Company Registration Number 08326993

MICROSKIN PLC

FINANCIAL STATEMENTS

30 JUNE 2014

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MICROSKIN PLC

COMPANY DIRECTORY

AS AT 30 JUNE 2014

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	KSI (WA) Level 2 35 Outram Street West Perth WA 6005 Australia
Domicile of the company	United Kingdom
Country of incorporation	England and Wales
Legal form of entity	Public Limited Company
GXG Code	MSKN

Your directors present their Strategic Report for Microskin PLC and its controlled entities (hereafter “the Group” or “Microskin”) for the year ended 30 June 2014.

Principal activities

Microskin PLC is a UK registered listed company on the GXG: Main Quote exchange in London. The company was incorporated on 11 December 2012. The consolidated group's product, Microskin, is a simulated second skin used to visually correct skin conditions resulting from birth, accident or surgery which are permanent and disfiguring. The operating 100% owned subsidiary is Microskin Holdings Limited which is an Australian unlisted public company.

Microskin is manufactured from natural ingredients and is applied directly to the user's own skin. It competes directly against other products in the camouflage cosmetic market; however its unique properties of long wear time, water and sun resistance, and the ability for the skin to breathe naturally enables it to be used on both small and large areas of the body for several days after application.

The Group has strong positioning with the medical profession putting Microskin into a unique market category at the top end of the camouflage cosmetics sector. It is also pursuing product applications in the pure cosmetics and sunscreen markets, amongst others.

The Group’s intellectual property includes the formula for making the Microskin base product and a software process that enables colour correction of the product for each user, as well as patents for the process.

The Group develops and manufactures Microskin style products, operates its own clinic in Brisbane, has established franchised clinics in New York, Los Angeles, Indonesia, India, Scandinavia, the Middle East and Turkey and intends to expand the distribution of Microskin into all major global markets through a network of franchise or licensing arrangements with both clinic operators and manufacturing distributors.

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 sufficient enough and steady enough to justify it.

Operating Results

The loss of the Group after providing for income tax amounted to $617,662 (2013: Profit of $1,770).

Unforseen delays in the opening of clinics in a number of locations has impacted this year's results. In particular a delay of nearly 2 years in receiving approval from the Saudi FDA has resulted in the postponement of their contractual commitment to open, and pay license fees, fora further three clinics in the Middle East. This has subsequently caused a delay in the receipt of a potentially substantial royalty stream.

Review of operations

The Group is now poised for significant growth with rapid expansion in clinic numbers and the potential for major distribution agreements with global brands.

The licensing of clinics and distribution partners will enable the Group to eliminate the cost base associated with product manufacturing in Australia, a large part of the research and development effort, sales staff and extensive premises. In addition, there are potential product development and packaging opportunities that would enable customised product to be sold via the internet. This could provide an order-of-magnitude up-side to the current anticipated revenues.

Business Development

The business model involves the establishment of licenses to operate clinics in selected regions of North and South America, Europe, the Middle East and Asia under the Microskin brand. To date, clinics have been established in New York, Los Angeles, Jakarta, Estonia (covering Scandinavia), Turkey and Saudi Arabia with a contractual commitment to open four clinics in the Middle East over the next three years.

Microskin PLC is currently negotiating the establishment of clinics in London, Brazil, Germany and Canada.

The business model also involves the licensing of selected global or regional brands to manufacture and distribute product under their own, or the Microskin, brand name. This strategy will also involve the development (by licensing partners) of new products that use Microskin as the base component or delivery agent. In some cases complementary products will be sourced from licensing/sales partners that can be sold via the Microskin Group license clinic chain. Negotiations are well advanced with several potential partners in both the USA and the UK.

Product Development

In order to leverage its own research and development as well as provide a quicker path to high volume sales, Microskin Holdings Ltd has commenced negotiations with a number of global pharmaceutical and skincare organisations that are keen to distribute Microskin and also create other products based on Microskin.

In addition, product development directions under investigation include the use of analysis and skin-tone matching technologies that can receive photographs via email, determine precise skin tones, mix custom batches of product to the correct skin tone and despatch product via mail. This brings the product into the realms of internet sales operations and potentially opens up opportunities to work with a host of on-line sales partners delivering Microskin to every corner of the globe within a very short period of time.

Listing

Listing on the GXG main board provides a platform for raising the necessary capital to dual list on a liquid exchange.

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

16 December 2014

Your directors present their report on the Group for the financial year ended 30 June 2014.

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 – Appointed 28 February 2014

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 – Appointed 28 February 2014

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

The following have served the company in the function of company secretary in the year to 30 June 2014:

Mr David Mahon (appointed 02/09/2013, resigned 14/04/2014)
Elemental CoSec Limited (resigned 02/09/2013, re-appointed 14/04/2014)

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Group during the period since incorporation.

Matters or circumstances arising after the end of the year

A license has been finalized with a substantial group in Brazil, which we anticipate will bring substantial revenues in future financial periods. Our Turkey licensee has commenced operations in December 2014; hence revenue streams will be in place for the coming financial year.

After lengthy delays the Saudi Arabian licensee has finally received government approval to import Microskin. This will allow them to commence operating in Riyadh and fulfil their contractual commitment to open a further three clinics in the Middle East.

Aside from the above, 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

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.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law 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 year, 5 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	5	5
Barry Lowndes	-	-
David Merson	5	5
Scott McTaggart	5	5

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

30 June 2014	Balance at beginning of year	Held at Appointment Date	Balance at end of year
Barry Lowndes	3,721,802	-	3,721,802
Barry Amor	1,901,732	-	1,901,732
Scott McTaggart	-	165,625	165,625
David Merson	-	208,333	208,333
	5,623,534	373,958	**5,997,492**

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	*Year to 30 June 2014*	*Period to 30 June 2013*
	$	$
Barry Lowndes	-	-
Barry Amor [1]	137,944	91,020
Scott McTaggart	-	-
David Merson	-	-
	137,944	91,020

[1] These charges for director's services have, in the majority, not been paid either this year or the prior year, as the director has agreed to defer payment of his fees. The amount payable is $275,013 in the current period (prior: $140,568). It is due to Mr Amor's company, Zeehe Pty Ltd (see note 25).

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

16 December 2014

MICROSKIN PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Year ended 30 June 2014 $	Period 11 December 2012 to 30 June 2013 $
Revenue	2	229,119	122,867
Cost of sales		(48,359)	(13,561)
Gross Profit		**180,760**	**109,306**
Other income	2	244,370	330,213
Administrative expense		(728,526)	(390,195)
Marketing expenses		(2,512)	(33,739)
Occupancy expenses		(66,222)	(22,947)
Finance costs		(48,589)	(28,423)
Bad debt expense		(250,000)	-
Loss before income tax	3	**(670,719)**	**(35,785)**
Income tax benefit	5	53,057	37,555
(Loss)/Profit for the year		**(617,662)**	**1,770**
Other comprehensive income:			
Exchange differences on translating foreign controlled entities		14,424	2,222
Total comprehensive income for the year		**(603,238)**	**3,992**
Basic & diluted earnings/(loss) per share (in cents)	8	(0.07)	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 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	1,606	1,081
Trade and other receivables	11	145,971	357,657
Inventories	12	56,099	63,564
Current tax receivable		2,586	7,052
Other assets	13	14,540	14,277
TOTAL CURRENT ASSETS		**220,802**	**443,631**
NON-CURRENT ASSETS			
Property, plant and equipment	14	64,118	86,659
Intangible assets	15	263,980	254,413
TOTAL NON-CURRENT ASSETS		**328,098**	**341,072**
TOTAL ASSETS		**548,900**	**784,703**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	650,216	809,782
Borrowings	17	605,567	76,491
Provisions	18	50,919	43,498
TOTAL CURRENT LIABILITIES		**1,306,702**	**929,771**
NON-CURRENT LIABILITIES			
Borrowings	17	34,719	44,215
TOTAL NON-CURRENT LIABILITIES		**34,719**	**44,215**
TOTAL LIABILITIES		**1,341,421**	**973,986**
NET LIABILITIES		**(792,521)**	**(189,283)**

MICROSKIN PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

EQUITY			
Issued capital	19	13,122,223	13,122,223
Reserves	20	(11,355,518)	(11,369,942)
Accumulated losses		(2,559,226)	(1,941,564)
TOTAL EQUITY		**(792,521)**	**(189,283)**

These financial statements were approved and authorised for release by the Directors on 16 December 2014 and are signed on its behalf by:

B Amor
Director

Company registration number: 0832699

MICROSKIN PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary Share Capital $	Merger Reserve $	Accumulated Losses $	Foreign Currency Reserve $	Total Equity $
Opening balance 11 December 2012	1,704,248	-	(1,943,334)	25,811	(213,275)
Comprehensive income					
Loss for the year	-	-	1,770	-	1,770
Other comprehensive income	-	-	-	2,222	2,222
Total comprehensive income for the year	**-**	**-**	**1,770**	**2,222**	**3,992**
Transactions with owners, in their capacity as owners					
Shares issued during the year	11,397,975	(11,397,975)	-	-	-
Shares issued cost	20,000	-	-	-	20,000
Balance as at 30 June 2013	**13,122,223**	**(11,397,975)**	**(1,941,564)**	**28,033**	**(189,283)**

MICROSKIN PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary Share Capital $	Merger Reserve $	Accumulated Losses $	Foreign Currency Reserve $	Total Equity $
Opening balance 1 July 2013	13,122,223	(11,397,975)	(1,941,564)	28,033	(189,283)
Comprehensive Income					
Loss for the year	-	-	(617,662)	-	(617,662)
Other comprehensive income	-	-	-	14,424	14,424
Total comprehensive income for the year	**-**	**-**	**(617,662)**	**14,424**	**(603,238)**
Balance as at 30 June 2014	**13,122,223**	**(11,397,975)**	**(2,559,226)**	**42,457**	**(792,521)**

MICROSKIN PLC

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Year ended 30 June 2014 $	Period 11 December 2012 to 30 June 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**423,399**	259,026
Payments to suppliers and employees		**(400,855)**	(233,095)
Finance costs		**(48,589)**	(28,423)
Income tax reimbursed		**64,833**	53,680
Net cash provided by (used in) operating activities	21	**38,788**	51,188
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for intangible asset		**(18,554)**	(29,437)
Proceeds from sale of property, plant & equipment		**-**	-
Purchase of property, plant and equipment		**(7,691)**	(10,843)
Net cash used by investing activities		**(26,245)**	(40,280)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**-**	20,000
Repayment of borrowings		**(18,702)**	(41,585)
Net cash used by financing activities		**(18,702)**	(21,585)
Net increase (decrease) in cash and cash equivalents held		**(6,159)**	(10,677)
Cash and cash equivalents at beginning of year		**1,081**	11,758
Cash and cash equivalents at end of financial year	10	**(5,078)**	1,081

MICROSKIN PLC

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
ASSETS			
CURRENT ASSETS		-	-
TOTAL CURRENT ASSETS		**-**	**-**
NON-CURRENT ASSETS			
Investment in subsidiary	22	-	-
TOTAL NON-CURRENT ASSETS		**-**	**-**
TOTAL ASSETS		**-**	**-**
LIABILITIES			
CURRENT LIABILITIES			
Intercompany Loan		10,116	-
TOTAL CURRENT LIABILITIES		**10,116**	**-**
NON-CURRENT LIABILITIES		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		**10,116**	**-**
NET LIABILITIES		**(10,116)**	**-**
EQUITY			
Issued capital	19	13,122,223	13,122,223
Provision against investment in subsidiary	22	(13,122,223)	(13,122,223)
Accumulated losses		(10,116)	-
TOTAL EQUITY		**(10,116)**	**-**

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 year as determined in accordance with IFRS's is $10,116. 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 YEAR ENDED 30 JUNE 2014

	Ordinary Share Capital $	Accumulated Losses $	Total Equity $
Opening balance 11 December 2012	1,704,248	-	**1,704,248**
Comprehensive income			
Profit for the period	-	(13,122,223)	(13,122,223)
Total comprehensive income for the period	**-**	**(13,122,223)**	**(13,122,223)**
Transactions with owners, in their capacity as owners			
Share for share exchange on acquisition of the subsidiary	11,417,975	-	**11,417,975**
Total transactions with owners, in their capacity as owners	**11,417,975**	-	**11,417,975**
Balance as at 30 June 2013	**13,122,223**	**(13,122,223)**	**-**

	Ordinary Share Capital $	Accumulated Losses $	Total Equity $
Opening balance 1 July 2013	13,122,223	(13,122,223)	**-**
Comprehensive Income	-	-	**-**
Loss for the year	-	(10,116)	**(10,116)**
Total Comprehensive Income	-	**(10,116)**	**(10,116)**
Transactions with owners, in their capacity as owners	-	-	**-**
Balance as at 30 June 2014	**13,122,223**	**(13,132,339)**	**(10,116)**

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 year ending 30 June 2014. Comparative figures for the period 11 December 2012 to 30 June 2013 show the group's first period following Microskin PLC's incorporation.

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 30 June 2014 the Group had a cash balance of $1,606, while it made payments to suppliers and employees totalling $400,855.

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. Subsequent to year end, the regulator in Saudi Arabia approved the import of Microskin, allowing our licensee in the region to commence imports and move forward with plans to open 3 more clinics in the region, which we anticipate will be a substantial revenue stream in the coming year.

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.

Pooling of Interests on Incorporation of Parent Entity
The historical acquisition of Microskin Holdings Limited has been completed under the pooling of interests method on the basis that the entities being combined are ultimately controlled by the same parties, both before and after the combination.

Under this method the assets and liabilities of the acquiree are recorded at book value and intangible assets and contingent liabilities are only recognised if they were previously recognised by the acquiree. No goodwill is recorded and expenses of the combination are written off immediately in profit or loss.

Under this methodology, the consolidation of the Group commences from the date that common control began, although the actual exchange of shares to establish the group may not happen until later. In the case of Microskin PLC, although the share for share exchange didn't happen until 15/03/2013, the consolidation has been prepared for the full comparative period following incorporation of Microskin PLC on 11 December 2012. The group was under common control for the entire period consolidated.

The consolidation of the group is prepared on a line by line basis. The pooling of interests method of accounting is only applied to the acquisition transaction.

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) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

The group did not hold any held-to-maturity investments in the current or comparative financial period.

(iii) 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.

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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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 (note 2.18). 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 New accounting standards for application in future periods

(i) 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 year beginning on 1 July 2013 that would be expected to have a material impact on the group.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, 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 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group is yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. 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 or after 1 January 2015. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

2. Revenue and Other Income

	Note	Year ended 30 June 2014 $	Period 11 December 2012 to 30 June 2013 $
Sales revenue			
- Sale of goods		229,119	122,867
		229,119	**122,867**
Other revenue			
- Interest revenue		210	-
- Government subsidies received		26,441	33,607
- Other revenue		-	1,436
- Franchise fees		156,943	250,000
- FBT employee contributions		11,428	9,714
- Royalties		49,220	35,456
- Currency Gain		128	-
		244,370	**330,213**
Total Revenue		**473,489**	**453,080**

3. Operating loss

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

	Year ended June 2014 $	Period from 11 December 2012 to 30 June 2013 $
Depreciation on property, plant and equipment	23,325	17,903
Amortisation on intangible assets	67,517	8,000
Bad debt expense	250,000	72
Directors' remuneration	137,944	91,020
Auditor's remuneration		
- As auditors (for Microskin PLC)	8,500	5,500
- As tax agents (for Microskin PLC)	2,000	1,000
- As auditors (for Microskin Holdings Limited)	29,500	37,326
- As tax agents (for Microskin Holdings Limited)	21,900	21,588

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. Management 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 (Year ended 30 June 2014) $	Revenue (Period to 30 June 2013) $
Australia	232,617	167,533
United States of America	52,522	156,219
Scandinavia & the Baltics	3,797	2,029
South East Asia	24,553	127,299
India	80,000	-
Turkey	80,000	-
Saudi Arabia	-	-
	473,489	453,080

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	Year ended 30 June 2014 $	Period 11 December 2012 to 30 June 2013 $
Current tax expense			
R&D Tax Offset Receivable		(53,057)	(64,833)
Deferred tax expense			
Derecognition of deferred tax asset that is no longer probable to be utilised		-	27,278
Deferred tax		-	
Income tax (benefit) from continuing operations		**(53,057)**	**(37,555)**
		(53,057)	**(37,555)**

Factors affecting the current tax charge (year ended 2014)

	UK Activities (tax at 22.5%) $	Australian Activities (tax at 30%) $	Total $
Loss before tax	(10,116)	(660,603)	(670,719)
Prima facie tax payable on profit from ordinary activities before income tax	**(2,276)**	**(198,181)**	**(200,457)**
Reconciliation to income/charge:			
- other non-allowable items	-	5,348	5,348
- foreign income	-	565	565
- R&D expenditure	-	35,372	35,372
- R&D concessions	-	(53,057)	(53,057)
- current period loss carried forward	2,276	156,896	159,172
Income tax (benefit)	**-**	**(53,057)**	**(53,057)**

Factors affecting the prior period tax charge (period ending 30 June 2013)

	Period 11 December 2012 to 30 June 2013 $
Loss before tax	**(35,785)**
Prima facie tax payable on profit from ordinary activities before income tax at 30% – Australian rates	**(10,735)**
Add:	
Tax effect of:	
- other non-allowable items	6,389
- derecognition of current period tax losses	77,791
- derecognition of deferred tax asset that is no longer probable to be utilised	27,278
	100,723
Less:	
Tax effect of:	
- foreign profit not subject to income tax	1,846
- R&D concessions	(64,833)
- application against prior period tax losses	(75,291)
Income tax (benefit)	**(37,555)**

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:

	Year ended 30 June 2014 $	Period 11 December 2012 to 30 June 2013 $
Barry Lowndes	-	-
Barry Amor [1]	137,944	91,020
	137,944	**91,020**

[1] These charges for director's services have, in the majority, not been paid either this year or the prior year, as the director has agreed to defer payment of his fees. The amount payable is $275,013 in the current period (prior: $140,568). It is due to Mr Amor's company, Zeehe Pty Ltd (see note 25).

Key management personnel shareholdings

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

30 June 2014	Balance at beginning of year	Held at Appointment Date	Balance at end of year
Barry Lowndes	3,721,802	-	3,721,802
Barry Amor	1,901,732	-	1,901,732
Scott McTaggart	-	165,625	165,625
David Merson	-	208,333	208,333
	5,623,534	373,958	**5,997,492**

In the prior period, the opening shares were in Microskin Holdings Limited (HOL). These were then consolidated via share for share exchange as the group established Microskin PLC ("PLC") as the ultimate parent of the group.

30 June 2013	Balance at beginning of period (HOL)	Establishment of Microskin PLC (share exchange)	Additions	Balance at end of period (PLC)
Barry Lowndes	94,903,315	(91,181,513)	-	3,721,802
Barry Amor	11,083,407	(9,181,675)	-	1,901,732
	105,986,722	**(100,363,188)**	**-**	**5,623,534**

Other key management personnel transactions

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

7. Employees

	Year ended 30 June 2014 $	Period from 11 December 2012 to 30 June 2013 $
Staff costs for the Group during the period:		
Wages and salaries	216,040	93,560
Director's remuneration	137,944	80,884
Superannuation	18,156	16,767
	372,140	**191,211**

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

	Year ended 30 June 2014	Period from 11 December 2012 to 30 June 2013
Management staff	**8**	**12**

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.

	Year ended 30 June 2014 $	Period from 11 December 2012 to 30 June 2013 $
Profit/(loss) for the period	(617,662)	1,770
Weighted average number of shares	8,702,617	8,702,617

There were no instruments (e.g. redeemable preference shares or share options) in issue as at 30 June 2014 that could potentially dilute earnings per share in the future.

9. Auditors' Remuneration

	Year ended 30 June 2014	Period 11 December 2012 to 30 June 2013
	$	$
Remuneration of KSI (WA):		
- Auditing the financial statements	8,500	5,500
- Providing taxation compliance services	2,000	1,000
Remuneration of other auditors of subsidiaries for:		
- Auditing or reviewing the financial statements	29,500	37,326
- Taxation services provided by related practice of auditor	21,900	21,588

10. Cash and cash equivalents - group

	Note	30 June 2014	30 June 2013
		$	$
Cash at bank and in hand		1,606	1,081
		1,606	**1,081**

Reconciliation of Cash

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Note	30 June 2014	30 June 2013
		$	$
Cash and cash equivalents		1,606	1,081
Overdraft		(6,684)	-
Balance as per statement of cash flows		**(5,078)**	**1,081**

11. Trade and other receivables - group

	Note	**30 June 2014**	30 June 2013
		$	$
CURRENT			
Trade receivables		157,914	357,824
Provision for doubtful debts		(65,000)	(65,000)
		92,914	292,824
Other receivables - R&D Offset	4	53,057	64,833
Total current trade and other receivables		**145,971**	357,657

12. Inventories - group

	30 June 2014	30 June 2013
	$	$
CURRENT		
Finished goods	56,099	63,564
	56,099	63,564

13. Other assets - group

	30 June 2014	**30 June 2013**
	$	**$**
CURRENT		
Prepayments	12,040	11,777
Bonds	2,500	2,500
	14,540	**14,277**

14. Property, plant and equipment - group

	Motor Vehicles $	Plant & Equipment $	Leasehold Improvements $	Total $
Cost				
As at 1 July 2013	54,438	97,051	21,323	**172,812**
Additions	-	785	-	**785**
At 30 June 2014	54,438	97,836	21,323	**173,597**
Depreciation				
As at 1 July 2013	16,798	63,530	5,825	**86,153**
Charge for the period	9,410	13,002	914	**23,326**
At 30 June 2014	**26,208**	**76,532**	**6,739**	**109,479**
Net book amount at 30 June 2014	**28,230**	**21,304**	**14,584**	**64,118**
Net book amount at 30 June 2013	**37,460**	**33,521**	**15,498**	**86,659**

15. Intangible Assets - group

	30 June 2014	30 June 2013
	$	$
Patents, trademarks and other rights		
Cost	331,497	306,037
Accumulated amortisation and impairment	(67,517)	(51,624)
Net carrying value	**263,980**	**254,413**
Computer software		
Cost	49,735	49,735
Accumulated amortisation and impairment	(49,735)	(49,735)
	-	-
Total Intangibles	**263,980**	**254,413**

	Patents, trademarks and other rights	Computer software	Total
	$	$	$
Year ended 30 June 2014			
Balance at the beginning of the year	254,413	-	254,413
Additions	77,084	-	77,084
Amortisation	(67,517)	-	(67,517)
Closing value at 30 June 2014	**263,980**	**-**	**263,980**
Period ended 30 June 13			
Balance at the beginning of the period	232,976	-	232,976
Additions	29,437	-	29,437
Amortisation	(8,000)	-	(8,000)
Closing value at 30 June 13	**254,413**	**-**	**254,413**

16. Trade and other payables - group

	Note	30 June 2014 $	30 June 2013 $
CURRENT			
Unsecured liabilities			
Trade payables		462,940	670,707
Sundry payables and accrued expenses		187,276	139,075
		650,216	**809,782**

17. Borrowings - group

	Note	30 June 2014 $	30 June 2013 $
CURRENT			
Secured liabilities:			
Bank Loan		51,676	67,832
Other Borrowings		6,113	-
Hire Purchase Finance		13,196	13,196
Less: Unexpired HP Interest		(3,700)	(4,537)
Unsecured liabilities			
Overdraft		6,684	-
Other related parties		531,598	
Total current borrowings		**605,567**	**76,491**

	Note	30 June 2014 $	30 June 2013 $
NON-CURRENT			
Secured liabilities:			
Hire Purchase Finance		36,896	50,092
Less: Unexpired HP Interest		(2,177)	(5,877)
		34,719	**44,215**
Total non-current borrowings		**34,719**	**44,215**

18. Provisions - group

	30 June 2014	30 June 2013
	$	$
CURRENT		
Employee leave provisions	**50,919**	43,498
	50,919	43,498

19. Issued capital – parent company and group

	30 June 2014	30 June 2013
	$	$
8,702,617 (2013: 8,702,617) fully paid ordinary shares	**13,122,223**	13,122,223
Total	**13,122,223**	13,122,223

As mentioned in Note 1 and shown in the Statement of Changes in Equity, Microskin PLC applied the "pooling of interests" method of accounting for its business combination with Microskin Holdings Limited in the prior period. In accordance with the principles that underpin this methodology, the opening figures for this comparative period's issued capital are those of the subsidiary company and its controlled entities, alone. As shown below, this gave rise to a change in share capital as the new parent entity, Microskin PLC, came into existence at the start of the previous period – 11 December 2012 – and completed a share for share exchange to acquire Microskin Holdings Limited. This transaction eliminated the share capital of the subsidiary from the current period's consolidated figures, replacing it with that of the parent.

Movements in ordinary shares

	$	No.
At 11 December 2012 (HOL)	**1,704,248**	144,282,853
Shares issued in period (HOL)	**20,000**	20,000
Withdrawal of Microskin Holdings Limited shares (new ultimate controlling party – Microskin PLC) (HOL)	**-**	(144,302,853)
Issues of shares in Microskin PLC (PLC)	**11,397,975**	8,702,617
At 30 June 2013 and 30 June 2014 (PLC)	**13,122,223**	8,702,617

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 shares in Microskin PLC were issued at a par value of EUR 1.20. They were exchanged for 100% of the shares in Microskin Holdings Limited, to give Microskin PLC control of Microskin Holdings Limited. The previous owners of Microskin Holdings Limited (majority controlled by Barry Amor and Barry Lowndes) became the owners of Microskin PLC and, by extension, the group of companies that Microskin PLC controls via its ownership of Microskin Holdings Limited.

20. Reserves - group

The following are components of reserves of the Group, as at 30 June 2014:

	Note	30 June 2014 $	30 June 2013 $
Merger reserve		(11,397,975)	(11,397,975)
Foreign exchange reserve		42,457	28,033
		11,355,518	**11,369,942**

a) *Merger Reserve*
The merger reserve was created on acquisition of Microskin Holdings Limited by Microskin PLC, via a share for share exchange, via accounting methodologies discussed in Note 1 and Note 19.

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.

21. 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:

	Year ended 30 June 2014 $	Period from 11 December 2012 to 30 June 2013 $
Profit/(loss) after income tax	(617,662)	1,770
Non-cash flows in profit:		
- amortisation/depreciation	90,843	25,903
- bad debts	250,000	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	(38,314)	(194,054)
- (increase)/decrease in other assets	(263)	(10,517)
- (increase)/decrease in inventories	7,465	(7,810)
- (increase)/decrease in current tax receivable	4,466	(7,052)
- (increase)/decrease in deferred taxes receivable	-	26,580
- increase/(decrease) in trade and other payables	334,832	216,569
- increase/(decrease) in deferred taxes payable	-	(3,403)
- increase/(decrease) in provisions	7,421	3,202
Cashflow from operations	**38,788**	**51,188**

22. Investment in subsidiary – parent company

As explained in Note 19, 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 2014, however, the net liabilities of the subsidiary are $782,239. Thus, a provision has been 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.

	30 June 2014 $	30 June 2013 $
Value of shares held	13,122,223	13,122,223
Provision for impairment	(13,122,223)	(13,122,223)
Balance at year end date	-	-

23. Controlled entities

	Country of Incorporation	Percentage Owned (%) 30 June 2014	Percentage Owned (%) 30 June 2013
Subsidiaries of Microskin PLC:			
Microskin Holdings 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

24. Events after the end of the Reporting Period

A license has been finalized with a substantial group in Brazil, which we anticipate will bring substantial revenues in future financial periods. Our Turkey licensee has commenced operations in December 2014; hence revenue streams will be in place for the coming financial year.

After lengthy delays the Saudi Arabian licensee has finally received government approval to import Microskin. This will allow them to commence operating in Riyadh and fulfil their contractual commitment to open a further three clinics in the Middle East.

Aside from the above, 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.

25. 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.

	Year ended 30 June 2014	Period from 11 December 2012 to 30 June 2013
	$	$
Management Fees from Microskin Holdings Ltd to Microskin International Pty Ltd	61,641	46,250
Expenses paid by Microskin Holdings Ltd, on behalf of Microskin PLC	10,116	-
Key Management Personnel		
Consultant fees due to Zeehe Pty Ltd as trustee of the Amor Family Trust in which one of the directors has a beneficial interest.	137,400	80,884

Balances at the year end date

	30 June 2014 $	30 June 2013 $
Key Management Personnel		
Amounts due to Zeehe Pty Ltd as trustee of the Amor Family Trust in which one of the directors has a beneficial interest.	**275,013**	140,568
Amounts due to Mr Barry Lowndes	**128,739**	128,171
Amounts due to Mr Barry Amor	**84,724**	-
Amounts due to Mr Scott McTaggart	**64,211**	-
Amounts due to Mr David Merson	**32,674**	-

Ultimate controlling party

Microskin PLC is majority owned by the directors, Mr Barry Amor and Mr Barry Lowndes. Together, they control 67% of the company's shares, through personal beneficial holdings and immediate family.

26. 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 30 June 2014, Microskin PLC did not have any contingent liabilities.

Contractual Commitments
At 30 June 2014, Microskin PLC had not entered into any contractual commitments for the acquisition of property, plant or equipment.

Consolidation of subsidiaries
Following the incorporation of Microskin PLC, Microskin Holdings Ltd was acquired through a share for share exchange. The subsidiary has been consolidated using the pooling of interest method on the basis that the entities being combined are ultimately controlled by the same parties, both before and after the combination. Under this method the assets and liabilities of the acquiree are recorded at book values and intangible assets and contingent liabilities are only recognised if they were previously recognised by the acquiree. No goodwill is recorded and expenses of the combination are immediately written off in the profit or loss.

The carrying value of the subsidiary's net assets at the date of combination were as follows:	**Net Assets Acquired $**
Microskin Holdings Limited	**(271,281)**

The shares in Microskin Holdings Limited were exchanged for 8,702,617 Ordinary EUR 1.20 shares in Microskin PLC on 15 March 2013. The prior period consolidation was completed from 11 December 2012 because governing standards state, provided the companies were under common control before and after the exchange of shares, the consolidation may be completed for the entire period of common control (i.e. since incorporation of Microskin PLC).

27. 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 AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	30 June 2014 $	30 June 2013 $
Financial Assets			
Cash and cash equivalents		**1,606**	**1,081**
Trade and other receivables		**145,971**	**357,657**
Total financial assets		**147,577**	**358,738**
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables		**650,216**	**809,782**
Borrowings		**640,286**	**120,706**
Total financial liabilities		**1,290,502**	**930,488**

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 risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

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.

28. Commitments and contingencies

At 30 June 2014 the Group did not have any contingencies.

At 30 June 2014 the Group had the following obligations under non-cancellable finance leases:

	30 June 2014	30 June 2013
	$	$
Finance lease commitments		
Payable – minimum lease payments		
- Not later than 12 months	13,196	13,196
- Between 12 months and 5 years	36,896	50,092
Minimum lease payments	50,092	63,288
(Less future finance charges)	(5,877)	(10,414)
Present value of minimum lease payments	44,215	52,874

29. Share based payments

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

30. 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 Ltd
271a Rode Road
Wavell Heights QLD 4012
Australia

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2014

We have audited the financial statements of Microskin PLC on pages 11 to 47 for the year ended 30 June 2014. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the Director's Responsibilities Statement on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2014 and of the group's profit for the year then ended;
- the group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Inherent uncertainty regarding continuation as a going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of 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 1.2 in the financial statements, which indicates that the group paid operating expenses of $400,855 during the year, but only has cash at 30 June 2014 of $1,606.

The group expects growing sales and income from franchise fees in the coming year, following the resolution of a regulatory hold-up which was affecting the group's Saudi Arabian licensee. The group has also secured additional funding through the support of its director and shareholder, Mr Amor.

Given those findings, 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.

Remuneration Report

We have audited the director's remuneration report, shown on page 8 of the directors' report, for the year ended 30 June 2014. The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 421 of the *Companies Act 2006.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit, in accordance with section 497 of the *Companies Act 2006*.

Opinion on Remuneration Report

In our opinion, the part of the Director's Remuneration Report to be audited has been properly prepared in accordance with the *Companies Act 2006.*

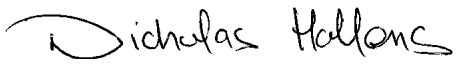
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Nicholas Hollens – Senior Statutory Auditor
For and on behalf of KSI (WA) – Statutory Auditors

35 Outram Street
West Perth WA 6005
Australia

16 December 2014