax at 19%) $	Australian Activities (tax at 30%) $	Total $
Loss before tax	(6,057,408)	(1,012,026)	(7,069,435)
Prima facie tax payable on profit from ordinary activities before income tax	**(1,150,908)**	**(303,608)**	**(1,454,515)**
Reconciliation to income/charge:			
- other non-allowable items	-	1,532	1,532
- foreign income	-	18,629	18,629
- brought forward losses applied against profits	-	-	-
- current period loss carried forward	1,150,908	283,447	1,434,355
Income tax (benefit)	**-**	-	-

Factors affecting the current tax charge year ended 30 June 2016

	UK Activities (tax at 20%)	Australian Activities (tax at 30%)	Total
	$	**$**	**$**
(Loss)/Profit before tax	(8,673)	(440,953)	(449,626)
Prima facie tax payable on profit from ordinary activities before income tax	**(1,735)**	**(132,286)**	**(134,021)**
Reconciliation to income/charge:			
- other non-allowable items	-	5,684	5,684
- foreign income	-	2,022	2,022
- brought forward losses applied against profits	-	-	-
- current period loss carried forward	1,735	124,580	126,315
Income tax (benefit)	**-**	-	-

6. Interests of Key Management Personnel

The totals of remuneration payable to the key management personnel of Microskin PLC during the period are as follows:

	Period ended 31 December 2017	Year ended 30 June 2016
	$	**$**
Barry Lowndes	-	-
Barry Amor	201,600	137,400
Scott McTaggart	-	-
David Merson	-	-
	201,600	**137,400**

Key management personnel shareholdings

The number of ordinary shares in Microskin PLC held by each key management person of Microskin PLC during the financial period is as follows:

31 December 2017	Balance at beginning of year	Acquired during the year	Disposed during the year	Balance at end of year
Barry Lowndes	37,218,020	-	-	37,218,020
Barry Amor	57,645,220	-	-	57,645,220
Scott McTaggart	1,656,250	-	-	1,656,250
David Merson	2,083,330	-	-	2,083,330
	98,602,820	**-**	**-**	**98,602,820**

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 23: Related Party Transactions.

7. Employees

	Period ended 31 December 2017 $	Year ended 30 June 2016 $
Staff costs for the Group during the period:		
Wages and salaries	274,389	307,295
Superannuation (pension)	35,603	15,557
Social security costs	-	-
	309,992	**322,852**

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

	Period ended 31 December 2017	Year ended 30 June 2016
Management staff	**6**	**6**
Executive Directors	**1**	**1**
Total	**7**	**7**

8. Earnings per share

Basic earnings per share is 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.

	Period ended 31 December 2017 $	Year ended 30 June 2016 $
Profit/(loss) for the period	(7,069,435)	(449,626)
Weighted average number of shares	169,587,512	141,707,131

Please note, on 17 March 2016, a 10:1 share split was completed by the Company, increasing the share capital in existence at that date by a factor of ten. In order to preserve comparability of the earnings per share figures, the prior year's weighted average number of shares for the first eight months of the year, have been adjusted as though the share split had always been in place.

There were no instruments (e.g. redeemable preference shares or share options) in issue as at 31 December 2017 that could potentially dilute earnings per share in the future.

9. Cash and cash equivalents – group

	Note	31 December 2017 $	30 June 2016 $
Cash at bank and in hand		18,347	16,933
		18,347	**16,933**

10. Trade and other receivables – group

	Note	31 December 2017 $	30 June 2016 $
CURRENT			
Trade receivables		415,381	487,632
Provision for doubtful debts		(65,000)	(65,000)
		350,381	**422,632**

11. Inventories – group

	31 December 2017 $	30 June 2016 $
CURRENT		
Finished goods	49,427	86,422
	49,427	**86,422**

During the year, the amount of inventory recognised as an expense was $31,267.

12. Other assets

12.1 Group

	31 December 2017 $	30 June 2016 $
CURRENT		
Prepayments	36	9,253
Bonds	2,500	2,500
Unpaid shares	2,701,982	3,050,679
	2,704,518	**3,062,432**

12.2 Parent Company

	31 December 2017 $	30 June 2016 $
CURRENT		
Unpaid shares	2,701,982	3,050,679
Other assets	12,155	-
	2,714,137	**3,050,679**

13. Property, plant and equipment – group

	Motor Vehicles $	Plant & Equipment $	Leasehold Improvements $	Total $
Cost				
At 1 July 2016	54,438	76,636	20,173	151,247
Additions	-	3,726	-	3,726
Disposals	-	-	-	-
As at 31 December 2017	54,438	80,362	20,173	154,973
Accumulated Depreciation				
At 1 July 2016	(38,574)	(53,537)	(7,477)	(99,588)
Charged	(5,465)	(12,344)	(1,028)	(18,837)
Disposals	-	-	-	-
As at 31 December 2017	(44,039)	(65,881)	(8,505)	(118,425)
Net book value				
Cost	54,438	80,362	20,173	154,973
Accumulated Depreciation	(44,039)	(65,881)	(8,505)	(118,425)
As at 31 December 2017	**10,399**	**14,481**	**11,668**	**36,548**
Cost	54,438	76,636	20,173	151,247
Accumulated Depreciation	(38,574)	(53,537)	(7,477)	(99,588)
As at 30 June 2016	**15,864**	**23,099**	**12,696**	**51,659**

14. Intangible Assets

14.1 Group

	Patent, trademarks and other rights $	Computer Software $	Total $
Cost			
At 1 July 2016	361,229	16,379,614	16,740,843
Additions	8,433,682	-	8,433,682
Provision for Impairment	-	(5,925,796)	(5,925,796)
As at 31 December 2017	**8,794,911**	**10,453,818**	**19,248,729**
Accumulated amortisation			
At 1 July 2016	(101,142)	(49,735)	(150,877)
Amortisation charge	(26,490)	-	(26,490)
As at 31 December 2017	**(127,632)**	**(49,735)**	**(177,367)**
Net book value			
Cost	8,794,911	10,453,818	19,248,729
Effect of foreign exchange	-	(2,927,352)	(2,927,352)
Accumulated amortisation	(127,632)	(49,735)	(177,367)
As at 31 December 2017	**8,667,729**	**7,476,731**	**16,144,010**
Cost	361,229	16,379,614	16,740,843
Accumulated Depreciation	(101,142)	(49,735)	(150,877)
As at 30 June 2016	**260,087**	**16,329,879**	**16,589,966**

During the period under review, the Directors undertook a detailed review of the Group's asset base, including the Colour Match app. Given the delays in accessing certain markets due to extended regulatory approval processes, the Group has been unable to maximise use of the Colour Match app technology thus far. In the longer term, the Directors expect this to aid sales growth for both franchisees and affiliate partners globally.

However, given that expected revenues are not yet being generated, the Directors have deemed it prudent to make a provision for impairment against the asset, to the value of $5,925,796, to reduce the carrying value the Directors believe appropriate given current trading conditions.

Provisions for impairment can be reversed, when circumstances change and the results of the Group warrant it. The Directors expect that results in the coming year will support such a reversal.

14.2 Parent Company

	Patent, trademarks and other rights $	Computer Software $	Total $
Cost			
At 1 July 2016	-	16,329,879	16,329,879
Additions	8,433,682	-	8,433,682
Provision for Impairment	-	(5,925,796)	(5,925,796)
As at 31 December 2017	**8,433,682**	**10,404,083**	**18,837,765**
Accumulated amortisation			
At 1 July 2016	-	-	-
Amortisation charge	-	-	-
As at 31 December 2017	**-**	**-**	**-**
Net book value			
Cost	8,433,682	10,404,083	18,837,765
Effect of foreign exchange	-	(2,927,352)	(2,927,352)
Accumulated amortisation	-	-	-
As at 31 December 2017	**8,433,682**	**7,476,731**	**15,910,413**
Cost	-	16,329,879	16,329,879
Accumulated Depreciation	-	-	-
As at 30 June 2016	**-**	**16,329,879**	**16,329,879**

15. Trade and other payables – group

	Note	31 December 2017 $	30 June 2016 $
CURRENT			
Unsecured liabilities			
Trade payables		626,187	271,187
Sundry payables and accrued expenses		308,123	314,488
Employee leave provisions		107,872	56,797
		1,042,182	**642,472**

16. Borrowings – group

	Note	31 December 2017 $	30 June 2016 $
CURRENT			
Secured liabilities:			
Other Borrowings		59,078	26,256
Hire Purchase Finance		9,060	17,689
Less: Unexpired HP Interest		(250)	(2,816)
Unsecured liabilities			
Other Borrowings		1,685,058	854,051
Total current borrowings		**1,752,946**	**895,180**

	Note	31 December 2017 $	30 June 2016 $
NON-CURRENT			
Secured liabilities:			
Hire Purchase Finance		-	21,649
Less: Unexpired HP Interest		-	(1,329)
		-	**20,320**
Total non-current borrowings		**-**	**20,320**

Assets purchased using hire purchase finance, have a total cost of $54,438, and a net book value of $10,399 as at 31 December 2017.

17. Issued capital – parent company and group

	31 December 2017 $	30 June 2016 $
48,662,043 (2016: 30,916,641) fully paid ordinary shares	8,326,809	5,333,488
Nil (2016: 112,990) nil paid ordinary shares	-	-
128,249,775 (2016: 129,266,685) fully paid B shares	20,545,269	20,545,269
Nil (2016: 1,016,910) nil paid B shares	-	-
Total	**28,872,074**	**25,878,757**

	$	No.
Movements in ordinary shares		
At 1 July 2016	**5,333,488**	31,029,631
Issue of shares to acquire Isocol International rights	2,993,317	17,745,404
Cancellation of unpaid shares	-	(112,990)
At 31 December 2017	**8,326,805**	48,662,045

	$	No.
Movements in B shares		
At 1 July 2016	20,545,269	129,266,685
Cancellation of unpaid shares	-	(1,016,910)
At 31 December 2017	**20,545,269**	128,249,775

On creation of the B shares, the existing value of the share capital was split evenly between the existing Ordinary shares and the new B shares, with each Ordinary share held receiving an additional 9 B shares.

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.

The holder of B shares is conferred the same rights as a holder of ordinary shares, except that they are not entitled to dividends for 24 months following issue.

Movements in Share premium	$
At 1 July 2016	**7,284,694**
Issue of shares to acquire Isocol International rights	5,440,361
At 31 December 2017	**12,725,054**

18. Reserves - group

The following are components of reserves of the Group, as at 31 December 2017:

	Note	31 December 2017 $	30 June 2016 $
Merger reserve		(11,397,975)	(11,397,975)
Foreign exchange reserve		(3,616,424)	(88,211)
		(15,014,399)	**(11,486,186)**

a) *Merger Reserve*

The merger reserve was created on acquisition of Microskin Holdings Limited by Microskin PLC, via a share for share exchange.

This balance reflects the increased value of equity created when the PLC was established, with share capital totalling $13,122,223, vs the original share capital of Microskin Holdings Limited of $1,704,248. It does not reflect any trading transactions that have been undertaken by the business.

b) *Foreign Exchange Reserve*

The foreign exchange reserve arises from the translation of foreign denominated subsidiaries into Australian Dollars, for presentation in these financial statements.

19. Cash flow information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	Period ended 31 December 2017 $	**Year ended 30 June 2016 $**
Profit/(loss) after income tax	(7,069,435)	(449,626)
Non-cash flows in profit:		
- amortisation/depreciation	45,327	34,111
- bad debts	-	4,846
- provision for impairment	5,925,796	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)in trade and other receivables	72,251	(51,447)
- decrease/(increase) in other assets	9,253	3,839
- (increase)/decrease in inventories	36,995	(43,931)
- increase/(decrease) in trade and other payables	348,600	232,610
- increase in provisions	51,075	1,090
- effect of foreign exchange	(872)	(1,020)
Cashflow from operations	**(581,010)**	**(269,528)**

Non-cash transactions

During the period under audit, the Group acquired the international distribution and licensing rights to ISOCOL, a popular Australian brand. This acquisition was completed by issuing 17,745,404 shares with a total value of $8,433,682.

Other than as above disclosed, there were no major non-cash transactions undertaken during the year.

20. Investment in subsidiary – parent company

Microskin PLC acquired control of Microskin Holdings Limited via a share for share exchange in 2013. The value of that acquisition was $13,122,223. This was based on expected future earnings potential. At 30 June 2015, however, the net liabilities of the subsidiary were $692,751. Thus, a provision was made against the value for the parent company, which shows in accumulated losses in their statement of financial position.

Please note, provisions are reversible in future years, depending on results and growth.

	31 December 2017 $	30 June 2016 $
Value of shares held	13,122,223	13,122,223
Provision for impairment	(13,122,223)	(13,122,223)
Balance at year end date	-	-

21. Controlled entities

	Country of Incorporation	Percentage Owned (%) 31 December 2017	Percentage Owned (%) 30 June 2016
Subsidiaries of Microskin PLC:			
Microskin Holdings Pty Ltd	Australia	100	100
Microskin International Pty Ltd	Australia	100	100
Blonde Holdings Pty Ltd	Australia	100	100
Microskin Australia Pty Ltd	Australia	100	100
Microskin US LLC	USA	100	100
Microskin UK Limited	UK	100	100
Mobilespectra Pty Ltd	Australia	100	100

22. Events after the end of the Reporting Period

In April 2018, 16,666,666 shares, which had been issued to London Trade & Finance for the purposes of capital raising, were returned to the Company.

Aside from as above disclosed, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

23. Related party transactions

Transactions during the year

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Period ended 31 December 2017 $	**Year ended 30 June 2016 $**
Expenses paid by Microskin Holdings Ltd, on behalf of Microskin PLC	-	10,116
Key Management Personnel (of the Group)		
Consultant fees due to Zeehe Pty Ltd as trustee of the Amor Family Trust in which one of the directors has a beneficial interest	201,600	137,400

Balances at the year end date

	31 December 2017 $	**30 June 2016 $**
Key Management Personnel (of the Group)		
Amounts due to Zeehe Pty Ltd as trustee of the Amor Family Trust in which one of the directors has a beneficial interest.	339,000	137,400
Amounts due to Mr Barry Lowndes	123,739	128,739
Amounts due to Mr Barry Amor	1,290,747	551,509
Amounts due to Mr Scott McTaggart	-	-
Amounts due to Mr David Merson	-	-

Parent Company

There have been no related party transactions made by Microskin PLC during the financial period. All balances and transactions disclosed above relate to subsidiaries of Microskin PLC.

Ultimate controlling party

Microskin PLC is majority owned by the directors, Mr Barry Amor and Mr Barry Lowndes. Together, they control 59% of the company's shares, through personal beneficial holdings and immediate family.

24. Parent Information

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

Contingent Liabilities
At 31 December 2017, Microskin PLC did not have any contingent liabilities.

Contractual Commitments
At 31 December 2017, Microskin PLC had not entered into any contractual commitments for the acquisition of property, plant or equipment.

25. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

The totals for each category of financial instruments, measured in accordance with IAS 39 as detailed in the accounting policies to these financial statements, are as follows:

	31 December 2017 $	30 June 2016 $
Financial Assets		
Cash and cash equivalents	18,347	16,933
Trade and other receivables	350,381	422,632
Total financial assets	**368,728**	**439,565**
Financial Liabilities		
Trade and other payables	1,042,182	642,472
Borrowings	1,752,946	915,500
Total financial liabilities	**2,795,128**	**1,557,972**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by Microskin PLC's finance function under policies and objectives which have been approved by the Board of Directors. The Managing Director, Mr Amor, has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group and arises principally from the Group's trade and other receivables.

To mitigate this risk, the Group are working hand in hand with their franchise partners, and providing them with every assistance to help grow each individual franchisee.

Liquidity & cash flow risk

The group manages liquidity and cash flow risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. This is a focus area for the Board, due to the liquidity requirements of a trading business that holds inventory. The group's forecasting processes takes into account debt financing arrangements, future expected receipts, future expected payments, and investments required as part of the day to day operation of the business.

Market risk

Interest rate risk:
The group's external debt bank loan is variable rate and the chattel mortgage is fixed rate interest.

Foreign exchange risk:
Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Price risk
The group is not exposed to any material commodity price risk, or securities price risk.

26. Commitments and contingencies

At 31 December 2017 the Group did not have any contingencies.

At 31 December 2017 the Group had the following obligations under non-cancellable finance leases:

	31 December 2017 **$**	**30 June 2016** **$**
Finance lease commitments		
Payable – minimum lease payments		
- Not later than 12 months	9,060	17,689
- Between 12 months and 5 years	-	21,649
Minimum lease payments	9,060	39,338
(Less future finance charges)	(250)	(4,145)
Present value of minimum lease payments	8,810	35,193

27. Share based payments

During the year, the company engaged in the following transactions via issue of shares:

Transaction	*Number of shares issued*	*Value of shares issued*
Acquisition of Isocol International Rights	17,745,404	8,433,682

Other than as above disclosed, no shares were granted to suppliers as shared based payments during this or the preceding financial period. No share options have been granted to employees or directors.

28. Company details

The registered office of the company is:

Microskin PLC
27 Old Gloucester Street
London
United Kingdom
WC1N 3AX

The principal place of business is:

Microskin Holdings Pty Ltd
271a Rode Road
Wavell Heights QLD 4012
Australia