Anagenics Limited (formerly Cellmid Limited)

Appendix 4D
Half-year report

1. Company details

Name of entity:	Anagenics Limited (formerly Cellmid Limited)
ABN:	69 111 304 119
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

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Revenue and other income from ordinary activities (continuing operations)	up	60.7%	to	4,860,644
Loss after tax from ordinary activities (continuing operations)	down	23.0%	to	(1,754,313)
Loss for the half-year attributable to the owners of Anagenics Limited	down	26.6%	to	(1,754,313)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

Revenue and other income was up 60.7% to $4,860,644 compared with the previous corresponding period (pcp) (FY2021: $3,024,743). The significant growth was primarily attributable to the acquisition of BLC Cosmetics (BLC) and the timing of the receipt of the tax credit for the 2021 financial year pursuant to the Research and Development Tax Incentive Scheme from the Australian Taxation Office, which was $500,380 (FY2021: $nil).

The Advangen Pty Ltd revenue was down 41% on pcp due mainly to change in timing of the major QVC (TV shopping) sales event in Japan which normally occurs in December (TSV) but was rescheduled to April 2022 this year. Ongoing disruptions from the COVID-19 pandemic negatively affected some sales channels, particularly salons, whilst e-commerce revenue has been improving consistently since the launch of the new évolis® websites. The Consolidated entity has also been exposed to tightening regulatory environment in China, which effects all hair loss products. The new regulatory requirements mean that the Consolidated entity will have to conduct local clinical trials as part of the applications process. This is now in progress, however the timing of receiving the relevant approvals, hence the timing of significant revenue growth from this channel, remains uncertain. Cross border e-commerce in China has been impacted to a lesser extent.

Loss after tax for the consolidated entity was in total down 26.6% to $1,754,313 (FY2021: $2,390,117 loss). The inclusion of one quarter net profit from BLC ($288,679), which was acquired with an effective date of 1 October 2021, contributed significantly to this improved result.

Net operating loss (after tax) relating to Lyramid Limited (discontinued operations) in the prior period was $110,540. This business was sold on 1 January 2021 with no impact on performance in the current reporting period.

For further commentary on the results refer to the 'Review of operations and financial results' contained within the Directors' report of the attached Interim Report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.96	4.16

Intangibles and right-of-use assets have been excluded from the calculation of net tangible assets per ordinary security.

4. Control gained / lost over entities

BLC Cosmetics Pty Limited

Anagenics Limited, the parent company of the consolidated entity, acquired 100% of the ordinary shares of BLC Cosmetics Pty Limited (including its wholly owned subsidiary, BLC Cosmetics NZ Pty Limited) with an effective date of 1 October 2021. BLC is a sales and distribution business with a range of premium Australian and international brands of cosmetics and wellness products. BLC operates in the consumer business segment of the consolidated entity. BLC contributed total revenue of $2,541,518 and profit after tax of $288,679 to the operating results and to the consolidated entity for the period from 1 October to 31 December 2021.

Lyramid Limited

On 1 January 2021, before the current reporting period, the consolidated entity sold Lyramid Limited, a company incorporated in Australia, and a wholly owned subsidiary of Anagenics Limited. This entity and its operations have been classified and reported as a discontinued operation with nil impact on performance (profit after tax) in the current reporting period (FY2021: $110,540 loss).

The background on this disposal is presented in the Annual Report of Anagenics Limited (formerly Cellmid Limited) for the 12 months ending 30 June 2021 (refer “Note 7 – Discontinued Operations” for full details around this transaction).

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5. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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6. Attachments

The Interim Report of Anagenics Limited for the half-year ended 31 December 2021 is attached.

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7. Signed

Alexander (Sandy) Beard
Chairman

15 February 2022

Anagenics Limited (formerly Cellmid Limited)

ABN 69 111 304 119

Interim Report – 31 December 2021

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated entity') consisting of Anagenics Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021 ('1HY21').

Directors

The following persons were Directors of Anagenics Limited (formerly Cellmid Limited) during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Bruce Gordon (appointed Chairman, effective 1 January 2021 and subsequently resigned on 15 February 2022)
Mr Alexander Beard (appointed Chairman, effective 15 February 2022)
Ms Maria Halasz
Dr Martin Cross
Mr Dennis Eck
Ms Sarah Eck-Thompson (resigned on 2 November 2021)
Mr Phillip Christopher (appointed on 5 November 2021)

Principal activities

The Consolidated entity has operated through its holding entity, Anagenics Limited (Anagenics), formerly Cellmid Limited, and its subsidiary companies, Advangen Pty Limited (Advangen) and BLC Cosmetics Pty Ltd (BLC). The principal activities of the Consolidated entity during the financial half-year were the development, distribution and sale of health, beauty and wellness products (Consumer health). Advangen develops, distributes to retailers, and sells direct to consumers its proprietary FGF5 inhibitor anti-aging hair products. BLC is the distributor of premium Australian and international beauty and wellness brands primarily to salons and spas.

Review of operations and financial results

Operating results

Revenue and other income was up 60.7% to $4,860,644 compared with the previous corresponding period ('pcp' or 1HY21') (1HY21: $3,024,743). The significant growth was primarily attributable to the acquisition of BLC Cosmetics and the timing of the receipt of the tax credit for the 2021 financial year pursuant to the Research and Development Tax Incentive Scheme from the Australian Taxation Office, which was $500,380 (1HY21: $nil).

Advangen Pty Ltd revenue was down 41% on pcp due mainly to change in timing of the major QVC (TV shopping) sales event in Japan, which normally occurs in December (TSV) but is scheduled for April 2022 this year. Ongoing disruptions from the COVID-19 pandemic have impacted some sales channels, particularly salons, whilst e-commerce revenue has been improving consistently since the launch of the new 1volis® websites. The Consolidated entity has been exposed to the tightening regulatory environment in China for hair loss products. An application is in progress to obtain the relevant approval, however the timing of receiving it, hence the timing of mainland Chinese revenue, remains uncertain. Cross border e-commerce in China has been impacted to a lesser extent.

Loss after tax for the consolidated entity was also down 26.6% to $1,754,313 (1HY21: $2,390,117 loss). The inclusion of one quarter profit from BLC ($288,679), which was acquired with an effective date of 1 October 2021, contributed significantly to this improved result.

Review of operations

The Consolidated entity acquired BLC with an effective date of 1 October 2021. A distributor of premium Australian and international beauty and wellness brands, BLC is a profitable business, and contributed significantly to the improved operational results for the Consolidated entity for the reporting period. Although the reporting period only includes one quarter results from BLC, the 49.7% increase in overall consumer sales and the reduction in operational loss are early validations of the strategy regarding the acquisition.

During 1H FY2022 the Consolidated entity signed an agreement with Sasi Group Pty Ltd, the owner of the Original & Mineral branded hair care products, for the manufacture and supply of a full range of FGF5 inhibitor hair growth products. The agreement is part of a broader strategy to fully exploit the Consolidated entity's intellectual property assets around its FGF5 inhibitor hair loss and hair growth products including a full range of shampoos, conditioners, lotions and supplements.

The Consolidated entity launched its new evolis® e-commerce platform in Australia and in the US during the reporting period and noted improvements across a range of indicators, such as click through rates, conversion rates, abandoned cart rates and, importantly, sales. Customer acquisition costs remained high, however, the marked increase in subscriptions in Australia and in the US following the launch of the *Let There Be Hair* supplement in November 2021 has improved this important performance measure since.

The Consolidated entity commenced the integration of the BLC and Advangen businesses in 1HY22 with the planning of shared warehousing and ERP (enterprise resource planning) systems.

Operations have continued to be impacted by the COVID-19 pandemic as lock-downs in various states resulted in business closures of some of the Consolidated entity's customers. Recruitment and staff retention remained difficult with record low unemployment and significant wage increases across the board.

Operating segments

Consumer health

Operating revenue from sales to customers was up 49.7% to $4,177,359 (1HY21: $2,790,046), with BLC contributing $2,525,256 to this total. The strong sales result for Q2 FY2022 was driven by increased demand from beauty salons and spas following the lockdown, in addition to solid revenue from recently introduced brands.

Advangen's revenue from sales to customers was $1,652,176. In Japan revenue from product sale was down 52% to $953,474 (1HY21: $1,970,053), as a result of the timing of the major QVC sales event normally held in December, which will now be held in April 2022. The 'Today's Special Value' (TSV) event generates approximately $1.0 million in revenue, accounting for most of the difference in the results. Australian sales to external customers were at $575,517, up 4.0% (1HY21: $553,341). Whilst e-commerce sales continued to improve the pharmacy channel remained challenged by reduced foot traffic during 1HY22.

Advangen overall has been impacted by regulatory changes in China, as these affect the way the FGF5 inhibitor hair growth products can be marketed, particularly in Mainland China. Advangen continued to work with its distributors, Aeon and OHM, to mitigate this by preparing a new regulatory submission and pursuing cross border e-commerce marketing activities that do not require local approvals.

Anagenics

The parent company, Anagenics, received other income of $572,512 consisting largely of R&D tax credit and COVID related government support (1HY21: $113,229).

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Significant changes in the state of affairs

Acquisition of BLC Cosmetics Pty Ltd

Anagenics Limited, the parent company of the Consolidated entity, acquired 100% of the shares of BLC Cosmetics Pty Ltd (including its wholly owned subsidiary BLC Cosmetics NZ Pty Ltd) from HGL Limited, with an effective date of 1 October 2021 for a total estimated purchase price of $5,100,000. Under the share sale agreement the consideration is payable in two separate tranches.

- The first tranche comprised of $1,000,000 in cash, a one-off working capital adjustment and $2,000,000 in shares (32,786,885 Anagenics shares at 6.1 cents).
- The second tranche ("earn out") is payable subject to an increase in BLC's FY2022 EBITDA compared with that of FY2021. The relevant period for the purposes of calculation will be between 1 October 2021 and 30 September 2022.
- The second tranche will be calculated as three (3) times the incremental EBITDA growth between the two 12-month periods, with an assumed EBITDA of $500,000 for FY2021.
- This tranche is also payable in cash and shares whereby the first $700,000 will be settled in cash with the remaining balance in shares issued at the prevailing share price (with a maximum of nine (9) cents).

BLC's operations are included in the consumer health segment of the consolidated entity. The combined consumer health business is expected to create a profitable, market leading anti-aging health and beauty tech company with premium products across hair care, skin care and wellness products. The merged entity has increased scale, expanded product range and sales channels for synergistic revenue opportunities in the medium term.

Change of name of the parent entity

Reflective of the evolution of its operations, the parent company of the Consolidated entity changed its name from Cellmid Limited to Anagenics Limited during the reporting period. Following the sale of Lyramid in January 2021, the Consolidated entity's biotech subsidiary, the transition to a consumer health business was complete. With its solid building blocks of differentiated brands, a global distribution footprint, growing revenue and targeting near term profitability, the Consolidated entity is ready for its next stage of development. Originating from the Greek *anagennisi,* the new branding reflects the anagen extending FGF5 inhibitor technology underlying the Advangen products in addition to the regeneration of the business through organic growth and acquisitions.

There were no other significant changes in the state of affairs of the Consolidated entity during the financial half-year.

Events subsequent to reporting date

An issue of 803,858 ordinary shares was made in lieu of director fees on 7 January 2022 to Dennis Eck.

Alexander (Sandy) Beard was appointed to the board as Non-executive Chairman, effective on 15 February 2022. Independent Non-executive Chairman, Bruce Gordon, resigned with an effective date of 15 February 2022. CEO and Managing Director, Maria Halasz, advised the Board that she wishes to transition out of her CEO role in the coming months and will assist the Board with an orderly transition and the recruitment of a new CEO.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Consolidated entity's operations, the results of those operations, or the Consolidated entity's state of affairs in future financial years.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to in certain cases to the nearest thousand dollars, or the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Alexander (Sandy) Beard
Chairman

15 February 2022

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Auditor's Independence Declaration
To the Directors of Anagenics Limited (formerly Cellmid Limited)
ABN 69 111 304 119

In relation to the independent auditor's review for the half year ended 31 December 2021, I declare to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Anagenics Limited and the entities its controlled during the period.

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S S Wallace
Partner

Pitcher Partners
Sydney

15 February 2022

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31 December 2021

General information

The financial statements cover Anagenics Limited as a Consolidated entity consisting of Anagenics Limited (formerly Cellmid Limited), (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (collectively the 'Consolidated entity'). The financial statements are presented in Australian dollars, which is Anagenics Limited's functional and presentation currency.

Anagenics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

A description of the nature of the Consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 February 2022.

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Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Revenue			
Revenue from contracts with customers	2	4,177,432	2,790,046
Cost of goods sold		(1,827,714)	(985,982)
Gross profit		2,349,718	1,804,064
Other income	3	674,055	220,005
Interest revenue		9,157	14,692
Expenses			
Marketing, advertising, and promotion expenses		(857,509)	(544,155)
Research and development expenses		(70,038)	(66,162)
Employee benefits		(2,087,475)	(1,769,974)
Administration expenses		(708,029)	(745,884)
Legal fees		(78,473)	(14,514)
Distribution, freight, and postage expenses		(340,102)	(215,259)
Depreciation and amortisation expense		(282,592)	(225,814)
Foreign exchange gain/(loss)		87,015	(342,089)
Other operating expenses		(434,529)	(365,633)
Operating loss before finance costs		(1,738,802)	(2,250,723)
Finance costs		(24,289)	(28,854)
Loss before income tax expense from continuing operations		(1,763,091)	(2,279,577)
Income tax benefit		8,778	-
Loss after income tax expense from continuing operations		(1,754,313)	(2,279,577)
Loss after income tax expense from discontinued operations	15	-	(110,540)
Loss after income tax expense for the half year attributable to the owners of Anagenics Limited		(1,754,313)	(2,390,117)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign controlled entities		(88,110)	(137,661)
Total comprehensive loss for the half-year, net of tax		(1,842,423)	(2,527,778)
Total comprehensive loss for the half-year:			
Continuing operations		(1,842,423)	(2,417,238)
Discontinued operations		-	(110,540)
Total comprehensive loss attributable to the owners of Anagenics Limited		(1,842,423)	(2,527,778)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 31 Dec 2021 $	31 Dec 2020 $
Earnings / (loss) per share for loss from continuing operations attributable to the owners of Anagenics Limited		Cents	Cents
Basic earnings per share	13	(0.89)	(1.82)
Diluted earnings per share	13	(0.89)	(1.82)
Earnings / (loss) per share for loss from discontinued operations attributable to the owners of Anagenics Limited			
Basic earnings per share		-	(0.09)
Diluted earnings per share		-	(0.09)
Total Earnings / (loss) per share for loss attributable to the owners of Anagenics Limited			
Basic earnings per share		(0.89)	(1.91)
Diluted earnings per share		(0.89)	(1.91)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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Consolidated statement of financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 $	Consolidated 30 June 2021 $
Assets			
Current assets			
Cash and cash equivalents		5,285,088	6,727,764
Trade and other receivables		1,423,700	1,795,171
Inventories	5	4,408,841	2,549,759
Other assets		291,203	215,168
Total current assets		11,408,832	11,287,862
Non-current assets			
Property, plant and equipment		391,125	86,112
Right-of-use assets		586,720	493,787
Intangibles	6	1,384,117	1,425,322
Goodwill	14	3,347,594	-
Total non-current assets		5,709,556	2,005,221
Total assets		17,118,388	13,293,083
Liabilities			
Current liabilities			
Trade and other payables	7	1,406,634	1,063,683
Borrowings	8	705,869	338,020
Lease liabilities		332,766	251,832
Employee benefits		468,335	261,666
Contingent consideration	14	2,100,000	-
Total current liabilities		5,013,604	1,915,201
Non-current liabilities			
Borrowings	8	1,000,108	601,396
Lease liabilities		264,918	242,594
Other liabilities		138,987	99,508
Total non-current liabilities		1,404,013	943,498
Total liabilities		6,417,617	2,858,699
Net assets		10,700,771	10,434,384
Equity			
Issued capital	9	62,332,564	60,280,064
Reserves		873,199	931,775
Accumulated losses		(52,504,992)	(50,777,455)
Total equity		10,700,771	10,434,384

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2020	56,064,284	1,137,254	(47,390,823)	9,810,715
Loss after income tax expense for the half-year	-	-	(2,390,117)	(2,390,117)
Other comprehensive income for the half-year, net of tax	-	(137,661)	-	(137,661)
Total comprehensive loss for the half-year	-	(137,661)	(2,390,117)	(2,527,778)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	-	-	-	-
Equity share-based compensation	50,000	58,494	-	108,494
	50,000	58,494	-	108,494
Balance at 31 December 2020	56,114,284	1,058,087	(49,780,940)	7,391,431

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2021	60,280,064	931,775	(50,777,455)	10,434,384
Opening balance transfer between reserves		(26,776)	26,776	-
Loss after income tax expense for the half-year	-	-	(1,754,313)	(1,754,313)
Other comprehensive loss for the half-year, net of tax	-	(88,110)	-	(88,110)
Total comprehensive loss for the half-year		(88,110)	(1,754,313)	(1,842,423)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,000,000	-	-	2,000,000
Equity share-based compensation	52,500	56,310	-	108,810
	2,052,500	56,310	-	2,108,810
Balance at 31 December 2021	62,332,564	873,199	(52,504,992)	10,700,771

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $	31 Dec 2020 $
Cash flows from operating activities			
Receipts from customers		5,338,265	3,483,800
Payments to suppliers and employees		(6,815,901)	(5,649,054)
Interest received		9,157	14,692
Payments of corporate income taxes		(3,341)	-
Grant and other income received from Government		592,952	165,500
Net cash used in operating activities		(878,868)	(1,985,062)
Cash flows from investing activities			
Payments for property, plant and equipment		(76,657)	(2,595)
Payments for purchase of new subsidiaries (net of cash acquired)	14	(932,255)	-
Net cash used in investing activities		(1,008,912)	(2,595)
Cash flows from financing activities			
Proceeds from borrowings		979,018	-
Repayment of borrowings		(354,078)	(202,849)
Finance costs		(11,729)	(24,465)
Repayments of lease liabilities		(167,064)	(139,366)
Net cash provided by / (used in) financing activities		446,147	(366,680)
Net decrease in cash and cash equivalents		(1,441,633)	(2,354,337)
Cash and cash equivalents at the beginning of the financial half-year		6,727,764	6,970,967
Effects of exchange rate changes on cash and cash equivalents		(1,043)	(66,360)
Cash and cash equivalents at the end of the financial half-year		5,285,088	4,550,270

Non-cash financing activities include ordinary shares to be issued in lieu of director fees to Dennis Eck were accrued to the value of $50,000 (FY2021: $50,000).

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the former owners of the entity being acquired and the amount of any non-controlling interest in the entity being acquired. For each business combination, the non-controlling interest being acquired is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the business being acquired at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred is initially recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest and the fair value of the consideration transferred (and the fair value of any pre-existing investment in the business being acquired) is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional and objective basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date as and when they arise. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Intangible assets - Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Note 1. Significant accounting policies (continued)

New or amended Accounting Standards and Interpretations

The Consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period, with no material impact.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not expected to have any material impact if they had been applied.

Comparatives and rounding

Where necessary and or material certain comparatives in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position have been reclassified to be consistent with current year presentation. Unless stated otherwise, all financial amounts presented are in Australian dollars, rounded to the nearest whole dollar, in accordance with Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission.

Note 2. Revenue from contracts with customers

Disaggregation of revenue

	Consolidated	
The disaggregation of revenue from contracts with customers is as follows:	31 Dec 2021 $	31 Dec 2020 $
Major product categories		
Skincare, anti-aging cosmetics & equipment	2,525,256	-
Haircare, hair growth and supplements	1,652,176	2,790,046
	4,177,432	2,790,046
Geographical regions		
Australia / New Zealand	3,100,773	553,341
Japan	953,474	1,970,053
Other	123,185	266,652
	4,177,432	2,790,046
Timing of revenue recognition		
Goods transferred at a point in time	4,177,432	2,790,046

Note 3. Other income

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Other revenue	173,675	220,005
Research and development tax credit	500,380	-
Other income	674,055	220,005

Other revenue is primarily comprised of Government (COVID-19) assistance in the form of Jobsaver and Jobkeeper subsidies totaling $92,572 (FY2021: $165,500) and royalties $36,552 (FY2021: $48,919).

Note 4. Operating segments

Identification of reportable operating segments

The Consolidated entity is organised into two main segments based principally on differences in products provided. Subsequent to divestment of Lyramid Limited (January 2021) and acquisition of BLC (October 2021), the Group has decided to amend its segment disclosures to more accurately reflect the transition from a life sciences and biotechnology business to a consumer health business. The comparative segment disclosures have similarly been updated to be consistent with the current year segment disclosures.

These segments follow the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) when assessing performance and in determining the allocation of resources. The information is reported to the CODM monthly.

Intersegment transactions, receivables, payables and loans

Intersegment transactions were made at market rates. The Consumer health segment purchases finished goods (and raw materials) from related parties within the same business segment. Intersegment loans are initially recognised at the consideration received.

All intersegment transactions and balances are eliminated on consolidation.

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Note 4. Operating segments (continued)

Operations segment information

Consolidated – 31 Dec 2021	Anagenics* Corporate $	Consumer Health $	Consolidated Entity Total $
Revenue			
Sales to external customers	-	4,177,432	4,177,432
Other income	563,359	110,696	674,055
Interest revenue	9,152	5	9,157
Total revenue	572,511	4,288,133	4,860,644
Cost of goods sold	-	(1,827,714)	(1,827,714)
Selling and distribution expenses	(69,550)	(787,959)	(857,509)
Research and development expenses	(55)	(69,983)	(70,038)
Administrative and employment expenses	(413,450)	(1,981,559)	(2,395,009)
Gain on foreign exchange	976	86,039	87,015
Other operating expenses	(145,326)	(616,724)	(762,050)
Segment operating loss	(54,894)	(909,767)	(964,661)
Corporate costs and unallocated items			
Consultancy expense			(47,256)
Subscription expense			(45,492)
Occupancy expense			(9,274)
Share-based compensation			(56,310)
Directors' remuneration			(106,604)
Employee benefits expense			(226,613)
Finance costs			(24,289)
Depreciation and amortisation expense			(282,592)
Loss before income tax expense			(1,763,091)
Income tax benefit			8,778
Loss after income tax expense			(1,754,313)
Total Assets	4,219,098	12,899,290	17,118,388
Total Liabilities	(2,976,923)	(3,440,694)	(6,417,617)
Total Intercompany	23,974,341	(23,974,341)	-

* Comprising Anagenics Limited (the corporate entity).

Note 4. Operating segments (continued)

Consolidated – 31 Dec 2020	Anagenics Corporate $	Consumer Health $	Consolidated entity Total $
Revenue			
Sales to external customers	-	2,790,046	2,790,046
Other income	98,919	121,086	220,005
Interest revenue	14,310	382	14,692
Total revenue	113,229	2,911,514	3,024,743
Cost of goods sold	(234,810)	(751,172)	(985,982)
Selling and distribution expenses	(47,572)	(496,583)	(544,155)
Research and development expenses	(46,903)	(63,791)	(110,694)
Administrative and employment expenses	(489,569)	(1,668,616)	(2,158,185)
Loss on foreign exchange	(6,383)	(335,706)	(342,089)
Other operating expenses	(140,658)	(338,605)	(479,263)
Segment operating loss	(852,666)	(742,959)	(1,595,625)
Corporate costs and unallocated items			
Consultancy expense			(59,399)
Subscription expense			(29,465)
Occupancy expense			(6,940)
Share-based compensation			(58,494)
Directors' remuneration			(162,965)
Employee benefits expense			(222,561)
Finance costs			(28,854)
Depreciation and amortisation expense			(225,814)
Loss before income tax expense			(2,390,117)
Income tax expense			-
Loss after income tax expense			(2,390,117)
Total Assets	4,142,412	6,722,319	10,864,731
Total Liabilities	(1,336,680)	(2,136,620)	(3,473,300)
Total Intercompany	20,643,136	(20,643,136)	-

Note 5. Inventories

	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Raw materials - at cost	748,940	731,164
Finished goods (in transit) - at cost	257,810	-
Finished goods - at cost	3,402,091	1,818,595
	4,408,841	2,549,759

During the reporting period the provision for inventories to net realisable value reduced in total by $26,014 (FY2021: $217,666 expense). The net benefit was included and reduced the total cost of sales for the period ended 31 December 2021.

Note 6. Intangibles

	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Non-current assets		
Patents and trademarks – at cost	2,392,586	2,369,648
Less: Accumulated amortisation	(1,008,469)	(944,326)
	1,384,117	1,425,322

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year and prior corresponding full year are set out below:

Consolidated	Patents and trademarks $
Balance as at 1 July 2021	1,425,322
Additions	13,107
Amortisation expense	(60,825)
Foreign exchange movements	6,513
Balance as at 31 December 2021	1,384,117

Consolidated	Patents and trademarks $
Balance as at 1 July 2020	1,757,002
Additions	-
Amortisation expense	(125,064)
Foreign exchange movements	(206,616)
Balance as at 30 June 2021	1,425,322

Note 7. Trade and other payables

	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Current liabilities		
Trade payables	469,364	682,190
Other payables	937,270	381,493
	1,406,634	1,063,683

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Note 8. Borrowings

	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Current liabilities		
Insurance premium funding facility	73,254	50,129
Bank loans	632,615	287,891
	705,869	338,020
Non-current liabilities		
Bank loans	1,000,108	601,396
	1,705,977	939,416

On 24 December 2021 Advangen Inc (Japan) financed an additional bank loan from Keiyo Bank Ltd (JPY 60M). This new loan matures on 24 December 2026 and is repaid monthly (in arrears) at a rate of 0.80% per annum. Interest cost is incurred based on the daily outstanding loan balance.

All bank loans are secured by a fixed charge over the assets of Advangen Inc.

Note 9. Issued capital

	Consolidated 31 Dec 2021 Shares	Consolidated 30 Jun 2021 Shares	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Ordinary shares – fully paid	220,217,445	187,430,560	62,332,564	60,280,064

Movements in ordinary share capital

Details for the half-year ended	Date	Shares	$
Balance	1 July 2021	187,430,560	60,280,064
Shares issued in connection with BLC acquisition – refer note 14	November 2021	32,786,885	2,000,000
Shares issued in lieu of consulting fees	January 2021	-	52,500
Balance	31 December 2021	220,217,445	62,332,564

Details for the full-year ended	Date	Shares	$
Balance	1 July 2020	125,246,866	56,064,284
Shares issue costs		-	(389,689)
Shares issued - December 2020		465,437	50,000
Shares issued - January 2021		1,500,000	43,750
Shares issued - April 2021		60,218,257	4,511,719
Balance	30 June 2021	187,430,560	60,280,064

Share buy-back
There is no current on-market share buy-back.

Note 10. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 11. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities reflects the carrying amount reported at balance date.

Note 12. Contingent liabilities

The Consolidated entity has given bank guarantees as at 31 December 2021 of $136,247 (30 June 2021: $136,247) are in respect of lease of commercial office space.

There were no other material contingent liabilities as at 31 December 2021.

Note 13. Earnings per share

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Reconciliation of earnings to profit or loss from continuing operations		
Loss after income tax attributable to the owners of Anagenics Limited	(1,754,313)	(2,279,577)
Reconciliation of earnings to profit or loss from discontinued operations		
Loss after income tax attributable to the owners of Anagenics Limited	-	(110,540)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	198,121,936	125,289,868
Weighted average number of ordinary shares used in calculating diluted earnings per share	198,121,936	125,289,868

	Cents	Cents
Basic earnings/(loss) per share – continuing operations	(0.89)	(1.82)
Diluted earnings/(loss) per share – discontinued operations	(0.00)	(0.09)
	(0.89)	(1.91)

Note 14. Business combinations

On 1 October 2021, Anagenics Limited, acquired 100% of the ordinary shares of BLC Cosmetics Pty Limited “BLC” (including its wholly owned subsidiary, BLC Cosmetics NZ Pty Limited) from HGL Limited for a total estimated purchase value of $5,100,000. Under the share sale agreement the purchase consideration is payable under two separate tranches.

The first tranche is comprised of $1,000,000 cash payment, $2,000,000 in shares (32,786,885 shares at 6.1 cents) and a working capital adjustment. The second tranche is payable subject to an increase in BLC’s EBITDA during FY2022. This component will be calculated as three (3) times the incremental EBITDA growth between FY2021[1] and FY2022, where the agreed EBITDA for FY2021 was $500,000. Tranche two is payable in cash and shares whereby the first $700,000 will be settled in cash with the remaining balance in shares at the prevailing share price (with a maximum of 9.0 cents per share, at which price HGL Limited will be issued 15,555,556 ordinary shares). At balance date the exact value of the second tranche payable to HGL is not precisely determinable, however based on the latest and forward looking information it has been estimated to be up to $2,100,000. This amount has been recorded as part of total goodwill on acquisition and provided for in current liabilities (contingent consideration) as at 31 December 2021.

The total goodwill acquired on purchase of BLC is estimated to be $3,347,594. It represents the expected synergies from merging of the two businesses and creating a profitable, market leading anti-aging health and beauty tech company with premium products across hair care, skin care and wellness. BLC contributed total revenue of $2,541,518 and profit after tax of $288,679 to the consolidated entity for the period from 1 October to 31 December 2021. Had the acquisition occurred on 1 July 2021, the contributions would have been total revenues of $4,199,711 and profit after tax of $369,675. Details of BLC’s assets, liabilities and estimated goodwill acquired on acquisition are further detailed as follows:

	Fair Value $
Cash and cash equivalents	283,725
Trade and other receivables	714,362
Inventories	2,177,854
Other assets	39,027
Plant and equipment	295,354
Right of use asset	87,148
Trade and other payables	(1,333,736)
Employee benefits	(208,200)
Lease liabilities	(87,148)
Net assets acquired	1,968,386
Expected goodwill on acquisition	3,347,594
Acquisition-date fair value of the total consideration payable	5,315,980
Represented by:	
Cash consideration paid (tranche 1)	1,000,000
Shares issued (tranche 1)	2,000,000
Working capital adjustment (paid in cash)	215,980
Expected cash consideration payable (tranche 2)	700,000
Expected shares to be issued (tranche 2)	1,400,000
	5,315,980
Acquisition costs expensed to profit and loss in this period	81,886

Net cash used to acquire business:

[1] The period for the BLC financial year and therefore for the calculation of Tranche 2 is between 1 October 2021 and 30 September 2022.

Net cash used to acquire the business:

Acquisition-date fair value of the total cash consideration transferred in the period	1,215,980
Less: cash and cash equivalents acquired	(283,725)
Net cash used	932,255

The fair value of trade and other receivables is $714,362 and includes trade receivables with a fair value of $604,963. The gross contractual amount for trade receivables due is $610,146, of which $5,183 is expected to be uncollectible.

Goodwill is not deductible for tax purposes

Note 15. Discontinued operations

On 1 January 2021 the Consolidated entity sold Lyramid Limited (a company incorporated in Australia), a subsidiary of Anagenics Limited, for consideration of $500,000 resulting in a net gain on disposal before income tax of $528,842. The background on this disposal is detailed in Anagenics Limited (formerly Cellmid Limited) Annual Report for the 12 months period ending 30 June 2021 (refer "Note 7 – Discontinued Operations" for full details around this transaction).

The divestment of Lyramid delivered a number of tangible benefits to Anagenics shareholders. The Consolidated entity is now able to solely focus on its consumer business to execute on its growth and profitability objectives. It will also retain the right to participate in the potential upside from the assets through royalties without the need to dedicate further shareholder funds to the commercialisation programs. Overall, significant annual cost savings will continue to be realised by reducing research and development costs including personnel and relinquishing the financial responsibility for patent filing and maintenance, amongst other costs related to maintaining Lyramid.

At balance date the carrying value of total assets and liabilities relating to Lyramid Limited was $nil (30 June 2021: $nil).

Financial performance information	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Revenue		
Revenue from contracts with customers	-	-
Cost of goods sold	-	-
Gross profit	-	-
Other income	-	-
Interest revenue	-	-
Expenses		
Research and development expenses	-	(44,532)
Administration and employment expenses	-	(64,009)
Other operating expenses	-	(1,999)
		(110,540)
Net loss before income tax	-	(110,540)
Income tax expense	-	-
Net loss after income tax expense from discontinued operations	-	(110,540)

Cashflow information	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Net cash used in operating activities	-	(129,365)
Net cash from investing activities	-	-
Net cash provided from financing activities	-	30,000
Net decrease in cash and cash equivalents from discontinued operations	-	(99,365)

Note 16. Events after the reporting period

An issue of 803,858 ordinary shares was made in lieu of director fees on 7 January 2022 to Dennis Eck to the value of $50,000.

Alexander (Sandy) Beard was appointed to the board as Non-executive Chairman, effective on 15 February 2022. Independent Non-executive Chairman, Bruce Gordon, resigned with an effective date of 15 February 2022. CEO and Managing Director, Maria Halasz, advised the Board that she wishes to transition out of her CEO role in the coming months and will assist the Board with an orderly transition and the recruitment of a new CEO.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Consolidated entity's operations, the results of those operations, or the Consolidated entity's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Alexander (Sandy) Beard
Chairman

15 February 2022

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Independent Auditor's Review Report

To the members of Anagenics Limited (formerly Cellmid Limited)
ABN 69 111 304 119

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Anagenics Limited (formerly Cellmid Limited) (the "Company"), and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(a) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

SWallace

Pitcher Partners

S S Wallace
Partner

Pitcher Partners
Sydney

15 February 2022