



# Annual Report 2016

## Skin Elements Limited

ABN 90 608 047 794



# CORPORATE DIRECTORY

## **SKIN ELEMENTS LIMITED** **ABN 90 608 047 794**

### **DIRECTORS**

Mr Peter Malone – Executive Chairman  
Mr Luke Martino – Non-Executive Director  
Mr David Humann – Non Executive Director

### **COMPANY SECRETARY**

Mr Craig Piercy

### **REGISTERED AND PRINCIPAL OFFICE**

7 / 36 Ord Street  
WEST PERTH WA 6005

Telephone: 08 9486 4792  
[www.soleoorganics.com](http://www.soleoorganics.com)

## **SHARE REGISTRY**

### **Link Market Services Limited**

Level 4 Central Park  
152 St George's Terrace  
PERTH WA 6000

Telephone (within Australia): 1300 554 474  
Telephone (outside Australia): +61 1300 554 474  
Facsimile: 02 9287 0303

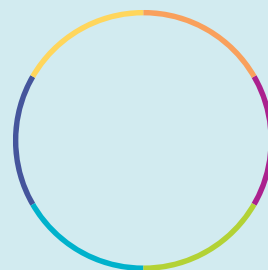
### **AUDITOR**

### **BDO Audit (WA) Pty Ltd**

38 Station Street  
Subiaco WA 6008

### **PROPOSED STOCK EXCHANGE LISTING**

Australian Securities Exchange (ASX)  
ASX Code: SKN & SKNO



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# DIRECTORS' REPORT

The Directors present their first report on Skin Elements Limited ABN 90 608 047 794 (the Company) for the period 4 September 2015 (being date of incorporation) to 30 June 2016.

## DIRECTORS

The Directors in office at any time during the period are:

Mr Peter Malone – Executive Chairman  
Mr Luke Martino – Non-Executive Director  
Mr David Humann – Non Executive Director

Formation Director Mr Robin Armstrong resigned on 15 August 2016.

## PRINCIPAL ACTIVITIES

Skin Elements Limited was incorporated on 4 September 2015. The principal activities of the Company during the period were formation of the Company and commencement of the process to acquire SE Operations Pty Ltd including the commercialisation of natural and organic skincare technologies and listing on the Australian Securities Exchange (ASX).

## REVIEW OF OPERATIONS

The Company has not yet commenced operations.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant change in the Company's state of affairs occurred during the period.

## EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Skin Elements Limited is in the process of commencing the commercialisation of proprietary natural and organic skincare technologies by:

- acquiring all of the issued securities of SE Operations Pty Ltd through the issue of 55,000,000 ordinary fully paid shares, 22,500,000 listed options and 22,500,000 unlisted options,
- issuing a minimum 17,500,000 ordinary fully paid shares and 8,750,000 options to raise a minimum \$3,500,000,
- and listing on the Australian Securities Exchange (ASX).

At the date of this report this is still in process and has not yet completed.

There have not been any other significant events since the end of the financial year not reported elsewhere in this report.



## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

## DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## ENVIRONMENTAL REGULATION

The Company operations are not regulated by any significant environmental regulation under the laws of the Commonwealth or a state or territory.

## OPTIONS

No options over shares or interests in the Company were granted during the period up to the date.

## INDEMNIFICATION OF OFFICERS

During or since the end of the financial year the Company has agreed to indemnify each Director and Officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

## PROCEEDINGS ON BEHALF OF COMPANY

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

The Company was not a party to any such proceedings during the year.

## INFORMATION ON DIRECTORS

**Mr Peter Malone** (appointed on 4 September 2015) is the Executive Chairman. He has over 30 years' experience in global financial markets and has been responsible for raising A\$100m+ for technology development companies. He has a proven track record in managing technology development programs. Previously, Mr Malone had developed a wide range of technology programs, from idea stage to reality. Previous CEO to listed companies, he has a Masters Degree from UWA and has taught and consulted in Australia, USA, Europe and Asia in business and management. Mr Malone is responsible for the strategic direction of the Company and will take on the role as Executive Chairman of the Company.

**Mr Luke Martino** (appointed on 4 September 2015) is a non-executive Director. He is a Fellow of the Institute of Chartered Accountants in Australia and the Institute of Company Directors having worked for over 20 years with major accounting firms, where he held senior leadership positions and Board memberships including Lead Partner of Deloitte Growth Solutions practice in Perth until 2007 when he left to set up and established boutique corporate advisory and accounting firm, Indian Ocean Advisory Group. Mr Martino is also a Director of Indian Ocean Corporate Pty Ltd. He is a non-executive director of Pan Asia Corporation Limited (ASX: PZC), and company secretary for South East Asia Resources Limited (ASX: SXI). He is a former director of Canadian public company South Pacific Resources, and former company secretary of Blackgold International Holdings Limited (ASX: BGG).

**Mr David Humann** (appointed on 15 August 2016) is a non-executive Director. He is a Fellow of the Institute of Chartered Accountants, a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. Mr Humann has worked extensively in PricewaterhouseCoopers (PwC). He was managing partner Perth, Strategic Planning and Marketing Director Australasia, member of the Australasia Policy Committee, Senior Partner Hong

Kong and China, and Managing Partner Asia Pacific Region. Mr Humann was also a member of the PwC World Board and its Global Executive Committee. He is currently the Chairman of Mincor Resources NL and a director of Future Directions International Pty Ltd. In the past three years he has also held chairman of directors' roles in Logicamms Limited (2009 to 2012), Exxaro Australia Sands Pty Ltd (1998 to 2012) and Advanced Braking Technologies Limited (2007 to 2012).

## DIRECTORS MEETINGS

During the period, no formal meetings of Directors were held. As the Company is yet to commence operations all matters were dealt with by the full Board of Directors by circular resolution including Audit Committee and other committees of the Board.

## COMPANY SECRETARY

The position of Company Secretary is held by Mr Craig Piercy. He is a member of the Institute of Chartered Accountants with over 20 years' experience in the corporate, accounting and finance industry.

## AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under 307C of the *Corporations Act 2001* is set out on page 5. No officer of the Company is or has been a partner / director of any auditor firm of the Company.

Signed in accordance with a resolution of the Board of Directors.



**Peter Malone**  
**Chief Executive Officer**

Dated: 5 December 2016

# AUDITOR'S INDEPENDENCE DECLARATION



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Fax: +61 8 6382 4601  
www.bdo.com.au

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Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

## DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF SKIN ELEMENTS LIMITED

As lead auditor of Skin Elements Limited for the period ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Wayne Basford', is written over a light blue horizontal line.

**Wayne Basford**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 5 Decmeber 2016

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees

# INDEPENDENT AUDITOR'S REPORT



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Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of Skin Elements Limited

### Report on the Financial Report

We have audited the accompanying financial report of Skin Elements Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows as at 30 June 2016, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Skin Elements Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### Opinion

In our opinion:

- (a) The financial report of Skin Elements Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the Company's financial position as at 30 June 2016; and
  - (ii) Complying with Australian Accounting Standards and *Corporations Regulations 2001*; and
- (b) The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through the Initial Public Offering (IPO) and/or through further equity contributions from investors. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford', written over a faint, larger 'BDO' watermark.

Wayne Basford

Director

Perth, 5 December 2016

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Skin Elements Limited, the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 20 are in accordance with the Corporations Act 2001 and:
  - a. Comply with Australian Accounting Standards which, as stated in Accounting Policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
  - b. present a true and fair view of the financial position as at 30 June 2016 and of the financial performance for the period ended on that date of the Company.
2. In the opinion of the Directors there are reasonable grounds to believe that the Company will be able to pay its debt as and when they become due and payable.



**Peter Malone**  
**Chief Executive Officer**

Dated: 5 December 2016

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	30 June 2016 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		-
GST Receivable		21,691
Deferred IPO Costs		68,914
<b>TOTAL CURRENT ASSETS</b>		90,605
<b>TOTAL ASSETS</b>		90,605
<b>CURRENT LIABILITIES</b>		
Other Payables	3	324,971
<b>TOTAL CURRENT LIABILITIES</b>		324,971
<b>TOTAL LIABILITIES</b>		324,971
<b>NET LIABILITIES</b>		234,366
<b>SHAREHOLDERS' EQUITY</b>		
Issued capital	4	1
Accumulated losses		(234,367)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		(234,366)

The accompanying notes form part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2016

Note	30 June 2016 \$
Listing expenses	234,367
<b>Loss before income tax</b>	<b>(234,367)</b>
Income tax expense	-
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>(234,367)</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2016

	Period Ended 30 June 2016		
	Share Capital	Retained Earnings	Total Equity
<b>Balance at 4 September 2015</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Other comprehensive income	\$0	\$0	\$0
Profit / (Loss) for the period	\$0	(\$234,367)	(\$234,367)
Total comprehensive income for the year	\$0	(\$234,367)	(\$234,367)
<b><i>Transactions with owners in their capacity as owners</i></b>			
Issue of share capital	<b>\$1</b>	<b>\$0</b>	<b>\$1</b>
Share issue costs	\$0	\$0	\$0
	<b>\$1</b>	<b>\$0</b>	<b>\$1</b>
<b>Balance at 30 June 2016</b>	<b>\$1</b>	<b>(\$234,367)</b>	<b>(\$234,366)</b>

# STATEMENT OF CASHFLOWS

For the period ended 30 June 2016

	Note	30 June 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Nil		-
Net cash used in operating activities		-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Nil		-
Net cash used in investing activities		-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Nil		-
Net cash provided by financing activities		-
Net increase (decrease) in cash held		-
Cash at beginning of financial period		-
Cash at end of financial period		-
The accompanying notes form part of these financial statements.		

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The financial statements and notes represent those of Skin Elements Limited (“the Company”) for the period from 4 September 2015 to 30 June 2016 (“the Period”); and were authorised in accordance with a resolution of Directors on 2 December 2016.

Skin Elements Limited (ABN 90 608 047 794) is an unlisted public company limited by shares, incorporated and domiciled in Australia. The nature of operations and principal activities of the Company are described in the Director’s Report.

## GOING CONCERN

The Directors have prepared the financial statements on the going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. The Company recognises it has yet to commence operations and has not generated revenue or profits for the period from 4 September 2015 (date of incorporation) through to 30 June 2016 and has a net asset position of \$1. The Company will require further funding in order to meet its day to day obligations and successfully progress to commencement of business operations. This requirement for further funding gives rise to a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern and therefore be able to discharge its liabilities in the normal course of business at the amounts stated in the financial report.

The Directors are satisfied that further funding will be able to be obtained through the Initial Public Offering (IPO) and/or through further equity contributions from investors. Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Company not continue as a going concern.

## 1. Statement of Accounting Policies

The accounting significant policies, which have been adopted in the preparation of this financial report, are:

### a. Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Historical financial information has been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

The financial report is presented in Australian dollars, unless otherwise noted.

#### **b. Accounting Estimates and Judgements**

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **c. Principles of Consolidation**

The historical financial information in these financial statements as at 30 June 2016 incorporates the assets and liabilities of Skin Elements Limited as at 30 June 2016 and the results for the period then ended. As at 30 June 2016 Skin Elements Limited has no subsidiaries.

Skin Elements Limited is in the process of acquiring all of the issued securities of SE Operations Pty Ltd through the issue of 55,000,000 ordinary fully paid shares, 22,500,000 listed options and 22,500,000 unlisted options and at the date of this report this is still in process and has not yet completed.

Subsidiaries are all those entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and potential effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries/assets by the group.

Intercompany transactions and balances, and unrealised gains on transactions between group companies, are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

#### **d. Acquisition of Subsidiaries and Businesses**

The proposed acquisition of Skin Elements Pty Ltd will not be accounted for as a business combination, rather as a continuation of Skin Elements Pty Ltd using this structure to raise funds and to obtain a listing on the Australian Securities Exchange.



## **e. Revenue recognition**

### *Revenue from sale of goods*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

### *Interest income*

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

## **f. Income tax**

The income tax expense (recovery) comprises current income tax expense (recovery) and deferred tax expense (recovery).

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

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

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

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

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

Significant judgement is required when determining the Company's provision for income taxes. The Company estimates its tax liabilities based on the Company's understanding of the tax law.

#### **g. Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

#### **h. Trade and Other Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for doubtful debts. Trade receivables are due for settlement on terms negotiated. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less impairment.

The effective interest method is a method of calculating the amortised cost of a receivable and of allocating interest income over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the receivable, or, where appropriate, a shorter period.

#### **i. Deferred IPO Costs**

All costs directly attributable to the Initial Public Offering (IPO) have been recorded as non-current deferred IPO costs.

#### **j. Trade and Other Payables**

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 - 45 days. Payables to related parties are carried at amortised cost.

#### **k. Issued capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

#### **l. Goods and Services Tax (GST)**

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

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

### **m. Impairment of Assets**

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an

indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the business to which the asset belongs.

Impairment testing is performed annually for non-current assets such as intellectual property, with indefinite lives.

### **n. Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and internally.

#### *Key Estimates & Judgements*

There are no key estimates or judgements in the financial statements.

### **q. New Accounting Standards and Interpretations Not Yet Adopted.**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Company. These have no material impact on the financial statements.

## **2. Subsequent Events**

Skin Elements Limited is in the process of commencing the commercialisation of its proprietary natural and organic skincare technologies by:

- acquiring all of the issued securities of SE Operations Pty Ltd through the issue of 55,000,000 ordinary fully paid shares, 22,500,000 listed options and 22,500,000 unlisted options,
- issuing a minimum 17,500,000 ordinary fully paid shares and 8,750,000 options to raise a minimum \$3,500,000,
- and listing on the Australian Stock Exchange (ASX).

At the date of this report this is still in process and has not yet completed, however this will not be accounted for as a business combination, but effectively as a continuation of SE Operations Pty Ltd.

There have been no material subsequent events which have an adverse effect on SE Operations Pty Ltd or the Company.

**As at  
30 June 2016**

### **Note 3 Other Current Payables**

Other Current Payables - SE Operations Pty Ltd	\$49,214
Working Capital Funding	\$275,757
	<u>\$324,971</u>

Parties associated with the officers of SE Operations Pty Ltd have entered into arrangements to provide working capital for the Company to incur costs in producing stock and other operating expenses. This financing is to be repaid on listing from working capital. These loans are unsecured and interest free.

### **Note 4 Issued Share Capital - Ordinary Shares**

Ordinary Shares Fully Paid	\$1
	<u>\$1</u>

#### *Movement in Share Capital*

Shares on Issue at beginning of year	0
Issue of ordinary shares for other	1
Share on issue at end of year	<u>1</u>

### **Note 5 Contingent Liabilities**

The Company is in the process of acquiring SE Operations Pty Ltd, raising a minimum of \$3.5 million and listing on ASX. On completion of this process the Company is expected to have incurred a minimum of \$470,000 in public offering and listing costs which are to be paid from the proceeds of the capital raising. As at 30 June 2016 the Company has incurred and recognised in these accounts \$303,281 of these costs split between deferred IPO costs and listing expenses.

### **Note 6 Non-cash Financing Activities**

As the Company had not commenced operations and established an operating bank account, cash payments for Listing Expenses and Deferred IPO Costs were made by parties associated with the officers of SE Operations Pty Ltd as detailed below:

Cash paid by parties associated with officers of SE Operations Pty Ltd	\$275,757
--	-----------

### **Note 7 Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (ie at arm's length) unless the terms and conditions disclosed below state otherwise. The following transactions occurred with related parties.

#### *Other related parties - director related entities*

Other Current Payables - SE Operations Pty Ltd	\$49,214
Working Capital Funding	\$275,757

The transactions detailed above are outstanding at 30 June 2016. Other than the above, there were no other transactions with related parties during the current financial period.

## Note 8 Financial Risk Management

The Company's financial instruments consist mainly of bank deposit accounts, accounts payable and working capital funding from related parties. The totals for each category of financial instruments, measured in accordance with AASB139 Financial Instruments Recognition and Measurement as detailed in the accounting policies are as follows:

### *Financial Liabilities*

Other Current Payables - SE Operations Pty Ltd	\$49,214
Working Capital Funding	\$275,757

### *Financial Risk Management Policies*

The Boards overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements. Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance.

### *Specific Financial Risk Exposures and Management*

The main risk of the Company is exposed to, through its financial instruments, are credit risk, liquidity risk, and market risk relating to interest rate risk and other price risk. There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Boards objectives, policies and processes for managing or measuring the risks from the previous period.

### *Credit Risk*

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company. The Company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables. There is no significant credit risk exposures on available for sale financial assets and held to maturity investments. Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal sales income are generally 30 days from the day of invoice. For sales with longer settlements, terms are specified in the individual client contracts. The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position. The Company has no significant concentrations of credit risk with any single counterparty or group of counterparties, except for unsecured loans payable to related parties. Details with respect to credit risk of trade and other receivables are provided in note 7. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. All cash and cash equivalents are held with large reputable financial institutions within Australia and therefore credit risk is considered minimal.

### *Liquidity Risk*

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company is not currently exposed to any significant liquidity risk on the basis that the realisable value of financial assets is significantly greater than the financial liabilities due for settlement. The Company manages its liquidity risk through the following mechanisms: preparing forward looking cash flow analysis in relation to its operating, investing and financing activities; maintaining a reputable credit profile; managing credit risk related to financial assets; only investing surplus cash with major financial institutions; and comparing the maturity profile of financial liabilities with the realisation profile of financial assets. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

### *Market Risk*

The Company has minimal exposure to interest rate risk.

## **Note 9 Fair Value Measurement**

The Company does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non recurring basis. The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

Market Approach  
Income Approach  
Costs Approach

## **Note 10 Auditor Remuneration**

Audit fees

**2016**  
**\$**

\$5,000











# Annual Report 2016

## SE Operations Pty Ltd

(Formerly Skin Elements Pty Ltd)

**ABN 80 110 352 424**



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# DIRECTORS' REPORT

The Directors present the annual report for SE Operations Pty Ltd ABN 80 110 352 424 (formerly Skin Elements Pty Ltd) (the Company) for the twelve month period to 30 June 2016.

## DIRECTORS

The names of the Company's directors in office during the financial year and until the date of this report are as follows:

- Peter Malone

Directors were in office for the entire period unless otherwise stated.

## CORPORATE STRUCTURE

SE Operations Pty Ltd is an unlisted private proprietary limited company incorporated on 4 August 2004 and domiciled in Australia.

## PRINCIPAL ACTIVITIES

The principal activities of the Company for the year ended 30 June 2016 were the formulation, development, production and test marketing in Australia and internationally of the Company's Soleo Organics natural sunscreen.

## REVIEW OF OPERATIONS

Natural sunscreen products are now considered one of the most important innovations in safeguarding our skin from the hazards of the environment – particularly ultraviolet radiation (sun) and pollution. There is mounting independent scientific evidence on the dangers to ourselves from synthetic chemicals resulting in a significant and growing movement amongst consumers over to products that are formulated from natural ingredients.

Soleo Organics has come through an extensive research & development program with over \$9 million invested since 2005 in development and product testing, and is a registered sunscreen with Therapeutic Goods Administration (TGA Australia), Federal Drug Administration (FDA United States of America), Health Canada and Ministry of Health Japan.

SE Operations Pty Ltd has undertaken market assessment of the Soleo Organics sunscreen through distributors in Australian and internationally including the United Kingdom & Europe, Hong Kong & China, United States of America, Singapore, Japan & New Zealand. The Company is now ready to undertake a formal market launch in Australia and New Zealand.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the nature of the Company's principal activities during the financial year.

## FINANCIAL STATEMENTS

The financial details of the Company are set out in the attached Statement of Financial Position, Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes.

## DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## SUBSEQUENT EVENTS

SE Operations Pty Ltd is the subject of acquisition by Skin Elements Limited which itself is in the process of listing on the Australian Securities Exchange (ASX). On successful completion the Company will become a wholly owned subsidiary of the public company.

There have not been any significant events since the end of the financial year not reported elsewhere in this report.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

The Company did not issue any shares on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

## INDEMNIFYING DIRECTORS AND OFFICERS

During or since the end of the financial year the Company has agreed to indemnify each Director and Officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 4 of the financial report.

This report is made in accordance with a resolution of the directors.



**Peter Malone**  
**Chief Executive Officer**

Dated: 5 December 2016

# AUDITOR'S INDEPENDENCE DECLARATION



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Australia

## DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF SKIN ELEMENTS LIMITED

As lead auditor of Skin Elements Limited for the period ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Wayne Basford', with a long horizontal flourish extending to the right.

**Wayne Basford**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, 5 Decmeber 2016

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# INDEPENDENT AUDITOR'S REPORT



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Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of SE Operations Pty Ltd

### Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report of SE Operations Pty Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1(a) to the financial report is appropriate to meet the financial reporting requirements of the constitution and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.



#### **Opinion**

In our opinion the financial report presents fairly, in all material respects, the financial position of SE Operations Pty Ltd as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 1(a).

#### **Emphasis of matter**

Without modifying our opinion, we draw attention to Note 1 in the financial report which describes the conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### **Basis of accounting**

Without modifying our opinion, we draw attention to Note 1(a) to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Australian Accounting Standards. As a result, the financial report may not be suitable for another purpose.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in black ink, appearing to read 'Wayne Basford', with the 'BDO' logo written above it.

**Wayne Basford**

**Director**

Perth, 5 December 2016



# DIRECTORS' DECLARATION

The Directors of SE Operations Pty Ltd declare that:

1. The Company is a small proprietary company and in accordance with s292(2) of the Corporations Act is not a reporting entity and it would not normally prepare detailed annual financial reports and Directors' report. This financial report is a special purpose concise financial report prepared for use by Directors and Members of the Company. As a special purpose concise financial report it is not required to comply with all Australian Accounting Standards, Australian Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board;
2. The financial statements and notes for the financial year ended 30 June 2016 present a true and fair view of the financial position and financial performance of the Company (section 297 of the Corporations Act); and
3. There are no other material matters that have not already been disclosed in the attached Director's Report of the financial statements;
4. In the opinion of the Directors there are reasonable grounds to believe that the Company will be able to pay its debt as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Peter Malone**  
**Chief Executive Officer**

Dated: 5 December 2016

# STATEMENT OF FINANCIAL POSITION

	As at 30 June 2016 \$	As at 30 June 2015 \$
<b>Current Assets</b>		
Cash & Deposits	8,918	19,362
Trade Debtors	2,243	4,778
R & D Grants and GST Receivable	149,959	152,935
Other Receivables – Skin Elements Ltd	49,214	-
Inventories	89,198	32,262
<b>Total Current Assets</b>	<b>299,532</b>	<b>209,337</b>
<b>Non-Current Assets</b>		
Intellectual Property	8,671,782	8,480,805
<b>Total Non-Current Assets</b>	<b>8,671,782</b>	<b>8,480,805</b>
<b>Total Assets</b>	<b>8,971,314</b>	<b>8,690,142</b>
<b>Current Liabilities</b>		
Trade Payables	283,617	107,090
Borrowings - related parties	44,611	302,777
<b>Total Current Liabilities</b>	<b>328,228</b>	<b>409,867</b>
<b>Total Liabilities</b>	<b>328,228</b>	<b>409,867</b>
<b>Net Assets</b>	<b>8,643,086</b>	<b>8,280,275</b>
<b>Shareholders' Equity</b>		
Issued Capital	9,245,987	8,861,401
Accumulated Losses	(602,901)	(581,126)
<b>Total Shareholders' Equity</b>	<b>8,643,086</b>	<b>8,280,275</b>
<b>Number of Shares on Issue</b>	<b>220,000,000</b>	<b>203,532,431</b>

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year Ended 30 June 2016 \$	Year Ended 30 June 2015 \$
<b>Revenue</b>		
Revenue from Soleo Organics		
Test Marketing	179,858	146,675
	<u>179,858</u>	<u>146,675</u>
<b>Expenses</b>		
Cost of Soleo Organics Test Batches	61,614	51,306
International Marketing	26,475	25,569
National Marketing	77,606	27,956
Administration	36,033	35,019
	<u>201,728</u>	<u>139,850</u>
Interest Income	95	-
Profit/(loss) before income tax expense	(21,775)	6,825
Income tax expense	-	-
Profit/(loss) after income tax expense	(21,775)	6,825
Other comprehensive income	-	-
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>(21,775)</b>	<b>6,825</b>

# STATEMENT OF CHANGES IN EQUITY

	Year Ended 30 June 2016		
	Issued Capital	Accumulated Losses	Total Equity
<b>Balance at 1 July 2014</b>	<b>8,109,154</b>	<b>(587,951)</b>	<b>7,521,203</b>
Other comprehensive income			
Profit for the period	-	6,825	6,825
Total comprehensive income for the year	-	6,825	6,825
<b>Transactions with owners in their capacity as owners</b>			
Issue of share capital	752,247	-	752,247
	752,247	-	752,247
<b>Balance at 30 June 2015</b>	<b>8,861,401</b>	<b>(581,126)</b>	<b>8,280,275</b>

<b>Balance at 1 July 2015</b>	<b>8,861,401</b>	<b>(581,126)</b>	<b>8,280,275</b>
Other comprehensive income	-	-	-
(Loss) for the period	-	(21,775)	(21,775)
Total comprehensive income for the year	-	(21,775)	(21,775)
<b>Transactions with owners in their capacity as owners</b>			
Issue of share capital	550,025	-	550,025
Share issue costs	(165,439)	-	(165,439)
	<b>384,586</b>	<b>-</b>	<b>384,586</b>
<b>Balance at 30 June 2016</b>	<b>9,245,987</b>	<b>(602,901)</b>	<b>8,643,086</b>

# STATEMENT OF CASHFLOWS

	Year Ended 30 June 2016 \$	Year Ended 30 June 2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	182,393	141,897
Payments to Suppliers & Employees	(92,444)	(72,961)
<b>Net cash used in operating activities</b>	<u>89,949</u>	<u>68,936</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Intangibles – Intellectual Property	(346,985)	(320,953)
R&D Tax Concession Rebate received	133,935	151,123
<b>Net cash used in investing activities</b>	<u>(213,050)</u>	<u>(169,830)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Borrowings	(258,166)	0
Interest	95	0
Proceeds from Issue of Equity	528,000	115,000
Payments for Costs of Issue of Equity	(157,272)	0
<b>Net cash provided by financing activities</b>	<u>112,657</u>	<u>115,000</u>
Cash and cash equivalents at the beginning of the financial year	19,362	5,256
Net increase / (decrease) in cash and cash equivalents	<u>(10,444)</u>	<u>14,106</u>
<b>Cash and cash equivalents at the end of the financial year</b>	<u><b>8,918</b></u>	<u><b>19,362</b></u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. STATEMENT OF ACCOUNTING POLICES

The accounting significant policies, which have been adopted in the preparation of this financial report, are:

### a. Basis of preparation

This financial report is a special purpose financial report prepared for use by the Directors of the Company. This report comprises a statement of financial position as at 30 June 2016 and statement of profit or loss and other comprehensive income, statement of cash flows, and statement of changes in equity for the year then ended, and has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards Board and Australian Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board.

The accounting policies used in this report have been consistently applied.

### b. Going Concern

At 30 June 2016, the Company incurred a net loss after tax of \$21,775, net operating and investing cash outflows of \$373,099 and had \$8,918 in cash and cash equivalents. The ability of the entity to continue as a going concern is dependent on securing additional funding to continue to fund its development and marketing activities.

The Company has prepared a cash flow forecast which will require the Company to raise additional funding in the next 12 months through further equity contributions. This condition indicates a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in the financial report.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors consider there are reasonable grounds to believe that the Company will be able to continue as a going concern after consideration of the following factors:

- The Company is the subject of acquisition by Skin Elements Limited which in itself is in the process of Listing on the Australian Securities Exchange (ASX), and raising IPO equity funds of a minimum of \$3,500,000. On successful completion, the Company will become a wholly owned subsidiary of the public company.
- The Company's products are sold at a profitable margin and on completion of the acquisition; the Company expects to commence profitable operations.

The Directors also anticipate the support of its major shareholders and are confident in the Company's ability to raise an appropriate level of funding to execute its development, marketing and distribution plan and continue its research programme.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

### **c. Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST. Receivables and payments are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position, unless the net amount is nil.

### **d. Intellectual Property**

In accordance with AASB 138, SE Operations Pty Ltd has recorded in its Statement of Financial Position, Non-Current Intellectual Property as follows:

In March 2005 SE Operations Pty Ltd acquired natural skincare technology through the purchase of all the issued share capital of Cream Holdings Pty Ltd. The costs of acquiring this original technology is recorded as Non-Current Intellectual Property.

Since establishing the project in 2005, SE Operations Pty Ltd has undertaken extensive development of the Soleo Organics technology. The development costs incurred, net of any R&D Tax Rebates received in relation to these costs, have been recorded as Non-Current Intellectual Property.

Research costs are expensed in the period in which they are 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; the entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Once the intellectual property is ready for use (i.e. commercialisation) it will be amortised on a straight-line basis over the period of their expected benefit, being their finite life of 25 years.

### **e. Impairment of Assets**

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the business to which the asset belongs.

Impairment testing is performed annually for non-current assets such as intellectual property, with indefinite lives.

#### **f. Cash and Cash Equivalents**

Cash and cash equivalents include 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.

#### **g. Revenue and Other Income**

Revenue is recognized and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits to flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

##### **Sale of Goods**

Revenue from sale of goods is recognised at the time goods are dispatched to the customer on the terms agreed.

##### **Government grants/ research and development grants**

Grants from the government (such as research and development tax incentives) are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

All revenue is stated net of the amount of goods and services tax.

#### **h. Trade and Other Receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.



### **i. Trade and Other Payables**

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

### **j. Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and internally.

### **Definite life intangible assets**

If events or changes in circumstances indicate that the intangible assets may be impaired, the entity will carry out an impairment test on the asset to determine if a portion should be expensed to the statement of profit or loss and other comprehensive income.

### **Estimation of useful lives of assets**

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

## **2. SUBSEQUENT EVENTS**

SE Operations Pty Ltd is in the process of being acquired by Skin Elements Limited, which is the process of the commercial launch of the Skin Elements natural and organic skincare technologies by:

- acquiring all of the issued securities of SE Operations Pty Ltd through the issue of 55,000,000 ordinary fully paid shares, 22,500,000 listed options and 22,500,000 unlisted options,
- issuing a minimum 17,500,000 ordinary fully paid shares and 8,750,000 options to raise a minimum \$3,500,000,
- and listing on the Australian Securities Exchange (ASX).

At the date of this report this is still in process and has not yet been completed. On successful completion SE Operations Pty Ltd will become a wholly owned subsidiary of Skin Elements Limited.

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