2022
ANNUAL REPORT

ANAGENICS

(ASX: AN1)

CONTENTS

OUR VALUES

Equality
Trust
Innovation
Entrepreneurship

OUR PURPOSE

Contribute to youthful, healthy longevity with effective and trusted science-based solutions.

OUR STORY

Anagenics Limited has evolved into a wellness, health and beauty business with a strong portfolio of technologies and products.

Whilst our business has developed and changed, we continue to provide clinically validated anti-aging products for hair, skin and body. Our original brand, evolis®, was born out of the desire to help men and women who experience significant hair concerns over their lifetime. Fundamentally driven by science (proprietary FGF5 inhibitor technology), the patent protected évolis® product range offers a naturally based, clinically validated solution to hair aging and hair loss.

Today, Anagenics is a growing wellness, health and beauty business with a strong portfolio of functional skin, hair and wellness brands. The business transformation was significantly accelerated in 2021 with the acquisition of BLC Cosmetics - a beauty distribution business supporting iconic prestige brands such as Thalgo, Hydropeptide, Comfort Zone, Priori and recently Inika Organic. Our portfolio of intellectual property, brands and products are varied and sold worldwide. We continue to invest in innovative products and technologies that cater to the overall wellness of consumers. Recently we have licensed our intellectual property to partners with the focus and expertise to effectively commercialise the assets, reducing the risk and expense associated with the process, but maintaining the upside of long term royalty streams, payable upon success.

Anagenics is focused on delivering superior returns for all stakeholders. The success of Anagenics depends on the partnership between brands, employees, customers and shareholders. Anagenics is committed to sustainability principles by pursuing partnerships with like-minded brands and implementing programs to reduce the environmental impact of its packaging and manufacturing operations. We acknowledge that our people are core to our success and share our fundamental values of diversity, innovation, integrity and entrepreneurship.

We seek to deliver consistent returns to shareholders and target profitability and positive cashflow from the repositioned platform. Our revenue growth depends on consistently executing on brand positioning and partnering across different platforms, including both traditional channels and digital channels (direct to consumer). Our immediate priority is to grow our revenue rapidly but efficiently through accretive acquisitions of synergistic businesses and brands.

HIGHLIGHTS F22

The key milestone of note for the year was the acquisition of BLC Cosmetics in late 2021. This strategically important acquisition significantly increased scale of the Group and instantly allowed for diversification across 13 brands, in new channels and product categories.

The Group continued to deliver on its revenue growth strategy despite the significant challenge of the COVID19 pandemic and its particular impact on the Advangen Japan Business.

In addition to the pandemic, uncontrollable regulatory changes in China restricted trade flows into our single largest target market. Despite this we continued to develop our products and grow total revenue on the prior year.

The integration of the BLC business into Anagenics commenced with the successful merger of warehouse operations in March 2022. This was an important first step designed to deliver on synergies as promised. Similar restructuring initiatives across the remaining back end business functions also commenced in F22 and the benefit from this will be evidenced in cost savings for the Group over F23.

In February 2022, Anagenics also announced important succession changes to both the Board and executive management team needed to position the Group for its next stage of development. As part of this continued evolution, Matthew Dudek was appointed to the position of Acting CEO to lead Anagenics on its next chapter of growth and business transformation. Immediately following this change, a strategic review of the business commenced prioritising those initiatives designed to generate additional revenue and redeploy resources efficiently needed to support profitability and operating cashflow. The full benefit of these changes will be realised in F23 as the business transformation evolves.

Anagenics finished F22 with stronger foundations. Profit was impacted by one-off costs associated with structural changes and asset impairments totalling $1.8M. However the full year contributions of BLC performance, investment in key revenue channels and the annualisation of cost saving and other M&A planned strategies will significantly assist profitability and improve operating cashflow over F23.

REVENUE
$10.0M
(up 37%)

GROSS PROFIT
$5.1M
(55%)

NUMBER OF ACTIVE CUSTOMERS
6,758

NUMBER OF ACTIVE BRANDS
14

NUMBER OF SUBSCRIBERS
9,457

FINISHED GOODS (total SKUs)
1,417

CHAIRMAN'S REPORT

In writing my first Chairman's report of Anagenics I am mindful that this is a well-trodden path for long term shareholders.

I cannot avoid the reality that whilst the business has achieved significant milestones during the year, ultimately it has not delivered on shareholder expectations, which is an unsustainable position.

I do not intend to write a similar report for the F23 year.

F22 was a year of significant change, a transformational acquisition, Board changes, change of CEO, additional responsibilities for the management team, business divestment and addition of major new shareholders.

Pleasingly the BLC acquisition has exceeded expectations which has resulted in the deferred payment for outperformance being triggered to Hancock and Gore (H&G). H&G has agreed (subject to upcoming shareholder approval) for the payment to be made entirely as new ordinary shares at a premium to recent share price levels, highlighting the confidence of H&G in its ability to assist in the transformation of Anagenics.

Whilst the year has had its challenges, and economic headwinds have created tough conditions for micro-cap companies, it has also provided favourable dynamics for mergers and acquisitions of synergistic businesses which we are currently actively pursuing.

The Board is grateful to the management team led by Matthew Dudek for driving the first stages of business transformation and in integrating the BLC business seamlessly into the group, whilst also continuing to drive business improvement, add new brands and product lines and divest the Japanese subsidiary.

The Board also extends its gratitude to Maria Halasz and Bruce Gordon for the dedication to their roles over a long period.

Likewise I am thankful for the support and assistance provided by my fellow board members Martin, Dennis and Phil during the year, and for the demonstration of their commitment to the business and shareholders by taking no fees for the past six months.

F23 will be a year of further change. It will not be possible for the Company to achieve its goals of sustainable profitability without further acquisitions, and the Board is delighted to have been able to attain the services of Scott Greasley to specifically target opportunities.

Anagenics has a compelling base of prestige brands, unique IP, innovative brand partners, and a strong and dedicated management team complimented with strong distribution channels and routes to market. We are positioned to significantly leverage this expertise in F23.

Ultimately the Board is responsible for setting the expectations of what success looks like for the year ahead. In terms of measurable targets for F23 I see the following as being within the control of the business and for which we should ultimately be held accountable;

- Continued improvement in profitability and key metrics of core business
- Increased investor awareness of Anagenics and share price improvement
- Continued development of management strength and capabilities
- Meaningful organic growth
- Acquisition of at least one synergistic business with maintainable EBITDA > $1M
- Annualising profitability no later than Q4

Alexander (Sandy) Beard
Chairman

CEO'S REPORT

Dear Shareholder,

Anagenics commenced the year known as Cellmid. Over the year it acquired a new beauty distribution business, experienced a milestone change in both executive leadership and ownership, and just recently announced its intention to divest of its heritage business – Advangen Inc (Japan) which was completed subsequent to the end of the financial year. This journey identifies with change and underscores how events and circumstances can evolve so remarkably even in just one year.

Total revenue and other income for the Group improved 37% to $10.0M in FY22 largely due to the part year contribution of the BLC. The underlying EBITDA loss in the year was $2.9M (FY21: $2.7M). Despite the continued uncertainty and disruption from the COVID-19 pandemic, the Group continued to focus on revenue growth by investing in its e-commerce channels, pursuing opportunities in China, restructuring internally to drive efficiencies and prepare for any new opportunities (and challenges) coming our way in F23.

Anagenics is committed to providing our customers with trusted scientifically validated products as well as recognised, prestige beauty offerings across a variety of product categories and distribution channels.

Business transformation – beginning of a new journey

Upon appointment to Acting Chief Executive Officer (in March 2022), my senior leadership team and I immediately directed the business on a transformational journey. The change commenced with a detailed business review with the objective of resetting strategic priorities, redeploying existing resources towards capitalising on immediate revenue opportunities and the simplification of the Group's operations needed to unlock cost savings. The benefits from these changes are already apparent.

Total costs savings in the last quarter to June 22 were $0.2M and are estimated to annualise to over $1.0M next financial year. Our priority remains to grow our revenue and further simplify the business to ensure we are cost efficient as we target positive cashflow and profitability.

BLC Cosmetics

As noted, Anagenics added another significant chapter to its long history with the acquisition of BLC Cosmetics in November 2021.

> This important acquisition significantly increased scale to the Group and opened it up to 13 new brand opportunities across different channels and categories.

BLC comes with an established sales network throughout Australia, distributing into professional beauty channels, including over 1,000 beauty salons and spas. Contributing $5.8M in revenue in F22 (9 months) it is a profitable business with an iconic portfolio of assets represented by international cosmeceutical skin care brands such as HydroPeptide and Priori as well as prestige European professional anti-aging brands, namely Thalgo and Comfort Zone.

We commence F23 by continuing to invest in BLC's expansion with the addition of a new Australian beauty brand - Inika Organic. An all-natural, certified, unique offering in the beauty market, BLC has been appointed the exclusive distributor servicing the Australian salon and spas in Australia. This partnership is expected to generate upwards of $1.5M in additional sales in F23 and contributing positively to profit and cashflow.

Merger and Acquisition (M&A)

As previously announced, our priority is to identify new business investments to further scale the Anagenics business. This is needed to drive growth in revenue across different channels and deliver profit. Working closely with our strategic shareholder (Hancock & Gore) we plan to execute further accretive acquisitions of businesses in F23 (such as BLC) and where appropriate invest further in unique brands.

> We now have a strong pipeline of advanced opportunities from which to explore profitable and complementary businesses which once combined should generate revenue and additional cost synergies operating under a common business structure.

New product development and agreements

We will continue to invest in our unique product technology whilst expanding our product offering. "Let There Be Hair", our new ingestible supplement has seen a steady increase in volumes over the past year. It is now one of our leading products sold online and by subscription. This along with other products, and the introduction of new hair science based technologies are new initiatives currently in plan and represent a key revenue strategy designed to capitalise on trends in both the hair-loss and beauty market in F23.

Similarly, we continue to leverage our proven technology under specific licensing agreements ("White Label"). Collaborating with our existing partners (O&M, Pump) we will pursue similar opportunities with new partners as we strategically grow volumes through this channel.

Investment in e-Commerce

The Group continues to develop its in house digital marketing capabilities needed to build direct to consumer and third party e-commerce channels by investing in specialist resourcing, social media and performance marketing campaigns. We believe the opportunities in the e-commerce channel for our brands are important and complementary, particularly after acquiring BLC where there is significant opportunity to add scale and grow revenue in this channel. Similarly, in the US market, where we continue to partner with large e-commerce retailers such as Amazon, Dermstore and Macys.com.

China

The China market continues to present itself as a significant opportunity for many businesses, including Anagenics.

The consumer demand for hair loss, health and anti-aging in China is a global phenomenon predicting revenues upwards of $15 billion by 2030.

In F22, total revenue from this market for the group had unfortunately decreased on the prior year mainly due to changes in strict government regulations around the importation, marketing and sale of special use cosmetic products into mainland China. Volumes in the region were further impacted by strict rolling lockdowns across major cities due to COVID-19 disruption. Collectively the impact was most significant on our Japanese business where revenue for Advangen Japan declined by 50% to $2.2M (2021: $4.3M).

In Australia however, cross border e-commerce (CBEC) continued to strengthen over F22 through our partnership and collaboration between Advangen Australia and our agent Aeon International. Sale volumes on Tmall Direct and JD Direct (two of the largest platforms reaching up to 80% of CBEC sales) increased three-fold on the prior year to $0.3M in F22 and is expected to significantly grow again in F23.

Despite these short term challenges, China remains a significant opportunity in the global hair loss and beauty market for Anagenics and therefore remains a key business strategy in F23 and beyond.

Summary and outlook

As we continue to transform the business in F23 we expect to experience headwinds in the form of macroeconomic forces, resource constraints and shortages and extended lead times on international supply chains. It will be necessary to evolve our plans to ensure we are best positioned to meet the opportunities and challenges as they present themselves. With the acquisition of BLC and restructuring made to date, I believe Anagenics now has a good foundation from which to grow organically and scale through M&A opportunities as we continue to target profitability and positive cashflow.

The Anagenics team and I look forward to what lies ahead. I would like to personally acknowledge our employees for their dedication and significant contribution over the past year. In particular to our new BLC employees, who have become an integral part of the Anagenics family today and into the future. Thank you !

Matthew Dudek
CEO

DIRECTORS' REPORT

The Directors present their report, together with the financial statements of the Group, being Anagenics Limited ("the Company") and the entities it controlled, for the financial year ended 30 June 2022 ("F22").

1. GENERAL INFORMATION

Information on Directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report, unless stated otherwise, are:

Mr Alexander (Sandy) Beard	**Chairman (Non-executive) –** *appointed 15 February 2022*
Qualifications	B.Com, FCA, MAICD (Chair)
Experience	Sandy is a seasoned Company Director, Investor and Investment professional focussed on driving value from small cap ASX listed companies and private equity and early stage investments. He is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors. He is Chairman and substantial holder in ASX Listed Hancock and Gore Limited, a diversified investment company. Previously Mr Beard was CEO and MD of CVC Limited from 2001 – 2019 where he oversaw investment returns in excess of 15% per annum over that period.
Interest in shares and options	Nil
Special responsibilities	From 15 February 2022 to present Chairman of the Board of Directors
Other directorships in listed entities held in the previous three years	Chairman of Hancock & Gore Limited (ASX:HNG), Chairman of FOS Capital Limited (ASX:FOS), Director of Centrepoint Alliance Limited (ASX:CAF). In prior years – Tas Foods Limited (ASX: TFL), Pure Foods Limited (ASX: PFT), Probiotec Limited (ASX: PBP), CVC Limited (ASX: CVC) and Eildon Capital Limited (ASX: EDC)

Mr Bruce Gordon	**Chairman (Non executive) –** *resigned 15 February 2022*
Qualifications	BA, Macquarie University, Fellow of The Institute of Chartered Accountants Australia and New Zealand, Fellow of The Australian Institute of Company Directors
Experience	An audit and corporate finance specialist, and an experienced finance professional with a career spanning more than 35 years advising and providing financial services to private and publicly listed companies as well as subsidiaries of large multinationals
Interest in shares and options	Not applicable as no longer a director
Special responsibilities	From 1 January 2021 to 15 February 2022 Chairman of the Board of Directors From 1 January 2021 to 15 February 2022 Chairman of the Nomination and Remuneration Committee From 1 January 2021 to 15 February 2022 a member of the Audit Committee
Other directorships in listed entities held in the previous three years	Director of Pilot Energy Limited (ASX: PGY)

Ms Maria Halasz	**Managing Director (Chief Executive Officer) –** *resigned 28 February 2022*
Qualifications	MBA, BSc in Microbiology, University of Western Australia, Graduate of the Australian Institute of Company Directors
Experience	Over 30 years' experience in life sciences working in executive positions in private and public companies, managing investment funds and holding senior positions in corporate finance specialising in life sciences
Interest in shares and options	Not applicable as no longer a director
Special responsibilities	From 14 April 2007 to 28 February 2022 Managing Director and Chief Executive Officer
Other directorships in listed entities held in the previous three years	None

Dr Martin Cross	**Director (Non-executive)**
Qualifications	PhD, Microbiology, Aberdeen University Scotland. Fellow of the Australia Institute of Company Directors
Experience	Over 35 years' experience working in the pharmaceutical and biotech industries primarily in all aspects of marketing, selling and business management. This included global roles at international headquarters of AstraZeneca and Novartis. Former Country President for Novartis Australia/NZ, Managing Director for Alphapharm (Mylan) Australia/NZ with extensive retail experience in pharmacies and Chairman of the Generics Industry Association and Medicines Australia
Interest in shares and options	Shares: 455,000 indirectly held Options: 65,000 indirectly held
Special responsibilities	From 1 January 2021 to 15 February 2022 Chairman of the Audit Committee From 1 January 2021 to 15 February 2022 a member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	Director Oncosil Ltd (OSL)

Mr Dennis Eck	**Director (Non-executive)**
Qualifications	BSc, The University of Montana
Experience	40 years senior management experience in the retail sector, providing significant strategic and operational expertise. Mr Eck, a professional investor, has extensive retail experience in fashion, groceries cosmetics, and hair salons. As a senior strategist, Mr Eck has helped reshape the operations of several retail businesses delivering outstanding shareholder returns
Interest in shares and options	Shares: 18,951,483 directly held Options: 2,592,518 directly held
Special responsibilities	None
Other directorships in listed entities held in the previous three years	None

Mr Phillip Christopher	**Director (Non executive)** – *appointed 5 November 2021*
Qualifications	Bachelor of Economics and Commerce - University of Western Australia
Experience	Investment Director of Hancock and Gore Limited, responsible for advising and guiding private investments including BLC Cosmetics prior to its acquisition by Anagenics Limited. Phillip also spent 6 years at Alceon Group where he was a director in the private equity team which made significant investments in e-commerce and proprietary brand-based businesses. Prior to that he was a member of the investment banking division of Goldman Sachs
Interest in shares and options	nil
Special responsibilities	None
Other directorships in listed entities held in the previous three years	None

Mr Lee Tamplin	**Company Secretary**
Qualifications	BA (Hons) Financial Services, Bournemouth University United Kingdom, Diploma of Financial Planning, Graduate of the Australian Institute of Company Directors and holds a Graduate Diploma of Applied Corporate Governance and Risk Management.
Experience	20 years' experience in financial services in both Australia and UK. Company Secretary for several ASX listed and proprietary companies

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated

Principal activities of the Group

The Group has operated through its holding entity, Anagenics Limited (corporate, operational, and administrative functions) and its two main subsidiary companies, Advangen Pty Limited (consumer health product development and sales) and from October 2021, BLC Cosmetics Pty Limited (a distributor of prestige beauty cosmetics and equipment). With the sale of Lyramid in early 2021 the Group has now completed the transition from biotechnology and research to a full health and beauty tech business. The Group is poised for its next stage of development using the solid building blocks of differentiated brands, global distribution footprint, growing revenue and targeting near term profitability. Other than the acquisition of BLC Cosmetics Pty Limited there were no other substantial changes in the activities of the Group during the reporting period.

Anagenics Limited

The holding entity, Anagenics Limited ("Anagenics"), is primarily responsible for the corporate functions of the Group including finance, legal, administrative and other Group operational matters.

Advangen Pty Limited (Advangen)

Advangen continued its health and beauty technology business; the development and sale of over the counter (OTC) and cosmetic antiaging and longevity targeting products and technologies. Advangen's hair loss and antiaging hair care brands marketed during the reporting period continued to feature the Group's proprietary FGF5 inhibitor formulations. Since the acquisition of the FGF5 technology the Group has developed a range of new products under the evolis®, evolis® Professional, Lexilis® Hybrid, Jo-Ju® RED and Lexilis® BLACK brands.

Distribution channels of the Group's consumer brands continue to be e-commerce, television shopping, wholesale pharmacy and salons, cross border export markets (China). The Group continued its strategy around product innovation during the reporting period, researched new hair loss targets, developed new formulations and modified ingredients for improved performance. These innovations formed an important part of product developments during the year including an ingestible supplement "Let There be Hair".

BLC Cosmetics Pty Limited (BLC)

BLC is leading importer and distributor of prestige international and local skin care and wellbeing brands namely - Thalgo, Hydro Peptide, Comfort Zone, Priori and LightStim. Operating under long term and exclusive distribution agreements, BLC services over 1,000 spas, clinics, salons, retail stores and online in Australia, New Zealand and the Pacific Islands. The acquisition of BLC in October 2021 created a leading health and beauty company with premium brands across both hair and skin care, significantly increased the Group's distribution footprint and strengthened its ecommerce sales capabilities into the professional beauty network in Australia and New Zealand.

2. OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

Results

Revenue and other income of the Group from continuing operations was up 47% for F22 to $10.0m (2021: $6.8m), primarily due to BLC's contribution from acquisition date, 1 October 2021, of $5.8m. This gain was partly offset by lower volumes across Advangen existing business particularly due to the ongoing impact of the COVID-19 pandemic and unfavourable foreign exchange fluctuations on translation of foreign entity results.

Consumer health sales of the Group's FGF5 inhibitor hair growth products were down 40% to $3.5m (2021: $5.8m). Consumer health revenue in all geographical regions continued to be challenged by the pandemic, most noticeably in Japan and China where local government imposed strict lock-down rules, significantly restricted buying activity and foot traffic in spas and salons. Japan's business into China was also materially impacted by changes to government regulations governing cosmetic registration and import permits for shampoos (lotions) and tonics. These two developments significantly restricted total export sale volumes into China when compared to the prior years.

The Group recorded an EBITDA loss in the year of $3.8m (2021: $2.8m) which included numerous one-off stock provisions ($0.2m) and an impairment on intangible assets ($1.3m) but excludes foreign exchange gain during the year ($0.4m). An offsetting gain of $1.0m was recognised on revaluation of the liability for the deferred consideration relating to the purchase of BLC.

Underlying EBITDA loss for the Group, normalised for these and other one-off items, was $2.9m (2021: $2.7m), up 7% on the prior year. Net cash out from operating activities reduced on the prior year by 40% to $2.5m (2021: $4.1m).

Review of operations

Despite the ongoing uncertainly and disruption from the COVID-19 pandemic, the Group continued to focus on revenue growth by investing in its e-commerce channels, both direct to consumer and third-party retail partners. Following a senior leadership change in March 2022, the executive management team had initiated a business transformation strategy commencing with a detailed review of the Group's core businesses identifying cost savings and prioritising revenue initiatives needed to immediately lift profitability and improve operating cashflow. The full financial benefit of these and other improvements will continue into and annualise over the year-ended 30 June 2023 ("F23").

Some of the specific milestones of note in the year were as follows:

i. Consumer & Health

BLC Cosmetics

- Anagenics acquired BLC in October 2021, transforming the scale of operations and adding profitable revenue streams. Subsequent to completion, key business functions and processes have been integrated to realise synergies under a common business structure and culture with the full benefits to be realised in F23 first full year of ownership.
- Brand building –To support development of BLC's brand base and further grow revenue, an exclusive master distribution agreement with Total Beauty Network Pty Ltd was signed for the distribution of its Inika Organic range of natural certified skincare products to the Australian salon & spa market. The full benefit of the new business revenue, commencing early F23, will mean greater brand collaboration and help widen brand presence in the professional salon market across Australia.

Growing online retail revenue from direct to consumer and through third party ecommerce

- The Group continued to prioritise and invest in direct-to-consumer e-commerce as its core revenue strategy across all business units. Sales volumes to individual customers, including third party online retailers, continued to build on prior year (particularly in Japan) despite the competitive landscape and prevailing deep discounting in the beauty and hair loss market generally. This has partially compensated for the losses associated with the pandemic particularly in the salon and wholesale pharmacy segment.

Cross border e-commerce (China)

- The partnership between Advangen Australia and Aeon International ("Aeon") for the sale of the évolis® branded hair loss products in China continued to strengthen during the reporting period. This allowed for greater flexibility and marketing collaboration between the parties necessary for brand building in China. The partnership has begun to show benefits with additional sales volumes on Tmall Direct and JD Direct (two of the largest platforms reaching up to 80% of consumers in China). We expect export activities from Australia to continue to improve over F23 after two years of disruption.

Product innovation and new product development

- The Group continues to prioritise its new product development activities leveraging from its existing asset technology during the reporting period. This included research and development into novel targets in antiaging hair care, in addition to new formulations and planning around relaunching of existing brands.
- White label product partnership through technology agreements designed to build scale at relatively low marginal cost.
- Continued success with hair loss and anti-aging supplements "Let There Be Hair", becoming one of Advangen's fastest growing products over F22.

Total revenue and other income in the Group's consumer health business, Advangen, was down 40% to $3.6m (2021: $6.0m), with segment loss before tax up to $2.1m (2021: $1.1m). This decline was primarily due to the challenging trading and regulatory environment for the Japan business. Australian revenue was up 5% largely as a result of an increase in e-commerce activity offsetting the decline in bricks and mortar pharmacy revenue. Revenue in US Advangen was down 33% as the business is transformed from traditional sales model to an online direct to consumer model. As noted previously the Japan business was significantly impacted by COVID-19 lockdown measures and regulatory challenges. It has not been able to export to China for most of F22 accounting for a 50% reduction in total revenue for Japan on the prior year. The significant appreciation of Australian dollar relative to the Japanese yen over F22 further contributed to a reduction in total revenue (8%) over the financial year when expressed in Australian dollars.

Advangen Japan

Revenue for the Japanese business declined by 50% to $2.2m (2021: $4.3m) primarily due to volume losses in China. Despite important cost saving initiatives designed to offset the lower volumes the Japanese business recorded a loss (before tax) of $0.7m (2021: $0.4m, profit). The result in F22 included one off (abnormal) items associated with disposal of surplus stock subsequent to the closure of its subsidiary, Evolis Inc ($0.2m). As detailed in section 4, subsequent to the end of the financial year Anagenics completed the divestment of Advangen Japan to an entity controlled by local management.

Advangen Australia: Building inhouse digital marketing capabilities

The Group's Australian consumer health revenue grew 5% during F22 to $1.2m (2021: $1.1m) recording a segment loss of $1.2m (2021: $0.6m). The result in F22 included one off (abnormal) items associated with stock adjustment and other provisions - $0.2M. Revenue from export sales into China (cross border e-commerce) continued to grow with the investment in Tmall and JD platforms, generating total revenue in the year of $0.3m (2021: $0.1m).

The Group continues to prioritise the development in house digital marketing capabilities during the reporting period such as website enhancement, social media, performance marketing and digital content. Total sales in the year for direct to consumer business increased to $0.4m (2021: $0.3m). Sales volumes in the pharmacy and salon channels underperformed mainly due to COVID 19 impacting foot traffic and the redeployment of resources to e-commerce. New investment in the pharmacy channel will however form a core part of the revenue improvement strategy in F23.

USA: Business restructure and transition to full e-commerce

Revenue for the Group's US consumer health business was down 33% to $0.3m (2021: $0.5m) and profit before tax of $0.1m (2021: $0.6m loss). Under new leadership driving a business transformation strategy, the US business entered a restructuring process in late F22 whereby resourcing was reviewed and subsequently redeployed to other parts of the Group. Under a new operating strategy the US business offering continued its transition away from traditional department stores to a more flexible and agile e-commerce business model servicing large ecommerce retailers such as Amazon, Dermstore and Macys.com whilst also continuing to maintain a third party direct to consumer channel through its own website. The full benefits of this strategy are expected to realise over next financial year, F23.

ii. Anagenics Limited (Corporate)

As noted previously, following a senior leadership change in March 2022, the new executive management team initiated a comprehensive detailed review of the Group's corporate function. Cost savings were identified, and steps taken to immediately lift profitability and improve operating cashflow. Collectively, these cost savings are expected to annualise for the Group to approximately $1.0m in F23.

With the sale of its wholly owned subsidiary Lyramid Limited in January 2021, Anagenics Limited completed the important transition from its biotech and research heritage to a health and beauty technology business. In F22 the Company has focused on developing business strategies designed to grow revenue needed to achieve profitability. To assist with this goal it continued to contribute and support the Advangen business with research and development (new product) whilst pursuing merger and acquisition activities such as BLC which are needed to further build scale and achieve positive cashflow.

The Company's intellectual property portfolio continues to include ownership of midkine patents and one midkine patent application that are the subject to a license agreement which continues between Anagenics and Lyramid. Under the arrangement, Lyramid provides for a royalty payment of 4.0% payable to Anagenics on every sale of products developed and sold and an additional 8.0% payable on revenue sub licensed to another party.

Granted, wholly owned patents relating to the Group's consumer health business include midkine for hair loss, and monoterpenoid inhibitors of FGF5 as a treatment for alopecia. Along with its ownership of key brands, Anagenics continues to have a strong and differentiating position in the market enabling it to pursue business expanding opportunities.

DIRECTORS' REPORT
CONTINUED

3. FINANCIAL REVIEW

Financial position

The net assets of the Group as at 30 June 2022 were $8.3m (2021: $10.4m) represented by the movement in working capital positions and an increase in external loans and borrowings by Advangen Japan with local Japanese banks - $1.3m (2021: $0.7m). The Group's cash and cash equivalents at balance date were $3.3m (2021: $6.7m) reflecting the purchase of BLC ($0.9m) and Group's strategy to build on its core brands through targeted advertising and investment in e-commerce selling platforms. As noted, net cash out from operating activities improved on the prior year reducing by 39% to $2.5m cash out (2021: $4.1m) reflecting payments made for stock purchases but also benefits from cost saving initiatives designed to improve profitability and cashflow.

4. OTHER ITEMS

Significant changes in the state of affairs

On 1 October 2021, Anagenics Limited, acquired 100% of the ordinary shares of BLC Cosmetics Pty Limited (and its subsidiary BLC Cosmetics NZ Pty Limited) for total estimated consideration of $4.3m (which includes a deferred component estimated at balance date to be $1.1m). BLC holds exclusive distributor rights of beauty cosmetics and equipment of prestige retail and professional beauty brands in Australia and New Zealand.

Other than the acquisition of BLC, there have been no significant changes in the state of affairs of the entities in the Group during F22.

Dividends paid or recommended

The Company has not paid or declared any dividends during the financial year (2021: $Nil).

Matters subsequent to the end of the financial year

Variation to Deferred Consideration Liability in Connection with the Purchase of BLC Cosmetics (Tranche 2)

On 8 July 2022, Anagenics Independent Board Committee ("IBC") entered into a non-binding term-sheet agreeing to settle its outstanding contingent liability owing to Hancock and Gore ("HNG") with the issuance of new equity at a premium to Anagenics prevailing share price. The IBC approving this transaction comprised of Directors not affiliated with HNG being Mr Dennis Eck and Dr. Martin Cross.

Under the variation IBC and HNG have agreed to fix the deferred consideration amount at $1.0m payable entirely in 25,000,000 Anagenics shares at a deemed issue price of 0.04c. In addition, as a condition to this variation and to further incentivise support for Anagenics merger & acquisitions (M&A) and capital incentives, the consideration will include the issue of options as follows:

- HNG (or its nominee) to receive 9 million options at a 0.06c strike price expiring 30 June 2025
- Phillip Christopher (Director) to receive 6 million director options at a 0.06c strike price expiring 30 June 2025

The transaction has been formally documented subject to shareholder approval at a general meeting at a future date which has yet to be determined at the time of this report.

Divestment of Advangen Japan

On 29 July 2022, pursuant to share sale agreement, Anagenics completed the divestment of its wholly-owned subsidiary Advangen Inc to TK Holdings LLC, an entity owned by Advangen Japan's local management. Under the conditions of sale Anagenics received an upfront cash payment on completion of $0.2m and will also benefit under an earn-out arrangement over a 15 year period. This revenue is variable and calculated as a proportion of net profit (10% in first three (3) years with a guaranteed minimum total payment of $0.2m) and revenue (3%) thereafter up to 2037 (with a guaranteed minimum total payment of $0.7m). Under the conditions of sale the buyer will also assume all external loans and borrowings held by the Group which at 30 June 2022 totalled $1.3m (2021: $0.7m).

Likely developments and expected results of operations

The Group is building a global consumer health and beauty technology business focused on products that counter aging and contribute to the healthy longevity of the population. It intends to expand its range of products, distribution network and grow revenues in a cost efficient manner so as to ultimately achieve and drive profitability. Concurrently, the Group is also actively pursuing opportunities to grow by acquisition. Due to the uncertainties that remain as a result of the COVID-19 pandemic, the Group does not provide any detailed forecasts in relation to its performance for F23.

Environmental, social and governance matters

The Group is committed to its corporate responsibilities and published its environmental, social and governance statement as follows.

Environmental

The Group undertakes to act responsibly and commit to continually reduce the environmental impact resulting from the business as follows:

- Minimise contribution to landfill by using recyclable materials in our packaging
- Participate in industry funded recycling schemes, such as the "Der Grune Punkt" program
- Participate in environmental initiatives with our distributed brands where possible
- Evaluate new distribution partners for environmental impact, ensuring alignment with the Company's environmental principles
- When introducing new products, and when updating existing products, use innovative materials with improved recyclability and biodegradability.
- At an ingredients level aim to source those with minimal environmental footprint or those that are produced through organic and/or sustainable farming practices.

Social

The Group operates with the core values of diversity and respect of all genders, cultures, religions, and races and acts to live up these values and contribute to society:

- Encouraging support and respect for employees and endeavour to work with suppliers and vendors that respect internationally accepted labour and human rights.
- Provide an inclusive and supportive culture that is fair and responsible.
- Being committed to providing solutions for the problems faced by an aging population and develop products and services that contribute to healthy longevity.

Governance

The Group is committed to the delivery of the highest levels of honesty, integrity, and transparency in a way its business is conducted. The Group will:

- work against fraud, corruption and any action that would undermine the business.
- comply with the regulatory requirements in the jurisdictions we operate in, conducting our business with customers and suppliers according to local laws.
- maintain true and correct financial records of our business and undertake regular independent audits.

Given its size, the Group's operations are not regulated by any significant environmental law of the Commonwealth or of a State or Territory of Australia nor overseas.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Indemnification and insurance of officers and auditors

During the financial year, the Group paid a premium to insure the Directors and Officers of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Officers of the Group, and any other payments arising from liabilities incurred by the Officers in connection with such proceedings. This does not include such liabilities (other than legal costs) that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

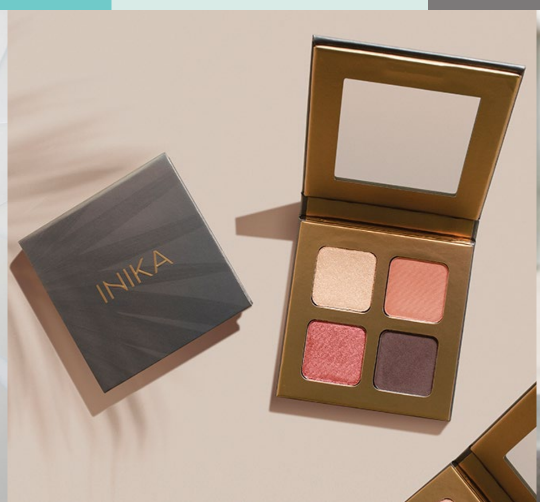
During or since the end of the financial year, the Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in favour of its Directors as follows:

- a right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends;
- subject to the Corporations Act 2001, an indemnity in respect of liability to persons other than the Group and its related bodies corporate, that they may incur while acting in their capacity as an officer of the Company or a related body corporate, except for specified liabilities where that liability involves a lack of good faith or is for legal costs for defending certain legal proceedings; and
- the requirement that the Group maintain appropriate directors' and officers' insurance for the officer.

No liability has arisen under these indemnities as at the date of the report. There is no indemnity cover in favour of the auditor of the Group during the financial year.

Non audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important and relevant and where the nature of the services provided does not compromise the general principles relating to the auditor's independence in accordance with APES 110: Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board. There were no additional services provided by the auditor during the relevant financial year.



Meetings of Directors

Seven meetings of the Directors were held during the financial year. Attendances by each Director during the year were as follows:

	Directors' Meetings		Audit Committee		Nomination and Remuneration Committee*	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Alexander Beard	4	4	-	1	-	-
Ms Maria Halasz	4	4	-	5	-	-
Mr Bruce Gordon	4	4	5	5	2	2
Dr Martin Cross	7	7	5	5	2	2
Mr Dennis Eck	7	7	-	2	-	1
Mr Phillip Christopher	5	5	-	2	-	1

** by invitation*

Shares under option

Unissued ordinary shares of the Company under share options at the date of this report are as follows:

	Expiry date	Exercise Price	Number under option
Unlisted options	27 February 2023	$0.50	254,400
Listed options	1 April 2023	$0.18	32,367,268
Unlisted options	30 July 2024	$0.23	2,935,000
Unlisted options	8 November 2024	$0.24	100,000
Unlisted options	20 November 2024	$0.24	1,600,000
Unlisted options	28 February 2025	$0.20	200,000
Unlisted options	31 March 2025	$0.23	300,000
Unlisted options	31 March 2025	$0.27	500,000
			38,256,668

3,800,000 share options lapsed during the financial year ended 30 June 2022 (2021: 1,265,000 options). There were no new options granted in the current year (2021: 32,367,268).

DIRECTORS' REPORT CONTINUED

5. REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration agreements for the Group in accordance with the requirements of the Corporations Act 2001 and its regulations.

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

The key management personnel of the Group for and during the year consisted of the following Directors and management of Anagenics Limited:

Officer	Position	Date Appointed	Date Ceased
Mr Alexander Beard	Non-executive Chairman	15 February 2022	Current
Mr Bruce Gordon	Non-executive Chairman	1 January 2021	15 February 2022
Dr Martin Cross	Non-executive Director	16 October 2017	Current
Mr Dennis Eck	Non-executive Director	26 March 2018	Current
Ms Maria Halasz	CEO and Managing Director	14 April 2007	28 February 2022
Mr Matthew Dudek	Acting CEO	28 February 2022	Current
Ms Teruko Fujii	Managing Director – Advangen Japan	1 April 2021	Current
Mr Phillip Christopher	Non-executive Director	5 November 2021	Current

Principles used to determine the nature and amount of remuneration

The performance of the Group depends on the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives; and
- if and when appropriate, establish performance hurdles in relation to variable executive remuneration.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers of the Group on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

Group performance and link to remuneration

No performance-based cash bonus or incentive payments have been made during the reporting period. The table below details the last five years earnings and total shareholders return.

	$ 2022	$ 2021	$ 2020	$ 2019	$ 2018
Revenue and Other Income	10,003,660	6,819,839	8,547,715	8,347,184	6,834,924
Operating Profit / (Loss)	(3,455,208)	(3,221,986)	(4,108,789)	(3,042,031)	(2,714,117)
Loss after income tax	(3,648,787)	(3,386,632)	(4,907,296)	(5,909,557)	(3,732,615)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	$ 2022	$ 2021	$ 2020	$ 2019	$ 2018
Share price at financial year end	0.02	0.06	0.10	0.17	0.47
Total dividends declared	-	-	-	-	-
Basic earnings per share	(1.74)	(2.40)	(5.04)	(7.77)	(6.74)

Remuneration structure

In accordance with best practice corporate governance the structure of non executive director and senior executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, while incurring costs that are acceptable to shareholders.

Structure

Each non executive director receives a fixed fee for being a Director of the Group.

The Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of non executive directors shall be determined from time to time by a general meeting of shareholders. On 8 November 2018, at the annual general meeting of shareholders, the aggregate remuneration was approved to the value of $400,000, to ensure that the Group can compensate all of its non-executive directors. In F22, the Group paid non executive directors a total of $172,438 (2021: $225,340).

The amount of aggregate remuneration sought to be approved by shareholders and the fixed fees paid to directors are reviewed annually.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

A policy of the Board is the establishment of employment or consulting contracts with the Chief Executive Officer and other senior executives. Remuneration consists of fixed remuneration under an employment or consultancy agreement and may include bonus or short term and long-term equity based incentives that are subject to satisfaction of performance conditions. Details of these performance conditions are outlined in the equity-based payments section of this remuneration report. The equity based incentives are intended to retain key executives and reward performance against agreed performance objectives.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration that is both appropriate to the position and competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review of Group wide and individual performance, relevant comparative remuneration in the market, and internal and (where appropriate) external advice on policies and practices.

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and expense payment plans, such that the manner of payment chosen is optimal for the recipient without creating additional cost for the Group.

Remuneration details for the year ended 30 June 2022

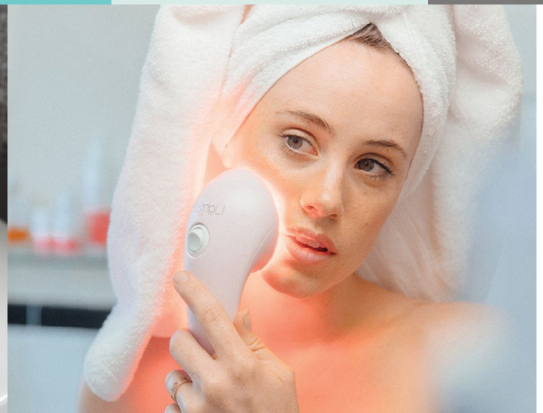
As part of business transformation strategy, the Board agreed to temporarily forgo directors' fees entirely for 6 months (effective from 1 May 2022). Details of the remuneration of the directors and key management personnel ("KMP") of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

	Short-term benefits		Long-term benefits	Post-employment benefits	Shares based payments	
2022	Cash salary fees $	Employee entitlements $	Employee entitlements $	Superannuation $	Equity & Options $	Total $
Directors						
Non-executive directors						
Alexander Beard	10,000	-	-	-	-	10,000
Bruce Gordon (1)	46,667	-	-	-	-	46,667
Martin Cross	41,667	-	-	4,104	-	45,771
Dennis Eck (2)	-	-	-	-	50,000	50,000
Phillip Christopher	20,000	-	-	-	-	20,000
Total non-executive directors	**118,224**	**-**	**-**	**4,104**	**50,000**	**172,438**
Executive directors and KMP						
Maria Halasz (3)	567,222	21,363	3,198	18,548	37,618	647,949
Matthew Dudek	200,000	14,350	1,923	20,000	10,560	246,833
Teruko Fujii	183,199	-	-	19,115	-	202,314
Total executive directors and KMP	**950,421**	**35,713**	**5,121**	**57,663**	**48,178**	**1,097,096**

(1) Bruce Gordon resigned as Director (Chairman) of Anagenics on 22 February 2022

(2) Unlike other Directors, Dennis Eck does not receive cash remuneration in relation to his role as non-executive director. As in previous years Mr Eck's remuneration is expected to be in the form of shares. The issue of these shares is subject to shareholders' approval at the next Annual General Meeting of the Group. Should shareholders' approval not be received Mr Eck will receive the equivalent remuneration to other non-executive directors in cash.

(3) Maria Halasz resigned from the position of CEO / Managing Director of Anagenics on 28 February 2022. Ms Halasz's remuneration included consulting fees paid to Direct Capital Group Pty Ltd ("DCG"), being a consulting company of which Ms Halasz was also a Director thereof. A payment on termination was made in FY22 in lieu of notice period totalling $257,291, including superannuation.



	Short-term benefits		Long-term benefits	Post-employment benefits	Shares based payments	
2021	**Cash salary fees $**	**Employee entitlements $**	**Employee entitlements $**	**Superannuation $**	**Equity $**	**Total $**
Directors						
Non-executive directors						
David King (resigned Dec 20)	32,500	-	-	3,088	-	35,588
Bruce Gordon	60,000	-	-	-	-	60,000
Fintan Walton (resigned Dec 20)	25,002	-	-	-	-	25,002
Martin Cross	50,000	-	-	4,750	-	54,750
Dennis Eck	-	-	-	-	50,000	50,000
Total non-executive directors	**167,502**	**-**	**-**	**7,838**	**50,000**	**225,340**
Executive directors and KMP						
Maria Halasz	478,655	24,185	(11,784)	25,662	62,490	579,208
Koichiro Koike	193,678	-	-	209,463	-	403,141
Teruko Fujii	49,139	-	-	3,423	-	52,562
Brian McGee	142,857	-	-	-	(1,096)	141,761
Bart Wuurman	39,294	-	-	-	(103)	39,191
Total executive directors and KMP	**903,623**	**24,185**	**(11,784)**	**238,548**	**61,291**	**1,215,863**

Directors' and Key Management Personnel (KMP) shareholdings

The number of shares held in the Group during the financial year by each Director and KMP of Anagenics Limited, including their related parties, are set out below:

2022	Balance at beginning of year	Received as part remuneration	Other changes	Balance at end of year
Alexander Beard	-	-	-	-
Maria Halasz (1)	4,637,639		(4,637,639)	-
Bruce Gordon (2)	364,000		(364,000)	-
Matthew Dudek	-	-	-	-
Martin Cross	455,000	-	-	455,000
Dennis Eck	18,147,625	803,858	-	18,951,483
Teruko Fujii	-	-	-	-
Phillip Christopher	-	-	-	-
2021				
David King	1,700,000	-	(1,700,000)	-
Maria Halasz	3,000,000	-	1,637,639	4,637,639
Bruce Gordon	160,000	-	204,000	364,000
Fintan Walton	65,000	-	(65,000)	-
Martin Cross	325,000	-	130,000	455,000
Dennis Eck	12,497,152	465,437	5,185,036	18,147,625
Koichiro Koike (1)	157,146	-	(157,146)	-
Teruko Fujii	-	-	-	-
Brian McGee	-	-	-	-
Bart Wuurman	-	-	-	-

(1) Maria Halasz resigned as CEO/Managing Director of Anagenics on 28 February 2022
(2) Bruce Gordon resigned as Director (Chairman) of Anagenics on 22 February 2022

DIRECTORS' REPORT
CONTINUED

Directors' and KMP option holdings

The number of options held in the company during the financial year by each director and member of key management personnel of Anagenics Limited, including their personally related parties, are set out below.

	Balance at beginning of year	Acquired by subscription	Disposed/ Expired	Received as part of 2022 remuneration	Other	Balance at end of year	Vested at end of year
2022							
Alexander Beard	-	-	-	-	-	-	-
Maria Halasz (1)	3,713,819	-	(1,400,000)	-	(2,313,819)	-	-
Bruce Gordon (2)	52,000	-	-	-	(52,000)	-	-
Matthew Dudek (3)	-	-	-	-	200,000	200,000	200,000
Martin Cross(4)	65,000	-	-	-	-	65,000	-
Dennis Eck (4)	2,592,518	-	-	-	-	2,592,518	-
Teruko Fujii	-	-	-	-	-	-	-
Phillip Christopher	-	-	-	-	-	-	-

	Balance at beginning of year	Acquired by subscription	Disposed/ Expired	Received as part of 2022 remuneration	Other	Balance at end of year	Vested at end of year
2021							
David King	-	-	-	-	-	-	-
Maria Halasz	3,000,000	713,819	-	-	-	3,713,819	1,000,000
Bruce Gordon	-	52,000	-	-	-	52,000	-
Fintan Walton	-	-	-	-	-	-	-
Martin Cross	-	65,000	-	-	-	65,000	-
Dennis Eck	-	2,592,518	-	-	-	2,592,518	-
Koichiro Koike (5)	1,000,000	-	(625,000)	-	(375,000)	-	-
Teruko Fujii	-	-	-	-	-	-	-
Brian McGee (6)	200,000	-	(100,000)	-	(100,000)	-	-
Bart Wuurman (7)	2,500,000	-	-	-	(2,500,000)	-	-

(1) Maria Halasz resigned as CEO/Managing Director of Anagenics on 28 February 2022
(2) Bruce Gordon resigned as Director (Chairman) of Anagenics on 22 February 2022
(3) Matthew Dudek was appointed to the position of Acting CEO, being a KMP, on 28 February 2022. These options were held prior to becoming a KMP.
(4) Options held by Martin Cross and Dennis Eck are listed options and are therefore not subject to any vesting conditions.
(5) Koichiro Koike retired as CEO of Advangen Inc (Japan) on 31 March 2021
(6) Brian McGee resigned as CEO of Advangen LLC (USA) on 26 February 2021
(7) Bart Wuurman resigned as CEO of Lyramid on 30 November 2020

Relationship between remuneration policy and company performance

The proportion of remuneration linked to performance and the proportion that is fixed is as follows:

	Fixed remuneration		At risk STI		At risk LTI	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Maria Halasz	94.19	89.21	-	-	5.81	10.79
Bruce Gordon	100.00	100.00	-	-	-	-
Alexander Beard	100.00	-	-	-	-	-
Phillip Christopher	100.00	-	-	-	-	-
Matthew Dudek	95.72	-	-	-	4.28	-
Martin Cross	100.00	100.00	-	-	-	-
Dennis Eck (1)	100.00	100.00	-	-	-	-
Teruko Fujii	100.00	100.00	-	-	-	-

(1) Dennis Eck's remuneration is expected to be received on an equity basis in the form of shares.

Service agreements

Maria Halasz – CEO and Managing Director (resigned 28 February 2022)

The remuneration of the Chief Executive Officer, Maria Halasz, reflects the activities of the two business units, Advangen Pty Limited and Anagenics Limited, within the Group.

On 1 July 2019 a service agreement was signed between the Group and Maria Halasz. Pursuant to this service agreement Maria Halasz's salary component incurred by Anagenics Limited was reduced, and a consulting agreement with Advangen Pty Limited, was signed by Direct Capital Group Pty Ltd, a company associated with Ms Halasz.

The above arrangement was covered under one service agreement and the conditions up to her date of resignation were as follows:

- The remuneration for Ms Halasz was fixed, however, at the discretion of the Board and subject to approval by shareholders and included performance-based incentives.
- The duration of the service agreement equalled 3 years. In the event that the parties did not sign a new agreement prior to the expiry of the term, the agreement was automatically extended for 12 months.
- No leave and superannuation entitlement accrued in relation to the consulting agreements with Direct Capital Group Pty Ltd.
- Ms Halasz upon resignation from her position terminated the service agreement, including the consulting agreements with Direct Capital Group Pty Ltd. On resignation the remaining unvested options (1,400,000) were also forfeited.
- Upon conclusion of the employment agreement, including the consulting agreements with Direct Capital Group Pty Ltd, notice was given by providing six months payment in lieu (based on the fixed component of Ms Halasz's remuneration).

DIRECTORS' REPORT
CONTINUED

Matthew Dudek – CEO (Acting)

Matthew Dudek was appointed Acting CEO of Anagenics Limited Group on 28 February 2022 on the following terms:

- The remuneration of Mr Dudek is fixed, however, at the discretion of the Board he may receive performance-based incentives.
- The duration of the service agreement is initially from 28 February 2022 to 28 February 2023.
- The Group and/or Mr Dudek may terminate the service agreement at any time with seven days' notice up to 31 August 2022 whereby conditions of employment will subsequently revert to the original employment contract terms for the position of Group Financial Controller of the Anagenics Group.

Teruko Fujii- Managing Director of Advangen Inc

Teruko Fujii was contracted as Managing Director of Advangen Inc., the Group's wholly owned Japanese subsidiary, on the following terms and pursuant to Japanese employment laws and as revised on 1 April 2021:

- The remuneration of Ms Fujii is fixed, however, at the discretion of the Board she may receive performance-based incentives.
- There is no fixed term in Ms Fujii's contract.
- There is leave, retirement and travel allowance included in the remuneration.
- The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Managing Director is only entitled to that portion of remuneration, which is fixed, and only up to the date of termination.

Share based compensation

Issue of Shares

On 7 January 2022, Dennis Eck (Non-executive Director) was issued 803,858 shares (2021: 465,437 shares) in lieu of director fees to the value of $50,000 (2021: $50,000).

Issue of Options

In November 2018 shareholders approved Anagenics' Employee Incentive Plan (Plan) which outlined the terms and conditions on how employees may be incentivised by the issuing of shares and options. The Board resolved in June 2019 to issue a series of unlisted options to executives under the approved Plan.

Under the Plan, participants are granted options which may only vest if certain performance conditions are met. The terms and conditions contain short and long term targets (KPI's) and vary by employee depending on their function and level of responsibility.

There were no new options over ordinary shares, granted nor exercised for Directors and KMP as part of compensation during the year ended 30 June 2022 (2021: nil).

Loans to directors and other members of key management personnel

There were no loans to directors or other members of key management personnel during or since the end of the financial year.

This concludes the remuneration report which has been audited.

Rounding of amounts

The Group 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 the Directors report have been rounded off in accordance with that Corporations Instrument to the nearest whole dollar, except for "Operating Results and Review of Operations for the Year" where amounts are presented in millions.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2022 has been received and can be found on page 67 of the financial report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Alexander (Sandy) Beard
Director

Dated this 24th day of August 2022

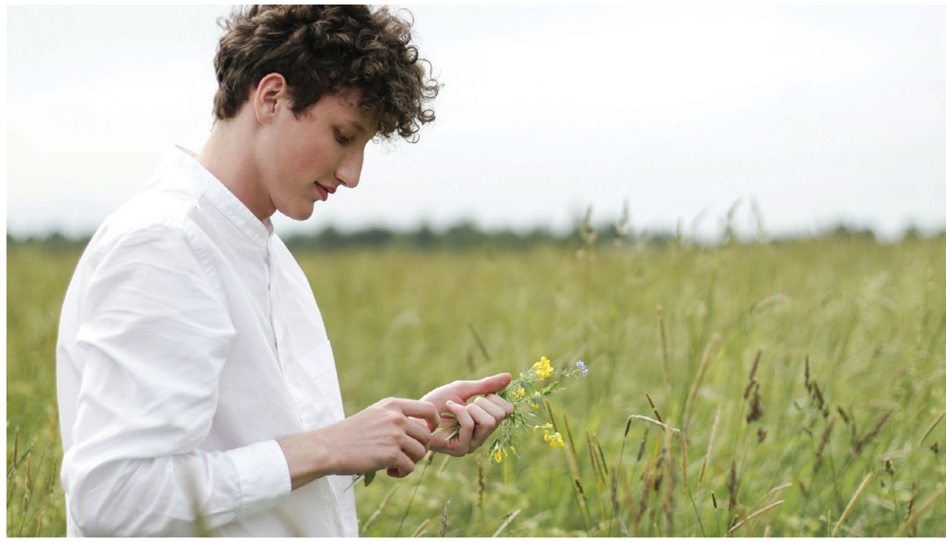
CORPORATE GOVERNANCE

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Anagenics Limited and its Controlled Entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations – 4th edition ('the ASX Principles') are applicable for financial years commencing on or after 1 January 2020, consequently for the Group's 30 June 2022 year end. As a result, the Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report.

The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company's website at http://www.anagenics.com.

The Group's Corporate Governance Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.



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CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE	Note	Consolidated 2022 $	2021 $
Revenue from continuing operations	3	9,234,874	5,816,351
Cost of goods sold		(4,169,631)	(2,112,683)
Gross profit		**5,065,243**	**3,703,668**
Other income	4	768,786	1,003,488
Net fair value gain on deferred consideration liability	7	1,000,000	-
Selling and distribution expenses		(1,612,907)	(1,028,511)
Research and development expenses		(110,347)	(118,793)
Administrative and employment expenses	5	(5,846,019)	(4,864,231)
Impairment of receivables		(42,344)	(3,877)
Impairment of plant and equipment		(9,452)	(636,975)
Impairment of intangible assets	18	(1,266,184)	-
Distribution, freight, and postage expenses		(769,656)	(490,903)
Other operating expenses	5	(632,328)	(1,204,154)
Operating profit / (loss) from continuing operations before finance and legal costs		**(3,455,208)**	**(3,640,288))**
Finance costs		(69,860)	(54,756)
Legal fees and claim		(118,936)	(64,841)
Loss before income tax expense from continuing operations		**(3,644,004)**	**(3,759,885)**
Income tax expense	6	(4,783)	(45,049)
Loss after income tax from continuing operations		**(3,648,787)**	**(3,804,934)**
Profit after income tax from discontinued operations	8	-	418,302
Loss after income tax for the year		**(3,648,787)**	**(3,386,632)**
Other comprehensive income / (loss), net of income tax			
Exchange differences on translating foreign controlled entities		(595,938)	(323,895)
Reclassification adjustment of foreign currency translation reserve		(123,367)	-
Total comprehensive income / (loss) for the year		**(4,368,092)**	**(3,710,527)**
Total comprehensive income / (loss) for the year attributable to:			
Continuing operations		(4,368,092)	(4,128,829)
Discontinued operations		-	418,302
Owners of Anagenics Limited		**(4,368,092)**	**(3,710,527)**
Earnings per share for profit / (loss) from continuing operations attributable to the owners of Anagenics Limited			
Basic earnings per share (cents)	11	(1.74)	(2.69)
Diluted earnings per share (cents)	11	(1.74)	(2.69)
Earnings per share for profit / (loss) from discontinued operations attributable to the owners of Anagenics Limited			
Basic earnings per share (cents)	11	-	0.30
Diluted earnings per share (cents)	11	-	0.30
Earnings per share for profit / (loss) attributable to the owners of Anagenics Limited			
Basic earnings per share (cents)	11	(1.74)	(2.40)
Diluted earnings per share (cents)	11	(1.74)	(2.40)

The above Consolidated Statement of Financial Performance and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	Note	Consolidated 2022 $	2021 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	3,284,852	6,727,764
Trade and other receivables	13	921,283	1,795,171
Inventories	14	4,448,079	2,549,759
Other assets	15	116,349	215,168
TOTAL CURRENT ASSETS		**8,770,563**	**11,287,862**
NON-CURRENT ASSETS			
Plant and equipment	16	280,619	86,112
Right of use assets	17	410,835	493,787
Intangibles	18	3,462,727	1,425,322
TOTAL NON CURRENT ASSETS		4,154,181	2,005,221
TOTAL ASSETS		**12,924,744**	**13,293,083**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	1,291,893	1,063,683
Loans and borrowings	20	562,048	338,020
Lease liabilities	21	340,614	251,832
Provisions	22	1,463,778	261,666
TOTAL CURRENT LIABILITIES		**3,658,333**	**1,915,201**
NON CURRENT LIABILITIES			
Loans and borrowings	20	767,547	601,396
Lease liabilities	21	86,899	242,594
Provisions	22	122,365	99,508
TOTAL NON CURRENT LIABILITIES		976,811	943,498
TOTAL LIABILITIES		**4,635,144**	**2,858,699**
NET ASSETS		**8,289,600**	**10,434,384**
EQUITY			
Issued capital	23	62,435,064	60,280,064
Reserves	24	(244,076)	931,775
Accumulated losses		(53,901,388)	(50,777,455)
TOTAL EQUITY		**8,289,600**	**10,434,384**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2021		**60,280,064**	**696,620**	**235,155**	**(50,777,455)**	**10,434,384**
Reclassification of reserves to accumulated losses	24	-	(497,167)	(27,687)	524,854	**-**
		60,280,064	199,453	207,468	(50,252,601)	**10,434,384**
Loss for the year after tax		-	-	-	(3,648,787)	**(3,648,787)**
Exchange differences on translating foreign controlled entities		-	-	(595,938)	-	**(595,938)**
Reclassification adjustment of foreign currency translation reserve		-	-	(123,367)	-	**(123,367)**
Total comprehensive income / (loss) for the year		**-**	**-**	**(719,305)**	**(3,648,787)**	**(4,368,092)**
Transactions with equity holders						
Share-based compensation	23, 24	105,000	68,308	-	-	**173,308**
Shares issued – net of transaction costs	23	2,050,000	-	-	-	**2,050,000**
Balance at 30 June 2022		**62,435,064**	**267,761**	**(511,837)**	**(53,901,388)**	**8,289,600**

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2020		**56,064,284**	**578,204**	**559,050**	**(47,390,823)**	**9,810,715**
Loss for the year after tax		-	-	-	(3,386,632)	**(3,386,632)**
Other comprehensive income / (loss)		-	-	(323,895)	-	**(323,895)**
Total comprehensive income / (loss) for the year		**-**	**-**	**(323,895)**	**(3,386,632)**	**(3,710,527)**
Transactions with equity holders						
Share-based compensation	23, 24	43,750	118,416	-	-	**162,166**
Shares issued – net of transaction costs	23	4,172,030	-	-	-	**4,172,030**
Balance at 30 June 2021		**60,280,064**	**696,620**	**235,155**	**(50,777,455)**	**10,434,384**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE	Note	Consolidated 2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of GST)		11,724,202	6,028,001
Payments to suppliers and employees (inclusive of GST)		(14,872,775)	(11,071,400)
Interest received		28,341	20,484
Income taxes paid		(28,312)	(2,483)
Grant income and other benefits from government		622,948	911,248
Net cash used in operating activities	24	**(2,525,596)**	**(4,114,150)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of plant and equipment		(35,947)	(22,468)
Payments for the purchase of business (net of cash acquired)	7	(932,255)	-
Proceeds from the sale of business	8	-	500,000
Net cash (used in) / provided by investing activities		**(968,202)**	**477,532**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		-	4,511,717
Share issue costs		-	(378,990)
Proceeds from borrowings		978,626	-
Repayment of borrowings		(559,825)	(373,510)
Repayment of leasing liabilities		(321,744)	(205,879)
Finance costs		(23,747)	(54,756)
Net cash provided by financing activities		**73,310**	**3,498,582**
Net (decrease) in cash and cash equivalents held		(3,420,488)	(138,036)
Cash and cash equivalents at beginning of financial year		6,727,764	6,970,967
Effect of exchange rate changes		(22,424)	(105,167)
Cash and cash equivalents at end of financial year	12	**3,284,852**	**6,727,764**

Non-cash investment activities included the issue of 32,786,885 shares ($2,000,000) in connection to the purchase of BLC Cosmetics during the year.

Non-cash financing activities include ordinary shares issued in lieu of director fees to Dennis Eck to the value of $50,000 (2021: $50,000), shares issued to a contractor for consulting services of $105,000 (2021: $43,750) and recognition of right of use assets of $173,486 (2021: $42,293).

The above Statement of Cashflows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

Anagenics Limited is a public company, listed on the Australian Securities Exchange, limited by shares and incorporated and domiciled in Australia.

The financial statements cover Anagenics Limited as a Group, consisting of Anagenics Limited and the entities it controlled at the end of, or during the year.

The financial statements were authorised for issue by the Directors on 24th August 2022.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. Anagenics Limited is a for profit entity for the purpose of preparing the financial statements.

These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for certain non current assets and financial instruments that are measured at re valued amounts or fair values. All amounts are presented in Australian dollars, unless otherwise noted.

New and amended standards and interpretations adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001 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.

Critical Accounting Estimates and Judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are further discussed below and in the relevant notes to the financial statements.

Cashflow Projections

Management estimates its cashflow projections by considering the conditions specific to the Group such as the growth in sales, including but not limited to the performance of existing (and new) brands and distribution channels, as well as the wider economic and environmental conditions such as COVID-19, interest rate changes and inflation. This is based on information available to management at that time and projections are revised on a rolling basis to ensure these are relevant and realistic.

Forward looking estimates on revenue have been calculated specific to each business unit and revenue channel in the Group, taking into account historical run rates and new business opportunities which are expected to realise in the near term. Similarly, expenses are estimated by provisioning for price and volume changes consistent with the forecasted revenue volumes as well as the costs (or savings thereon) associated with the implementation of new business strategies designed to drive the revenue growth.

Cashflow projections require the use of assumptions on the timing of the payments of forward estimates. These take into account cash outlay required to achieve revenue targets such as investment in new staff, equipment and other resourcing needs. The actual performance of the business may be materially different to that projected due to factors which were not foreseeable or controllable by management at the time the original estimates were prepared.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Uncertain Tax Positions

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law however significant judgement is required in determining the provision for income tax. Where the final tax outcome of these matters is different from the estimated amounts, such differences will impact the current and, where recognised, deferred tax provisions in the period in which such determination is made.

Allowance for Expected Credit Losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the historical expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 13, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Impairment of Non-Financial assets

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

Provision for Impairment of Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

The provision for obsolete inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory recoverability and useful life.

R&D Tax Incentives

From 1 July 2011 the Australian Government has provided a tax incentive, in the form of a refundable tax offset of 43.5%, for eligible research and development expenditure. Management has assessed its research and development activities and expenditure to determine which are likely to be eligible under the scheme. The Group has recorded an item in other income based on tax refund received in cash from the government in the period.

Share-based Payment Transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes valuation method taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments do not have any impact on the carrying amounts of assets and liabilities within the subsequent annual reporting period but may impact expenses and equity.

Goodwill and Other Indefinite Life Intangible Assets

Goodwill arises on the acquisition of a business. Goodwill is not amortised, instead it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with AASB 136 - Impairment of Assets ("AASB 136") an asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is calculated as the higher of the assets value in use and its fair value less cost of disposal. As part of annual impairment testing, management estimates future revenue growth (by brand), gross margins and EBITDA discounted by the weighted average cost of capital (CAPM). The discounted cashflow methodology assumes the latest business strategy and other information available to management at that time. 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.

Any impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. Goodwill is carried on the balance sheet at cost less accumulated impairment losses

Leases

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

An incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Where the interest rate implicit in a lease cannot be readily determined this rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security, and economic environment.

Each lease arrangement includes a make good provision reflecting the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises based on information available and assumptions made at balance date.

Employee Benefits Provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through inflation have been taken into account.

Sale Returns

In determining the level of provision required for certain key customers the Group has made judgements in respect of the expected performance of the products and actual sales made, pursuant to the relevant customer individual contract terms and conditions. The provision is based on estimates made from historical sales return data and stock held for key customers and revenue channels. Where relevant it includes forward looking assumptions.

Business Combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Any deferred consideration payable on a business combination is estimated in accordance with the terms and conditions of the agreed purchase agreement. This liability is calculated by considering likely probabilities and making assumptions based on latest information available.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Comparatives

Certain comparative in the consolidated statement of financial performance and other comprehensive income and consolidated statement of financial position have been reclassified, where necessary, to be consistent with current year presentation.

Parent Entity Information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is included in Note 32.

Going concern

Based on its current commitments, the Group has sufficient funds to meet its debts as and when they fall due. Accordingly, the Directors have determined that the going concern basis of accounting is appropriate in preparing the financial report. The assessment of going concern is based on most recent cash flow projections. The preparation of these projections incorporate a number of assumptions and judgements to which the Directors have concluded that the range of possible outcomes which collectively do not give rise to a material uncertainty or casting significant doubt on the Group's ability to continue as a going concern (refer also to *Critical Accounting Estimates and Judgements*).

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Anagenics Limited ("the Company") as at balance date 30 June 2022 and the results of all subsidiaries for the year then ended. Anagenics Limited and its subsidiaries together are referred to in these financial statements as "the Group".

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including any goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the profit or loss.

Intercompany transactions, balances and unrealised gains and losses on transactions between entities in the Group are eliminated unless the transaction provides evidence of the impairment of the asset being transferred.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign Currency Transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign Operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of financial performance and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

Revenue Recognition

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

The Group's contracts with customers for the sale of goods generally include one performance obligation. For each contract with a customer, the Group:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale returns or the right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

Other income

Grants and other benefits received from the government are recognised in the consolidated statement of financial performance and other comprehensive income at the fair value of the cash received when there is reasonable assurance that the grant will be received and all conditions have been complied with. Government grants are research and development tax incentives and export market incentives. Research and development incentive represents a refundable tax offset that is available on eligible research and development expenditure incurred by the Group. Interest revenue is recognised as it accrues using the effective interest rate method.

Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes attributable to temporary differences, unused tax losses and adjustments recognised for prior periods where applicable. Anagenics Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Australian tax consolidation regime. BLC Cosmetics Pty Limited, an Australian entity acquired by Anagenics Limited in October 2022, was not yet officially a member of this tax consolidated group as at 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to owners of Anagenics Limited, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Trade Receivables and Other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less expected credit losses (ECL). Collectability of receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. Prevailing economic conditions such as inflation and interest rates may affect a small proportion of customers purchasing goods on credit. The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, and where necessary, adjusted for forward-looking factors specific to the debtors and the latest economic environment such as the impact of the COVID-19 pandemic. The actual credit losses in future years may be higher or lower.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Inventories are in the form of finished goods, work in progress and raw materials. These are measured at the lower of cost and net realisable value on "first in first out" flow basis at moving average cost. The cost of manufactured products includes direct materials and direct labour with any variable and fixed overheads expensed is a period cost. Costs of purchased inventory are determined after deducting rebates and realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to complete the sale.

Plant and equipment

Plant and equipment is measured at historical cost less accumulated depreciation and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of financial performance and other comprehensive income during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation

Depreciation is calculated on a straight line 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.

The depreciation rates used to write off the net cost of each class of assets over their expected useful life are:

Class of asset	Depreciation Rate
Property, Plant and Equipment	20.0% – 50.0%
Computer Software and Hardware	30%

Estimation of Useful Lives of Assets

The Group determines the estimated useful lives and related depreciation charges for its plant and equipment. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 30 years. The valuation of these assets is further reduced by any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised, instead it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with AASB 136 - Impairment of Assets ("AASB 136") an asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is calculated as the higher of the assets value in use and its fair value less cost of disposal. As part of annual impairment testing, management estimates future revenue growth (by brand), gross margins and EBITDA discounted by the weighted average cost of capital (CAPM). The discounted cashflow methodology assumes the latest business strategy and other information available to management at that time. Any impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. Goodwill is carried on the balance sheet at cost less accumulated impairment losses.

Research and Development

Research expenditure and development expenditure are recognised as an expense as incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets carried on the balance sheet, such as patents and trademarks, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring (make good) the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition or agreed terms. Due to their short-term nature they are measured at amortised cost and are not discounted.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability, a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 period.

Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

Short term Obligations

Liability for wages and salaries, annual leave and long service leave that are expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date. These are measured at the amounts expected to be paid when the liabilities are settled and includes statutory on costs and where entitled non-monetary benefits.

Other Long-term Employee Benefit Obligations

Liability for annual leave and long service leave not expected to be settled within 12 months from the reporting date is recognised in the provision for employee benefits as a non current liability. This is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account and include relevant on costs.

Retirement Benefit Obligations

Contributions for retirement benefit obligations are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. Contributions are paid into the fund nominated by the employee.

Share-based payments

Share -based compensation benefits are provided to employees and directors via an employee option plan and the executive incentive scheme.

The fair value of options granted is recognised as a benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted including:

- any market performance conditions (e.g. the entity's share price)
- the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, and are allocated to share capital. Any balances relating to forfeited and / or expired options are subsequently transferred directly into retained earnings.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. External valuers may be used to determine fair value when internal expertise is either not available, required under law or when the valuation is deemed to be significant.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Where any Group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares 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 owners of the Group.

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 acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree 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 acquiree 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 by the acquirer is 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 in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Business combinations are initially accounted for on a provisional 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. 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.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Rounding of amounts

The Group 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 the financial report have been rounded off in accordance with that Corporations Instrument to the nearest whole dollar.

2. SEGMENT INFORMATION

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 pharmaceutical and biotechnology business to a consumer health and beauty business. These being "Anagenics Corporate" the Group's head office support function and two subsidiary companies, Advangen Pty Limited (consumer health product development and sales) and BLC Cosmetics Pty Limited, a new business acquired in October 2021 – "Consumer and Health". The comparative segment disclosures have similarly been updated to be consistent with the current year segment disclosures.

These two operating segments are reported and reviewed by the Board of Directors (identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources from a product perspective. The CODM primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA" or "Operating Profit/(Loss)") to assess the performance of operating segments. However, the CODM also receive information about segments revenue and assets on a monthly basis.

Operating Profit / Loss

Operating profit / loss excludes certain corporate expense categories such as finance costs, employee benefits (including equity-settled share-based payments), depreciation and amortisation. Historically given the inherent nature of these costs has meant it is not practical to allocate to any specific business segment since it relates to the Head Office (corporate function) whilst necessarily incurred to help derive revenue, thereby benefiting the Group indirectly.

2022	Anagenics Corporate $	Consumer & Health $	Group Total $
Total revenue and other income	583,607	9,420,053	10,003,660
Cost of goods sold	-	(4,169,631)	(4,169,631)
Selling and distribution expenses	(94,051)	(1,518,856)	(1,612,907)
Research and development expenses	(693)	(109,654)	(110,347)
Administrative expenses	(708,770)	(4,178,760)	(4,887,530)
Impairment of plant and equipment	-	(9,452)	(9,452)
Other operating expenses	(295,416)	(744,698)	(1,040,114)
Segment operating profit/(loss)	(515,323)	(1,310,998)	(1,826,321)
Corporate costs and unallocated items			
Consultancy expense			(72,056)
Subscription expense			(73,710)
Share-based payment compensation			(68,308)
Directors' remuneration			(177,854)
Employee benefits expense			(594,225)
Depreciation and amortisation			(495,486)
Impairment of intangible assets			(1,266,184)
Gain on deferred consideration liability			1,000,000
Finance costs			(69,860)
Profit / (loss) before income tax expense			(3,644,004)
Income tax expense			(4,783)
Profit / (loss) after income tax expense			(3,648,787)
Total assets	2,415,432	10,509,312	12,924,744
Total liabilities	1,467,232	3,167,912	4,635,144
Total intercompany assets / (liabilities)	22,827,305	(22,827,305)	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. SEGMENT INFORMATION (CONTINUED)

2021	Anagenics Corporate $	Consumer & Health $	Group Total $
Total revenue and other income	778,203	6,041,636	6,819,839
Cost of goods sold	(234,810)	(1,877,873)	(2,112,683)
Selling and distribution expenses	(91,556)	(936,940)	(1,028,496)
Research and development expenses	(53,837)	(109,488)	(163,325)
Administrative expenses	(822,400)	(3,247,821)	(4,070,221)
Impairment of plant and equipment	(636,975)	-	(636,975)
Gain on disposal of subsidiary	528,842	-	528,842
Other operating expenses	(264,838)	(960,386)	(1,225,224)
Segment operating profit/(loss)	**(797,371)**	**(1,090,872)**	**(1,888,243)**
Corporate costs and unallocated items			
Consultancy expense			(94,731)
Subscription expense			(53,096)
Occupancy expense			(20,050)
Share-based payment compensation			(107,716)
Directors' remuneration			(225,340)
Employee benefits expense			(445,122)
Depreciation and amortisation			(452,529)
Finance costs			(54,756)
Profit / (loss) before income tax expense			**(3,341,583)**
Income tax expense			(45,049)
Profit / (loss) after income tax expense			**(3,386,632)**
Total assets	6,648,461	6,644,622	13,293,083
Total liabilities	917,401	1,941,298	2,858,699
Total intercompany assets / (liabilities)	19,740,343	(19,740,343)	-

The Group has numerous customers to whom it provides both products and services. A single external customer in Advangen; Consumer & Health segment however accounts for $1,636,006 of external revenue (2021: $2,381,273).

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 $	2021 $
From continuing operations		
Sale of goods transferred at a point in time	9,234,874	5,816,351
Total revenue from contracts with customers	**9,234,874**	**5,816,351**
The disaggregation of revenue from contracts with customers is as follows:		
Major product lines		
- Skincare and anti-aging cosmetics	5,407,688	-
- Haircare and ingestible supplements	3,490,906	5,816,351
- Equipment	336,280	-
Total revenue from contracts with customers	**9,234,874**	**5,816,351**
Geographic regions		
- Australia / New Zealand	6,775,199	1,024,439
- Japan	2,161,193	4,347,816
- Other	298,482	444,096
	9,234,874	**5,816,351**

4. OTHER INCOME

	2022 $	2021 $
Other income:		
- Interest income	28,341	23,271
- Other income(1)	240,065	334,469
- Research and development grant	500,380	645,748
Total other income	**768,786**	**1,003,488**

(1) Other income received in the year included Government assistance in the form of Job Saver and the COVID Business Grant - $92,572 (2021: Job Keeper and Cash Flow Boost $165,500) and Export Market Development Grant - $29,996 (2021: $100,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. MATERIAL PROFIT OR LOSS ITEMS

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

Loss before income tax includes the following specific expenses:	2022 $	2021 $
Advertising and marketing expenses	(1,442,982)	(875,302)
Consultancy expenses	(610,241)	(733,746)
Employee benefits expense	(4,123,652)	(3,209,495)
Superannuation expense	(292,658)	(193,885)
Stock provision	(288,776)	(301,793)
Travel expense	(83,858)	(72,561)
Depreciation of plant and equipment	(145,394)	(51,212)
Depreciation of right of use assets	(339,216)	(276,263)
Amortisation of intangibles	(10,072)	(125,064)
Share based compensation expense	(68,308)	(118,416)
Reclassification of foreign currency reserve	123,367	-
Net foreign exchange gains/(losses)	232,340	(266,389)

6. INCOME TAX

	2022 $	2021 $
(a) The major components of income tax expense comprise:		
Income tax expense	(4,783)	(45,049)
(b) Numerical reconciliation of income tax expense to accounting loss:		
Loss for the year before income tax expense from continuing operations	(3,644,004)	(3,759,885)
Profit / (loss) for the year before income tax expense from discontinued operations	-	418,302
	(3,644,044)	(3,341,583)
Prima facie tax benefit on loss from ordinary activities before income tax at 25% (2021: 26%)	(911,011)	(868,812)
Add / (less) tax effect of:		
- Adjustment for tax-rate differences in foreign jurisdictions	(47,360)	38,104
- Share based payments	17,077	28,006
- Research and development expenditure	115,101	352,821
- Asset impairments	316,546	49,684
- Gain on deferred consideration liability	(250,000)	-
- Sundry items	(115,800)	(41,143)
- Tax losses not brought to account	870,664	396,291
Income tax expense	(4,783)	(45,049)
- current tax	(4,783)	(45,049)
- deferred tax	-	-
Income tax expense	(4,783)	(45,049)

The Group operates across three main tax jurisdictions being Australia, Japan and USA each with different corporate income tax rates.




NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. INCOME TAX (CONTINUED)

(c) Unused tax losses

Movements in unused tax losses	Aust./NZ $	Japan $	USA $	Total $
Carried forward unused tax losses at the beginning of the financial year	32,249,501	816,478	3,434,662	36,500,641
Prior period differences between tax calculation and income tax return	702,453	-	-	702,453
Actual carried forward unused tax losses at the beginning of the financial year	32,951,954	816,478	3,434,662	37,203,094
Current unused / (used) tax losses for which no deferred tax asset has been recognised	2,925,140	485,892	409,710	3,820,742
Carried forward unused tax losses at the end of the financial year	35,877,094	1,302,370	3,844,372	41,023,836
Notional tax rate	25.00%	30.86%	21.00%	-
Potential future tax benefit	8,969,274	401,911	807,318	10,178,503

No income tax benefit was recognised. This income tax benefit arising from tax losses will only be realised if:

i. the Group derives future assessable income of a nature and of an amount sufficient to enable the Group to benefit from the deductions for the losses to be realised;

ii. the Group continues to comply with the conditions for deductibility imposed by tax legislation; maintains the continuity of ownership test and has carried on the same business since the tax loss was incurred; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

The Group has adopted the small business tax rate for the Australian entities, being 25.0% (2021: 26.0%). The Group meets the small business eligibility criteria set by the Australian Taxation Office being aggregated turnover below $50 million and 80% or less of assessable income is passive income. The Group has no capital tax losses available.

7. ACQUISITIONS

BLC Cosmetics Pty Limited

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 Hancock and Gore Limited (HNG) 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 was 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 on completion. The second tranche is payable subject to an increase in BLC's EBITDA for the 12 months ending 30 September 2022. This component will be calculated as three (3) times the incremental EBITDA growth between FY21 and F22, where the agreed EBITDA for F21 was $500,000. Tranche 2 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 HNG will be issued 15,555,556 ordinary shares).

On acquisition the deferred consideration was originally estimated and valued to be $2,100,000. Subsequently this liability was revalued down to $1,100,000 based on the latest forward-looking information and likely probability of BLC achieving the EBITDA target. The revaluation of the deferred consideration provision was recognised as a $1,000,000 gain in the profit and loss.

The total goodwill acquired on purchase of BLC was estimated to be $3,447,006. 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 $5,790,218 and profit after tax of $442,385 to the consolidated entity for the 9 month period - 1 October 2021 to 30 June 2022. Had the acquisition occurred on 1 July 2021, the contributions would have been total revenues of $7,476,865 and profit after tax of $522,525. Details of BLC's assets, liabilities and goodwill acquired on acquisition are further detailed as follows:

	Fair Value $
Cash and cash equivalents	283,725
Trade and other receivables	614,950
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	1,868,974
Goodwill on acquisition	3,447,006
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 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 $614,950 and includes trade receivables with a fair value of $609,458. The gross contractual amount for trade receivables due is $617,267 of which $7,809 is expected to be uncollectible. Goodwill is not deductible for tax purposes.

On 8 July 2022, Anagenics Independent Board Committee ("IBC") entered a non-binding term-sheet whereby under new terms both parties will seek to vary the settlement conditions for the contingent liability owing under tranche 2, replacing the cash component entirely with issuance of additional equity and other conditions. Refer Note 26 "Events After the Reporting Period" for more information on this variation.

8. DISPOSALS

Lyramid

On 1 January 2021 the Group sold Lyramid Limited (a company incorporated in Australia), a subsidiary of Anagenics Limited responsible for research and development activities, for consideration of $500,000 resulting in a gain on disposal in the prior year, before income tax, of $528,842.

Financial performance information	2022 $	2021 $
Sale of goods	-	-
Other revenue	-	-
Total revenue		-
Cost of sales	-	-
Employee benefits expense	-	64,009
Research and development expenses	-	44,532
Other expenses	-	1,999
Total expenses	-	110,540
Loss before income tax expense	-	110,540
Income tax expense	-	-
Loss after income tax expense	-	110,540
Gain on disposal before income tax	-	528,842
Income tax expense	-	-
Gain on disposal after income tax expense	-	528,842
Gain/(loss) after income tax expense from discontinued operations	-	418,302

Cash flow information	2022 $	2021 $
Net cash (used in) / provided by operating activities	-	(99,365)
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net (decrease) / increase in cash and cash equivalents from discontinued operations	-	(99,365)

Carrying amounts of assets and liabilities disposed	2022 $	2021 $
Cash and cash equivalents	-	2,787
Trade and other receivables	-	-
Inventories	-	32,560
Other current assets	-	-
Plant and equipment	-	44,521
Other non-current assets	-	2
Total assets	-	79,870
Trade and other payables	-	79,693
Provisions	-	29,019
Total liabilities	-	108,712
Net assets / (liabilities)	-	(28,842)

Details of the disposal	2022 $	2021 $
Total sale consideration	-	500,000
Carrying amount of net (assets) / liabilities disposed	-	28,842
Gain on disposal before income tax	-	528,842
Gain on disposal after income tax	-	528,842

8. KEY MANAGEMENT PERSONNEL DISCLOSURES (“KMP”)

Directors and key management personnel compensation

Refer to the remuneration report contained in the directors’ report for details of the remuneration paid or payable to each member of the Group’s key management personnel for the year ended 30 June 2022.

The total of remuneration paid to the Directors and KMP of the Company and the Group during the year are as follows:

	2022 $	2021 $
Short term employment benefits	1,104,468	1,095,310
Long-term benefits	5,121	(11,784)
Post employment benefits	61,767	246,386
Share-based payments	98,178	111,291
	1,269,534	**1,441,203**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by Picher Partners Sydney the auditor of the parent entity, and its related practices:

	2022 $	2021 $
Audit or review of the Group Anagenics Limited		
-Australia, New Zealand and USA	103,200	73,000
-Japan (network firms)	15,000	14,000
	118,200	**87,000**

11. EARNINGS PER SHARE

Continuing operations	2022 $	2022 $
Basic and diluted earnings per share (in cents)	(1.74)	(2.69)
Reconciliation of earnings to profit or loss from continuing operations		
Loss for the year attributable to the owners of Anagenics Limited	(3,648,787)	(3,804,934)

Basic and diluted earnings per share are identical since outstanding options of 38,256,668 (2021: 42,056,668) are all "out of the money" at 30 June 2022.

Discontinued operations		
Basic and diluted earnings per share (in cents)	-	0.30
Reconciliation of earnings to profit or loss from discontinued operations		
Gain/(loss) for the year attributable to the owners of Anagenics Limited	-	418,302

	No.	No.
Weighted average number of ordinary shares used in calculating basic and dilutive earnings per share	209,396,025	141,198,970

Details relating to options are set out in Note 31.

12. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash on hand and at bank	3,147,930	1,689,414
Cash on deposit	136,922	5,038,350
	3,284,852	6,727,764

The effective interest rate on short term bank deposits at 30 June 2022 was 0.76% (2021: 0.76%). These deposits were all at call.

13. TRADE AND OTHER RECEIVABLES

	2022 $	2021 $
Trade receivables	865,496	1,726,676
Less: Allowance for expected credit losses	(37,142)	(54,888)
Other receivables	92,929	123,383
	921,283	1,795,171

Sales on credit are extended to certain customers and vary by individual customer and by distribution channel. Repayment terms are typically 30 days from invoice date.

Impairment of receivables

The Group has recognised a net loss of $42,344 (2021: $3,877) in the consolidated statement of financial performance in respect of expected credit losses for the year ended 30 June 2022.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

2022	Expected Credit Loss Rate %	Carrying Amount $	Allowance for expected credit losses $
Not due	0%	729,153	-
More than 30 days past due	1%	62,631	626
More than 60 days past due	20%	44,683	8,940
More than 90 days past due	95%	29,029	27,576
		865,496	37,142

2021	Expected Credit Loss Rate %	Carrying Amount $	Allowance for expected credit losses $
Not due	0%	1,570,664	-
More than 30 days past due	1%	95,720	964
More than 60 days past due	20%	4,471	894
More than 90 days past due	95%	55,821	53,030
		1,726,676	54,888

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Movements in the allowance for expected credit losses are as follows:

	2022 $	2021 $
Opening balance	54,888	220,875
Provisions acquired under business combinations	7,809	-
Provisions recognised during the year	42,344	3,877
Receivables written off during the year	(70,769)	(150,466)
Foreign exchange movements	2,870	(19,398)
Closing balance	**37,142**	**54,888**

Effective interest rates and credit risk

The Group has numerous customers to whom it provides both products and services. A single external customer (QVC) in the Advangen segment accounts for $1,636,006 of external revenue (2021: $2,381,273). At balance date amounts owing from QVC accounted for 6% of total trade receivables (2021: 86%).

The Group has no other significant concentration of credit risk with respect to any other single counterparty or Group of counterparties other than those receivables specifically provided for and mentioned within Note 28. The class of assets described as 'trade and other receivables' is the main source of credit risk related to the Group.

Certain customers receive specific credit terms which repayment terms vary depending on their volume spend and revenue channel. These are generally repayable between 30 - 60 days end of month.

There is no interest rate risk for the balances of trade and other receivable. There is no material credit risk associated with other receivables.

14. INVENTORIES

	2022 $	2021 $
Consumer Health - raw materials at net realisable value	706,807	731,164
Consumer Health - finished goods at net realisable value	3,741,272	1,818,595
	4,448,079	**2,549,759**

Provisioning of inventories to net realisable value amounted to $288,776 (2021: $301,793). These were recognised as an expense (net) during the year ended 30 June 2022 and included in the cost of sales in the consolidated statement of financial performance and other comprehensive income.

15. OTHER ASSETS

	2022 $	2021 $
Prepayments	**116,349**	**215,168**

16. PLANT AND EQUIPMENT

	2022 $	2021 $
At cost	672,968	559,515
Accumulated depreciation / amortisation	(392,349)	(473,403)
	280,619	**86,112**

Movements in carrying amounts of plant and equipment - 2022	Computer Software	Computer Hardware & Office Equip	Furniture & Fittings	Midkine	Total
At cost	206,023	377,272	89,673		672,968
Accumulated depreciation	(92,859)	(215,265)	(84,225)		(392,349)
Net book value	**113,164**	**162,007**	**5,448**		**280,619**
Balance at 1 July 2021	**52,616**	**16,403**	**17,093**		**86,112**
Additions arising from business combinations	126,298	169,056	-		295,354
Additions / (disposals)	(9,099)	45,384	(338)		35,947
Depreciation	(66,395)	(68,384)	(10,615)		(145,394)
Foreign exchange movements	9,744	(452)	(692)		8,600
Balance at 30 June 2022	**113,164**	**162,007**	**5,448**		**280,619**

Movements in carrying amounts of plant and equipment - 2021	Computer Software	Computer Hardware & Office Equip	Furniture & Fittings	Midkine	Total
At cost	107,266	346,440	105,809	-	559,515
Accumulated depreciation	(54,650)	(330,037)	(88,716)	-	(473,403)
Net book value	**52,616**	**16,403**	**17,093**	**-**	**86,112**
Balance at 1 July 2020	-	114,707	12,453	636,871	**764,031**
Opening balance reclassification	66,236	(81,066)	5,575	-	**(9,255)**
Additions	2,610	6,521	13,337	-	**22,468**
Depreciation	(17,897)	(20,245)	(13,174)	104	**(51,212)**
Impairment of assets (1)	-	-	-	(636,975)	**(636,975)**
Foreign exchange movements	1,667	(3,514)	(1,098)	-	**(2,945)**
Balance at 30 June 2021	**52,616**	**16,403**	**17,093**	**-**	**86,112**

Depreciation of the cost of the midkine protein asset has historically been calculated on a milligram (or mg) basis as and when the protein was consumed through research activities and/or production of the MKELISA kits. With the disposal of Lyramid the midkine diagnostic business segment of the Group was discontinued and the valuation of this asset was assessed for recoverability. Based on this assessment, management concluded that the protein would not form part of the continuing operations and the recoverability of this asset in the future was significantly remote. On this basis the asset was considered impaired and consequently the remaining carrying value was fully written down. This was recorded in the 30 June 2021 reporting period as an impairment expense.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. RIGHT-OF-USE-ASSETS

	2022 $	2021 $
Right-of-use assets	1,335,117	1,037,148
Less: accumulated depreciation	(924,282)	(543,361)
	410,835	493,787

Written down values at the beginning and end of the financial year are set out below:

	2022 $	2021 $
Opening balance	493,787	739,325
Lease acquired on acquisition	87,148	-
Lease additions	173,486	42,293
Depreciation expense	(339,216)	(276,263)
Foreign exchange movements	(4,370)	(11,568)
Closing balance	410,835	493,787

18. INTANGIBLES

2022	Patents and Trademarks	Goodwill	Total
At cost	16,736	3,447,006	3,463,742
Accumulated amortisation	(1,015)	-	(1,015)
	15,721	3,447,006	3,462,727

2021	Patents and Trademarks	Goodwill	Total
At cost	2,369,648	-	2,369,648
Accumulated amortisation	(944,326)	-	(944,326)
	1,425,322	-	1,425,322

Movements in carrying amounts of intangible assets - 2022	Patents and Trademarks	Goodwill	Total
Balance at 1 July 2021	1,425,322	-	**1,425,322**
Additions	14,955	3,447,006	**3,461,961**
Amortisation expense	(10,072)	-	**(10,072)**
Impairment expense	(1,266,184)	-	**(1,266,184)**
Foreign exchange movements	(148,300)	-	**(148,300)**
Balance at 30 June 2022	15,721	3,447,006	3,462,727

Movements in carrying amounts of intangible assets - 2021	Patents and Trademarks	Goodwill	Total
Balance at 1 July 2020	1,757,002	-	**1,757,002**
Amortisation	(125,064)	-	**(125,064)**
Foreign exchange movements	(206,616)	-	**(206,616)**
Balance at 30 June 2021	1,425,322	-	1,425,322

Patents and Trademarks

Patents and trademarks have finite useful lives (20 years). As part of cost saving measures, scientific research activities conducted by Advangen Japan were discontinued in F22. These activities related to studies into the advancement and commercialisation of know-how in registered patents (Meis1 protein hair papilla and Nucleic acid aptamers). Consequently, the valuation of the remaining carrying value of the patent assets were critically assessed. Management concluded that without further research, the recoverability of these assets would be significantly remote. On this basis the patents were fully impaired with the remaining carrying value written down to nil value. This was recorded in the reporting period as an impairment expense.

Goodwill

Goodwill relates to Anagenics' acquisition of BLC Cosmetics Pty Limited - refer Note 7 "Acquisitions". The group tests whether goodwill has suffered any impairment on an annual basis. For the current reporting period, the recoverable amount of the cash-generating unit (being BLC) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts and industry standards in which BLC operates.

The following table sets out the key assumptions for BLC to which goodwill is allocated:

	2022
Sales volume (% annual growth rate)	4.0%
Sales price (% annual growth rate)	4.0%
Budgeted gross margin (%)	48%
Other operating costs (% revenue)	38%
Annual capital expenditure	$150,000
Long term growth rate (%)	2.5%
Pre-tax discount rate (%)	10.5%

18. INTANGIBLES (CONTINUED)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach
Sales volumes	Average annual historic growth rate over the five-year forecast period. Also taking into account new brand acquisitions and other specific market and business developments.
Sales price	Average annual historic growth rate over five-year forecast period based on current industry trends and long term inflation expectations.
Gross margin	Based on past performance and management expectations for the future.
Other operating costs	Includes fixed and variable costs calculated as a historical percentage of revenue.
Annual capital expenditure	Expected minimum cash outlay to maintain and grow existing business.
Long term growth rate	A weighted average sustainable growth rate used to extrapolate cashflow annuity beyond the budget period.
Pre-tax discount rate	Weighted average cost of capital (WACC) under CAPM model.

The recoverable amount of this CGU would equal its carrying value if the key assumptions were to change as follows:

	From	To
Sales price and volume (% annual growth rate)	8.0%	4.0%
Budgeted gross margin (%)	48%	45%
Long term growth rate (%)	2.5%	-1.5%
Pre-tax discount rate (%)	10.5%	15.0%

19. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Trade payables	502,713	682,190
Other payables	789,180	381,493
	1,291,893	1,063,683

Trade payables are amounts owing primarily for the purchase of inventory from local and overseas suppliers. These are transacted under typical commercial conditions with credit terms up to 60 days from invoice.

20. LOANS AND BORROWINGS

	2022 $	2021 $
Current	562,048	338,020
Non-current	767,547	601,396
	1,329,595	939,416

Advangen Japan loan facilities are with Keiyo Bank Ltd. These liabilities are denominated in Japanese Yen at fixed interest rate ranging between 0.80% - 1.30% The loans are under written by government guarantee and repayable by March 2028. Amounts payable within 12 months have been included within current liabilities.

2022	Loan Amount - Principal	Loan Amount - Outstanding (AUD)	Monthly Principal Repayment (AUD)	Loan Interest Rate (%)	Loan Maturity	Loan Conditions
Advangen Inc	JPY 30 M	$318,983	-	1.20%	Revolving	Short term / no expiry
Advangen Inc	JPY 37 M	$226,631	$3,278	0.80%	March-2028	Paid monthly in arrears / fixed rate
Advangen Inc	JPY 50 M	$209,207	$6,333	1.30%	March-2025	Paid monthly in arrears / fixed rate
Advangen Inc	JPY 60 M	$574,774	$10,644	0.80%	Sept-2024	Paid monthly in arrears / fixed rate
		$1,329,595				

* working capital finance with redraw facility up to JPY 30.0M (2020: JPY 9.0M).

2021	Loan Amount - Principal	Loan Amount - Outstanding (AUD)	Monthly Principal Repayment (AUD)	Loan Interest Rate (%)	Loan Maturity	Loan Conditions
Advangen Inc	JPY 9 M	$108,342	-	1.20%	Revolving	Short term / no expiry
Advangen Inc	JPY 37 M	$300,807	$3,708	1.20%	March-2028	Paid monthly in arrears / fixed rate
Advangen Inc	JPY 50 M	$322,559	$7,163	1.50%	March-2025	Paid monthly in arrears / fixed rate
Evolis Inc	JPY 20 M	$156,579	$4,009	1.20%	Sept-2024	Paid monthly in arrears / fixed rate
Anagenics Ltd	-	$51,129	$18,614	4.29%	May-2022	Insurance premium funding loan
		$939,416				

21. LEASE LIABILITIES

	2022 $	2021 $
Current	340,614	251,832
Non-current	86,899	242,594
	427,513	494,426
Interest expense related to lease liabilities	24,707	33,156

The Group has leases for office premises in Australia and Japan. Each lease is accounted for on the consolidated statement of financial position as a right-of-use asset and a lease liability. A lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a termination fee which is usually repayment of the remaining lease term.

In accordance with individual lease contracts, the Group must maintain leased properties in a good state of repair and return them in their original condition at the end of the lease. It requires items of property, plant and equipment held thereon are fully insured. Leases agreements include minimum annual rent increases which are based on market review; the prevailing inflation rate, and upon anniversary, provide an option to renew the lease term.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at balance date were as follows:

	Minimum lease payment due				
	Within 1 year	1-2 years	2-3 years	3-4 years	Total
30 June 2022					
Lease payments	360,879	91,342	-	-	452,221
Finance charges	(20,265)	(4,443)	-	-	(24,708)
Net present values	**340,614**	**86,899**	**-**	**-**	**427,513**

	Minimum lease payment due				
	Within 1 year	1-2 years	2-3 years	3-4 years	Total
30 June 2021					
Lease payments	275,747	241,139	18,590	-	535,476
Finance charges	(23,915)	(13,869)	(3,266)	-	(41,050)
Net present values	**251,832**	**227,270**	**15,324**	**-**	**494,426**

22. PROVISIONS

	2022 $	2021 $
Current		
Employee entitlements	223,291	261,666
Sale returns	140,487	-
Deferred consideration	1,100,000	-
	1,463,778	**261,666**
Non-current		
Employee entitlements	37,125	15,266
Make-good provision	85,240	84,242
	122,365	**99,508**

Employee entitlements

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount is presented as current, since the Group does not have an unconditional right to defer settlement.

Deferred consideration

A provision for Deferred Consideration is the estimated remaining consideration payable on acquisition of BLC Cosmetics Pty Limited – Tranche 2. Refer Note 7 "Acquisitions".

Make good

Provision for make-good relates to leased commercial property and obligations thereon under the terms of the lease on expiry.

	2022 $	2021 $
Opening balance	84,242	84,921
Additions	4,658	-
Foreign exchange movements	(3,660)	(679)
Closing balance	**85,240**	**84,242**

23. ISSUED CAPITAL

(a) Ordinary shares

	Issue Price $	2022 No.	2021 No.	2022 $	2021 $
At the beginning of the year		**187,430,560**	**125,246,866**	**60,280,064**	**56,064,284**
Shares issue costs	-	-	-	-	(389,689)
Shares issued – December 2020	0.11	-	465,437	-	50,000
Shares issued – January 2021	0.11	-	1,500,000	105,000	43,750
Shares issued – April 2021	0.07	-	60,218,257	-	4,511,719
Shares issued – November 2021	0.06	32,786,885	-	2,000,000	-
Shares issued – January 2022	0.06	803,858	-	50,000	-
At the end of the year		**221,021,303**	**187,430,560**	**62,435,064**	**60,280,064**

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a count at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The Company does not have a limited amount of authorised capital and the fully paid ordinary shares have no par value.

In January 2021, 1,500,000 shares were issued in lieu of consulting fees. Under AASB 2 share-based payments the expense in relation to this benefit is recognised over the period of the service. For information relating to the Anagenics Limited and controlled entities employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 31 "Share based payments".

In November 2021, 32,786,885 ($2,000,000) ordinary fully paid shares were issued to HNG as part of the total consideration paid (tranche 1) to HNG for acquiring BLC in the year – refer Note 7 "Acquisitions".

In January 2022, 803,858 ($50,000) shares were issued to Mr Dennis Eck in relation to Director fees in lieu of cash.

Options	2022 No.	2021 No.
At the beginning of the year	**42,056,688**	**10,954,400**
Options rights issue – March 2021	-	32,367,268
Options lapsed – June 2021	-	(1,265,000)
Options lapsed – Sept. 2021	(1,000,000)	-
Options lapsed – Oct. 2021	(200,000)	-
Options lapsed – May 2022	(1,000,000)	-
Options lapsed – Nov. 2024	(1,400,000)	-
Options lapsed – May 2024	(200,000)	-
At the end of the year	**38,256,688**	**42,056,668**

During the year ended 30 June 2022, 2,400,000 options expired and were cancelled. An additional 1,400,000 unvested options relating to Maria Halasz (former CEO/Managing Director) lapsed following her resignation on 28 February 2022.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The Group looks to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current parent entity's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

23. RESERVES

	2022 $	2021 $
Share-based payments reserve		
Balance at the beginning of the year	696,620	578,204
Reclassification to accumulated losses	(497,167)	-
Share-based payments	68,308	118,416
Balance at the end of the year	**267,761**	**696,620**

The reclassification from the share based payment reserve in the year represents the accumulated value of equity based compensation previously recorded as expense in the profit and loss in current and prior years. This movement of reserves to accumulated losses relates to unlisted options that were provided to former service providers (including past employees) which have either expired or were forfeited on or before 30 June 2022.

Foreign currency translation reserve		
Balance at the beginning of the year	235,155	559,050
Opening balance transfer to accumulated losses	(27,687)	-
Foreign exchange movements	(719,305)	(323,895)
Balance at the end of the year	**(511,837)**	**235,155**
Total reserves	**(244,076)**	**931,775**

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income foreign currency translation reserve. The cumulative amount is reclassified to the statement of financial performance when the foreign controlled entity is disposed of.

25. CASH FLOW INFORMATION

	2022 $	2021 $
Reconciliation of loss after income tax to net cash used in operating activities		
Loss after income tax for the year	(3,648,787)	(3,386,632)
Adjustments for:		
- depreciation and amortisation	495,486	452,529
- impairment of plant and equipment	9,452	636,975
- impairment of intangible assets	1,266,184	-
- gain on sale of subsidiary	-	(528,842)
- equity based payments	223,309	157,716
- bad and doubtful debts	42,344	12,113
- interest expense	69,860	54,756
- gain on deferred consideration liability	(1,000,000)	-
- foreign exchange movements	(355,707)	266,389
Changes in operating assets and liabilities:		
- decrease / (increase) in trade and other receivables	1,322,477	(59,733)
- decrease / (increase) in prepayments	68,968	(38,273)
- decrease / (increase) in inventories	280,029	(274,160)
- (decrease) in trade and other payables	(1,074,496)	(436,821)
- (decrease) in provisions	(224,715)	(970,167)
Net cash used in operating activities	**(2,525,596)**	**(4,114,150)**

Changes in liabilities arising from financing activities

	Loans & Borrowings	Lease Liability	Deferred Consideration Liability	Total
Consolidated				
Balance at 1 July 2020	**1,251,718**	**709,746**	**-**	**1,961,464**
Net cash used in financing activities	(373,519)	(205,879)	-	(579,398)
Additions	-	38,788	-	38,788
Movements in foreign exchange	61,217	(48,229)	-	12,988
Balance at 30 June 2021	**939,416**	**494,426**	**-**	**1,433,842**
Net cash used in financing activities	(559,825)	(321,744)	-	(881,569)
Net cash provided by financing activities	978,626	-	-	978,626
Additions	-	256,128	1,100,000	1,356,128
Movements in foreign exchange	(28,622)	(1,297)	-	(29,919)
Balance at 30 June 2022	**1,329,595**	**427,513**	**1,100,000**	**2,857,108**

26. EVENTS AFTER THE REPORTING PERIOD

Variation to Deferred Consideration Liability in Connection with the Purchase of BLC Cosmetics (Tranche 2)

On 8 July 2022, Anagenics Independent Board Committee ("IBC") entered into a non-binding term-sheet agreeing to settle its outstanding contingent liability owing to Hancock and Gore ("HNG") with the issuance of new equity at a premium to Anagenics prevailing share price. The IBC approving this transaction comprised of Directors not affiliated with HNG being Mr Dennis Eck and Dr. Martin Cross.

Under the variation IBC and HNG have agreed to fix the deferred consideration amount at $1,000,000 payable entirely in 25,000,000 Anagenics shares at a deemed issue price of 0.04c. In addition, and as a condition to this variation, the consideration will include the issue of options as follows:

- HNG (or its nominee) to receive 9 million options at a 0.06c strike price expiring 30 June 2025
- Phillip Christopher (Director) to receive 6 million director options at a 0.06c strike price expiring 30 June 2025

The transaction has been formally documented subject to shareholder approval at a general meeting at a future date which has yet to be determined at the time of this report.

Disposal of Advangen Japan

On 29 July 2022, pursuant to share sale agreement, Anagenics completed the disposal of its wholly-owned subsidiary Advangen Inc to TK Holdings LLC, an entity owned by Advangen Inc's local management. Under the conditions of sale Anagenics received an upfront cash payment on completion of $211,877 (JPY22M) and will also benefit under an earn-out arrangement over a 15 year period. This revenue is variable and calculated as a proportion of net profit (10% in first three (3) years) and revenue (3%) thereafter (subject to minimums) up to financial year ending 30 June 2037. Under the conditions of sale the buyer will also assume all external loans and borrowings held by the Group which at 30 June 2022 totalled $1,329,595 (2021: $888,287).

27. RELATED PARTY TRANSACTIONS

The Group's related parties are as follows:

Parent entity

Anagenics Limited is the ultimate parent entity.

Subsidiaries

For details of disclosures relating to subsidiaries, refer to Note 29. Transactions and balances between subsidiaries and the Company have been eliminated on consolidation of the Group.

Key management personnel

For details of disclosures relating to key management personnel, refer to Note 9: "Key Management Personnel Disclosures".

Transactions with related parties

The remuneration for the former CEO and Managing Director, Ms Halasz, was structured to reflect the management costs incurred by each wholly owned subsidiary of the Group. Direct Capital Group Pty Ltd, a management consulting company related to Ms Halasz, was engaged, and paid $242,625 (2021: $208,532) in relation to management and consulting services rendered to the Group throughout the year. The service agreement with Direct Capital Group was terminated on 28 February 2022 on Ms Halasz's resignation. No amounts remain outstanding to Direct Capital Group as at 30 June 2022 (2021: $Nil).

28. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a number of financial risks as described below. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. The fair value of financial assets and liabilities equate to the carrying value.

(a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'AA-' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. Other than QVC Japan there are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or region.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the consolidated statement of financial position.

Trade and other receivables that are neither past due nor impaired are considered to be generally of high credit quality.

Trade receivables and contract assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are primarily based on the payment profile for recent historic sales and the respective credit losses occurring during the corresponding period. The loss rates are also adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amounts outstanding. The Group has identified specific industry trends and general economic performance for those countries in which the customers are domiciled to be the most relevant factors when estimating credit loss rates.

The historical rates reflect the type of customers for which balances remain outstanding (e.g. wholesalers), their specific circumstances and the current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has also considered the recent impact of COVID-19, gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Liquidity risk

The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

Financial liabilities consist of two items, trade and other payables for which the contractual maturity dates are within 6 months of the reporting date and loans and borrowings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Group holds loans and borrowings with overseas banks which are subject to variable interest rates (refer Note 20 "Loans and Borrowings"). At reporting date have contractual maturity (including interest payments where applicable) dates are as follows:

	Current (within 12 mths) $	Non-Current (1-5 yrs) $
2022		
Trade and other payables	1,291,833	-
Loans and borrowings	562,048	767,547
	1,853,881	767,547
2021		
Trade and other payables	1,063,683	-
Loans and borrowings	338,020	601,396
	1,401,703	601,396

(c) Market risk

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 functional currency of the Group, being Australian dollars.

The maximum exposure to foreign exchange risk is the fluctuation in exchange rates primarily on the USD and JPY denominated bank accounts and also the profit and net assets of the Japanese and US subsidiary, Advangen Inc and Advangen LLC respectively.

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at the end of the financial year.

The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At the end of the financial year, the effect on loss and equity as a result of changes in the foreign exchange rate with all other variables remaining constant would be as follows:

	Loss $	Equity $
Year ended 30 June 2022		
+/- 5% in foreign exchange rates	+/-37,625	+/-96,762
Year ended 30 June 2021		
+/- 5% in foreign exchange rates	+/-12,948	+/-18,167

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

The Group's main interest rate risk arises from loans from banks and other financial institutions.

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the end of the financial year. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At the end of the financial year, the effect on loss and equity as a result of changes in the interest rate with all other variables remaining constant would be as follows:

	Loss $	Equity $
Year ended 30 June 2022		
+/- 1% in foreign exchange rates	+/-13,296	+/-13,296
Year ended 30 June 2021		
+/- 1% in foreign exchange rates	+/-9,394	+/-9,394

29. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Country of Incorporation	Percentage Owned (%) 2022	Percentage Owned (%) 2021
Subsidiaries of Anagenics Limited:			
Advangen Pty Ltd	Australia	100	100
Kinera Pty Ltd	Australia	100	100
BLC Cosmetics Pty Limited	Australia	100	-
Subsidiaries of BLC Cosmetics Pty Limited:			
BLC Cosmetics (NZ) Limited	New Zealand	100	-
Subsidiaries of Advangen Pty Limited:			
Advangen International Pty Ltd	Australia	100	100
Advangen LLC	USA	100	100
Advangen Incorporated	Japan	100	100
Evolis Japan Incorporated	Japan	-	100

30. CONTINGENT LIABILITIES

Guarantees

The Group has given bank guarantees as at 30 June 2022 of $136,922 (2021: $136,247), of which $129,558 (2021: $129,558) were given by the parent entity, relating to the lease of commercial office space.

31. SHARE BASED PAYMENTS

Employee share option scheme

In November 2018 shareholders approved Anagenics' Employee Incentive Plan (Plan) which outlined the terms and conditions on how employees may be incentivised by the issuing of shares or options. The Board resolved in June 2019 to issue a series of unvested and unlisted options to executives under the approved Plan.

Under the Plan, participants are granted options which only vest if certain performance conditions are met. The terms and conditions contain short and long term targets (KPI's) which may vary by employee depending on their function and level of responsibility.

The common KPI's under the Plan are summarised as follows:

- Achieving strategic business objectives designed to ultimately grow total revenue in both Australia and abroad
- Achieving operational profitability for the consumer health business
- Identifying cost efficiencies needed to deliver savings and improve profit margins
- Contribute to new product development initiatives.
- Contribute to achieving success of branding and marketing of key products
- Managing resources and teams efficiently to ensure that best outcomes are secured
- Acting as an effective team member by demonstrating leadership, building and contributing to a results oriented collaborative team culture.

Vested options, as approved by the Board, will ultimately allow the employee to exercise them by purchasing the equivalent number of ordinary shares in Anagenics Limited.

Set out below is a summary of unlisted options:

2022 – Options granted to employees and other service providers

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Expired/ Forfeited	Balance at end of the year	Vested at end of the year
Sept 2018	September 2021	0.80	1,000,000	-	-	(1,000,000)	-	-
Oct 2018	October 2021	0.80	200,000	-	-	(200,000)	-	-
May 2020	May 2022	0.30	1,000,000	-	-	(1,000,000)	-	-
Feb 2020	February 2023	0.50	254,400	-	-	-	254,400	254,400
July 2019	July 2024	0.23	3,135,000	-	-	(200,000)	2,935,000	2,735,000
Nov. 2019	November 2024	0.24	3,100,000	-	-	(1,400,000)	1,700,000	1,700,000
Feb 2020	February 2025	0.20	200,000	-	-	-	200,000	-
June 2020	March 2025	0.27	500,000	-	-	-	500,000	-
June 2020	March 2025	0.23	300,000	-	-	-	300,000	-
			9,689,400	-	-	(3,800,000)	5,889,400	4,689,400

There were no new options granted during the financial year (2021: nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. SHARE BASED PAYMENTS (CONTINUED)

The weighted average exercise price of share based options outstanding at the end of the financial year was $0.25 (2021: $0.32). The weighted average remaining contractual life of the options outstanding at the end of the financial year was 2.2 years (2021: 2.6 years).

Non-cash financing activities include ordinary shares issued in lieu of director fees to Dennis Eck to the value of $50,000 (2021: $50,000) and to a contractor for consulting services of $105,000 (2021: $43,750).

2022 – Options granted to employees and other service providers

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Expired/ Forfeited	Balance at end of the year	Vested at end of the year
June 2017	July 2020	0.60	50,000	-	-	(50,000)	-	-
Sept 2018	September 2021	0.80	1,000,000	-	-	-	1,000,000	1,000,000
Oct 2018	October 2021	0.80	200,000	-	-	-	200,000	200,000
May 2020	May 2022	0.30	1,000,000	-	-	-	1,000,000	1,000,000
Feb 2020	February 2023	0.50	254,400	-	-	-	254,400	254,400
July 2019	July 2024	0.23	4,250,000	-	-	(1,115,000)	3,135,000	2,735,000
Nov. 2019	November 2024	0.24	3,200,000	-	-	(100,000)	3,100,000	1,000,000
Feb 2020	February 2025	0.20	200,000	-	-	-	200,000	-
June 2020	March 2025	0.27	500,000	-	-	-	500,000	-
June 2020	March 2025	0.23	300,000	-	-	-	300,000	-
			10,954,400	-	-	(1,265,000)	9,689,400	6,189,400

Expense recognised from share-based payment transactions

The expense in relation to the share-based payment transactions was recognised within profit or loss as follows:

	2022 $	2021 $
Options granted to employees under the employee share option scheme	48,956	85,692
Options granted to other service providers	19,352	32,724
	68,308	118,416

Options granted to other service providers pertain to option underwriting costs.

32. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent, Anagenics Limited, and has been prepared on the same basis as the consolidated financial statements. Investments in subsidiaries and intercompany loans are accounted for at cost, less any impairment estimates, in the financial statements of the parent entity.

	2022 $	2021 $
Statement of Financial Position		
ASSETS		
Current assets	1,992,970	6,229,287
Non current assets	6,398,333	1,326,469
Total Assets	**8,391,303**	**7,555,756**
LIABILITIES		
Current liabilities	1,588,195	649,901
Non current liabilities	80,545	267,500
Total Liabilities	**1,668,740**	**917,401**
NET ASSETS	**6,722,563**	**6,638,355**
EQUITY		
Issued capital	62,435,064	60,280,064
Accumulated losses	(55,980,262)	(54,338,329)
Share based payments reserve	267,761	696,620
Total Equity	**6,722,563**	**6,638,35**
Statement of Financial Performance and Other Comprehensive Income		
Loss of the parent entity	2,139,100	7,990,775
Total comprehensive income	**2,139,100**	**7,990,775**

Contingent liabilities and commitments of the parent entity

The parent entity did not have any contingent liabilities or commitments as 30 June 2022 or 30 June 2021. For information about guarantees given by the parent entity, please see Note 30 "Contingent Liabilities".

Determining the parent entity financial information

The financial information of the parent entity has been prepared on the same basis of the consolidated financial statements except for investments in subsidiaries. These are accounted for at cost in the financial statements of the parent entity. Dividends received from subsidiaries are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 32 to 77, are in accordance with the Corporations Act 2001 and:
   i. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   ii. give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Group;
2. in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3. the Directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of the Board of Directors made pursuant to Section 295 (5) of the Corporations Act 2001.

Alexander (Sandy) Beard
Director

Dated this 24th day of August 2022

PITCHER PARTNERS

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

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

I declare to the best of my knowledge and belief, during the year ended 30 June 2022 there have been no contraventions of:

(i) The auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) APES 110 *Code of Ethics for Professional Accountants (including independence Standards)*.

This declaration is in respect of Anagenics Limited and the entities it controlled during the year.

S S Wallace
Partner

Pitcher Partners
Sydney

24 August 2022

PITCHER PARTNERS

Anagenics Limited
ABN 69 111 304 119

Independent Auditor's Report
To The Members of Anagenics Limited

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

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e. sydneypartners@pitcher.com.au

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Anagenics Limited ("the Company") and its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of financial performance and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Critical Accounting Estimates and Judgements – Cashflow Projections *Refer to Note 1 in the Notes to the Financial Statements.*	
The critical accounting estimates and judgements of the Group includes assumptions and estimates of cashflow projections. The key assumptions and estimates made by Management in the cashflow projections for the Group include but are not limited to, considering conditions specific to the Group including estimated growth in sales of existing and new distribution channels, the timing of cashflows estimating expenses by provisioning for price and volume changes consistent with the forecasted revenues volumes as well as the costs (or savings thereon) associated with the implementation of new business strategies designed to drive revenue growth as projected. For this reason, we consider Critical Accounting Estimates and Judgements, - Cashflow Projections, to be a Key Audit Matter.	Our procedures included, amongst others: • Understanding and evaluating the design and implementation of Management's controls over the critical accounting estimates and judgements; • Reviewing and challenging the key estimates and judgements used in the cashflow projections approved by the Directors; • Checking the mathematical accuracy of the cashflow projections; • Applying sensitivities to Management's cash flow projections to consider the reasonableness of key assumptions and estimates; and • Assessing the adequacy of related financial statement disclosures.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Anagenics Limited
ABN 69 111 304 119

Independent Auditor's Report
To The Members of Anagenics Limited

Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Anagenics Limited
ABN 69 111 304 119

Independent Auditor's Report
To The Members of Anagenics Limited

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Anagenics Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

SWallace

Pitcher Partners

S S Wallace
Partner

Pitcher Partners
Sydney

24 August 2022

Pitcher Partners is an association of independent firms.
ABN 17 795 780 962.
An independent New South Wales Partnership.

ADDITIONAL INFORMATION FOR LISTED ENTITIES

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 5 September 2022.

20 LARGEST SHAREHOLDERS

Fully paid shares

Shareholders	Balance	%
HGL LIMITED	32,786,885	14.83%
DENNIS ECK	18,951,483	8.57%
P & M MAGUIRE SUPER PTY LTD (P & M MAGUIRE S/F A/C)	8,800,000	3.98%
MOORE FAMILY NOMINEE PTY LTD (MOORE FAMILY SUPER FUND A/C)	8,500,000	3.85%
H&G HIGH CONVICTION LIMITED	5,632,548	2.55%
MR ANTONY STEPHEN ILES	5,300,000	2.40%
MARIA HALASZ	5,200,000	2.35%
MR PHILLIP THUAUX	4,379,356	1.98%
UBS NOMINEES PTY LTD	3,663,378	1.66%
IQ GLOBAL ASSET PARTNERS PTY LTD (IQ S/F A/C)	3,484,847	1.58%
MS JANET HEATHER CAMERON	2,958,618	1.34%
LTL CAPITAL PTY LTD	2,583,333	1.17%
SEISTEND (SUPER) PTY LTD (THE DAVID W KING S/F A/C)	2,240,000	1.01%
MR PETER HOWELLS	2,035,000	0.92%
MR GREGORY GLENN WORTH (WORTH S/F A/C)	2,000,000	0.90%
EVANEU (NOMINEES) PTY LTD & RICNEU (NOMINEES) PTY LTD (EVAN & RICKY NEUMANN A/C)	1,905,618	0.86%
MR GERALD WILLIAM SIMMS	1,900,000	0.86%
MRS REBECCA SHALALA	1,859,029	0.84%
MRS MARGARET ANN RYAN & MR MICHEAL RODNEY RYAN	1,850,000	0.84%
CITICORP NOMINEES PTY LIMITED	1,578,927	0.71%
Top 20	117,609,022	53.31%
Issued Share Capital	221,021,303	100%

SUBSTANTIAL HOLDERS

HGL Ltd is a substantial holder, currently holding together with its affiliated entities (being H&G High Conviction Limited), 38,419,433 shares or 17.38% of the voting rights.

Mr Dennis Keith Eck is an individual substantial shareholder of Anagenics Limited who holds 18,951,483 shares or 8.57% of the voting rights.

Holding Ranges	Holders	Total Units	%
1 – 1,000	89	25,894	0.01%
1,001 – 5,000	706	2,148,415	0.97%
5,001 – 10,000	327	2,632,621	1.19%
10,001 – 100,0000	725	26,461,215	11.97%
100,001 or greater	234	189,753,158	85.85%
Totals	2,081	221,021,303	100.00%

ADDITIONAL INFORMATION FOR LISTED ENTITIES

UNMARKETABLE PARCELS OF SHARES

The number of shareholders with less than a marketable parcel of shares is 1,283, holding a total of 6,909,205 shares, amounting to 3.13% of Issued Capital.

20 LARGEST LISTED OPTION HOLDERS

Listed options:

Optionholders	Balance	Percent
IQ GLOBAL ASSET PARTNERS PTY LTD (IQ S/F A/C)	7,482,299	23.12%
DENNIS ECK	2,592,518	8.01%
MOORE FAMILY NOMINEE PTY LTD (MOORE FAMILY SUPER FUND A/C)	2,000,000	6.18%
MR BILAL AHMAD	2,000,000	6.18%
MR ALLAN PHILLIP BERLING	786,040	2.43%
MARIA HALASZ	713,819	2.21%
ROOKHARP CAPITAL PTY LIMITED	666,665	2.06%
SCINTILLA STRATEGIC INVESTMENTS LIMITED	560,000	1.73%
PROF WILLIAM JAMES VAGG	550,000	1.70%
CITICORP NOMINEES PTY LIMITED	523,397	1.62%
CHALLENGE AURORA PTY LTD	520,000	1.61%
MR JEREMY DAVID RUBEN & MRS VANESSA RUBEN (JVR S/F A/C)	470,000	1.45%
THREEBEE INVESTMENT GROUP PTY LTD	460,000	1.42%
P & M MAGUIRE SUPER PTY LTD (P & M MAGUIRE S/F A/C)	400,000	1.24%
MR GERALD WILLIAM SIMMS	400,000	1.24%
THE SPEC INVESTOR PTY LTD	370,000	1.14%
LTL CAPITAL PTY LTD	366,666	1.13%
MRS YAN WANG (AUST WEST COAST TRAVEL A/C)	333,333	1.03%
SEISTEND (SUPER) PTY LTD (THE DAVID W KING S/F A/C)	320,000	0.99%
WH & PR PTY LTD (ROBHOO UNIT A/C)	313,333	0.97%
MR CLIFFORD TERENCE NELSON	302,000	0.93%
DR LEON EUGENE PRETORIUS	300,000	0.93%
Top 20	22,430,070	69.3%
Total Issued Capital	32,367,268	100.00%

HOLDING ANALYSIS – LISTED OPTIONS

Holding Ranges	Holders	Total Units	%
1 – 1,000	49	26,777	0.08%
1,001 – 5,000	84	248,019	0.77%
5,001 – 10,000	39	302,236	0.93%
10,001 – 100,0000	141	6,000,182	18.54%
100,001 or greater	45	25,790,054	79.68%
Totals	358	32,367,268	100.00%

NUMBER OF HOLDERS AND VOTING RIGHTS IN EACH CLASS OF SECURITIES

Class of Security	No. of Holders	Voting Rights
Ordinary Shares	2,081	Yes
Listed Options	358	No
Unlisted Options	10	No

Subject to the ASX Listing Rules, the Company's Constitution and any special rights or restrictions attached to a share, at a meeting of shareholders:

- On a show of hands, each shareholder present (in person, by proxy, attorney or representative) has one vote; and
- On a poll, each shareholder present (in person, by proxy, attorney or representative) has;
  – One vote for each fully paid share they hold; and
  – A fraction of a vote for each partly paid share they hold.
- Listed and Unlisted Options do not have voting rights.

CLASSES OF UNQUOTED SECURITIES

Class of Security	No. of Holders	Total Units
Unlisted Options	10	5,889,400

HOLDING ANALYSIS UNQUOTED SECURITIES

Holding Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,0000	3	260,000	4.41%
100,001 – 99,999,999	7	5,629,400	95.59%
Totals	**10**	**5,889,400**	**100.00%**

SUBSTANTIAL HOLDERS OF UNQUOTED SECURITIES

Substantial individual holders of unlisted options as at 5 September 2022 were:

- Bluewave Biotechnology (42.45%)
- Direct Capital Group Pty Ltd (27.17%)

CLASSES OF RESTRICTED SECURITIES

Class of Security / Restriction	End Date	Total Units
Ordinary Shares – Voluntary Escrow	2 Nov 2023	32,786,885

GENERAL

Anagenics is not currently conducting an on-market buy-back.

CORPORATE DIRECTORY

COMPANY DETAILS

The registered office of the company is:

Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000
P. (+61) 2 9221 6830

The principal places of business are:
Anagenics Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen International Pty Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen Incorporated / Evolis Japan Incorporated
Chiba Industry Advancement Centre
Tokatsu Techno Plaza
5 4 6 Kashiwanoha
Kashiwa
Chiba 277 0082 Japan

Kinera Pty Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen LLC
1601 Elm Street, Floor 33
Dallas
Dallas County
Texas 75207

BLC Cosmetics Pty Ltd
Unit 4, 17 Stanton Street
Seven Hills NSW 2147

BOARD OF DIRECTORS

Non-Executive Chairman
Mr Alexander (Sandy) Beard

Acting Chief Executive Officer
Mr Matthew Dudek

Non-Executive Directors
Dr Martin Cross
Mr Dennis Eck
Mr Phillip Christopher

Company Secretary
Mr Lee Tamplin

AUDITORS, SOLICITORS AND PATENT ATTORNEY

Auditors
Pitcher Partners
Level 16, Tower 2 Darling Park
201 Sussex Street Sydney NSW 2000

Solicitors
Piper Alderman
Governor Macquarie Tower
1 Farrer Place, Sydney NSW 2000, Australia

Patent Attorney
FB Rice & Co
Level 23, 44 Market Street, Sydney
NSW 2000 Australia

SHARE REGISTRY

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