



Skin Elements Limited **ASX ANNOUNCEMENT**

ASX CODE : SKN

27 February 2017

Skin Elements provides 2016 Half Year Report

Skin Elements Limited provides its half year announcement and report to 31 December 2016.

The past six months represented a period of considerable growth and progress for your company – culminating in our successful IPO and admission to the Official List of Australian Securities Exchange (ASX). The IPO saw the Company successfully raise \$3.7 million in an oversubscribed Offer and formally commence trading on the ASX on 6 January 2017.

From a business perspective, the IPO represented a major milestone and achievement. It resulted in the consolidation of more than 10 years development and experience, and an investment of approximately \$9 million, in the field of natural sun care and skin care products – which now positions Skin Elements as a leader in its field.

It has also provided the Company with the visibility and exposure and afforded by the capital market to allow us to aggressively pursue our objective of becoming the number one recognised national and international sun screen brand.

At the business level, the Company continued to make significant progress during the period, with a focus on developing distribution channels and markets for its lead product, the Soléo sunscreen. Test marketing sales in the health and lifestyles sectors successfully targeted major markets including; Australia, New Zealand, Japan, USA, Hong Kong, Indonesia and in EU countries.

Looking forward, your company is focused on the commercial launch of the Soléo sunscreen. This will involve the large scale manufacture and distribution of the product into targeted retail channels and markets. I am delighted to report that we are well advanced in our plans, and look forward to providing details on the manufacture of Soléo sunscreen as well as its first large scale production order in the very near future.

The Company is also committed to expanding its product range and will focus on the development of its next product, the Elizabeth Jane Natural Cosmetics skincare range. Our goal is to deliver a commercial launch in the medium term, following the establishment of a significant market presence for the Soléo sunscreen. We will also pursue new products for the Soléo sunscreen brand.

In addition, we are poised to commence the roll-out of a comprehensive program to market and promote Skin Elements in the investment community.



Skin Elements Limited **ASX ANNOUNCEMENT**

ASX CODE : SKN

All our efforts are singularly focused on growing the business - and providing market leading all natural skin care products - and delivering value for our shareholders, and I look forward to sharing details of our progress with you in the months ahead.

ENDS

For further information, please contact:

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About Skin Elements

Skin Elements is an ASX-listed skin care company focused on the development of natural and organic skin care products, as an alternative to current chemical-based products. It has developed a portfolio of products which includes its lead product, the Soléo Organics 100% natural and organic sunscreen, and the Elizabeth Jane Natural Cosmetics brand. The Company has completed a highly successful test marketing phase in major international markets for Soléo Organics and has regulatory approval with the USA FDA, TGA and other significant regulators. Skin Elements aims to become the number one recognised national and international sunscreen brand.

Further information is available via the Company website: <http://soleoorganics.com/>

SKIN ELEMENTS LIMITED
Appendix 4D
HALF YEAR REPORT

1. COMPANY DETAILS

Name of Entity	Skin Elements Limited
ABN	90 608 047 794
Reporting Period	Half year ended 31 December 2016
Previous Reporting Period	Half Year Ended 31 December 2015

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

			\$'000
Revenues from ordinary activities	up	27.7% to	138
Profit (Loss) from continuing activities after tax attributable to the owners of Skin Elements Limited	up	754.1% to	(770)
Profit (Loss) for the half year attributable to the owners of Skin Elements Limited	up	754.1% to	(770)

The loss for the six months ended 31 December 2016 for the consolidated entity after income tax amounted to \$(769,588). This includes the one off costs in relation to the listing on ASX.

On 31 December 2016 Skin Elements Limited completed the acquisition of all the securities in SE Operations Pty Ltd (SEO) whereby the existing shareholders exchanged their securities in SEO for the same portion of shares in Skin Elements Limited. This allowed the Group to consolidate over 10 years of development and experience in the field of all natural skincare and facilitate the listing process on the ASX.

A core focus for the Company during the period was the successful completion of the initial public offering (IPO) raising \$3.71 million and admission to the Official List of the Australian Securities Exchange (ASX). Trading on ASX commenced on 6 January 2017. The IPO represents a pivotal juncture in Skin Elements' development timeline, and provides the capital and market presence required for the Company to execute its growth plans.

The Group continues to develop the distribution channels and global markets for its Soleo sunscreen product in Australia and internationally. Test marketing sales during the period included sales into the health and lifestyles sectors in Australia, New Zealand, Japan, United States of America, Hong Kong, Indonesia and European Union.

The financial position of the consolidated entity is very strong with excellent liquidity.

3. NET TANGIBLE ASSETS

	Reporting Period Cents	Previous Period Cents
Net tangible assets per ordinary security	3.5	0.0

4. CONTROL GAINED OVER ENTITIES

Name of entities (or group of entities)*	Skin Elements Limited
Date control gained	31 December 2016
Contribution of such entities to the reporting entity's profit / (loss) from ordinary activities before income tax during the period (where material)	\$(718,566)
Profit / (loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	Nil

* For the purpose of the accounting standards, SE Operations Pty Ltd is considered to be the accounting acquirer and the entity that has continued to exist across the current and comparative periods. Therefore, the results listed above are for the legal parent entity. The results for SE Operations Pty Ltd for the same period were: 31 December 2016 \$(51,022) and \$(90,098) respectively.

LOSS OF CONTROL OVER ENTITIES

The Group did not dispose of any entities during the period.

5. DIVIDENDS

The Group did not declare or pay any dividends during the period.

6. DIVIDEND REINVESTMENT PLAN

Not applicable

7. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable

8. FOREIGN ENTITIES

Not applicable

9. AUDIT QUALIFICATION OR REVIEW

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

ATTACHMENTS

The Interim Report of Skin Elements Limited for the half year ended 31 December 2016 is attached.

SIGNED

Signed



Peter Malone

Executive Chairman

Dated: 27 February 2017



SKIN ELEMENTS LIMITED



ABN 90 608 047 794

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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

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SHARE REGISTRY

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AUDITOR

BDO Audit (WA) Pty Ltd

38 Station Street
Subiaco WA 6008

AUSTRALIAN SECURITIES EXCHANGE LISTING

ASX Code: SKN





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DIRECTORS' REPORT

The Directors present the interim financial report of Skin Elements Limited (the **Company**, **Group** or **SEL**) for the half-year ended 31 December 2016 and the auditor's review report thereon:

DIRECTORS

The Directors of the Company at any time during or since the end of the half year and until the date of this report are noted below.

Mr Peter Malone

Executive Chairman – Appointed: 4 September 2015

Mr Luke Martino

Independent Non-Executive Director – Appointed: 4 September 2015

Mr David Humann

Independent Non-Executive Director – Appointed: 15 August 2016

Mr Robin Armstrong

Independent Non-Executive Director – Appointed: 4 September 2015, resigned 18 August 2016

PRINCIPAL ACTIVITIES

During the half-year ended 31 December 2016, the principal continuing activity of the Group consisted of the development and commercialisation of its proprietary all natural skincare technology.

REVIEW OF OPERATIONS

Acquisition of SE Operations Pty Ltd

During the half-year ended 31 December 2016, the Company completed the process of the share sale agreements whereby the existing shareholders of SE Operations Pty Ltd (formerly Skin Elements Pty Ltd) (**SEO**) exchanged their shares in SEO for the same proportion of shares in the Company. This allowed the Group to consolidate over 10 years of development and experience in the field of all natural skincare and facilitate the listing process on the ASX.

Successful ASX Listing

The core focus for the Company during the half-year ended 31 December 2016 was the undertaking and successful completion of its initial public offering (IPO) and admission to the Official List of the Australian Securities Exchange (ASX). The Company released its prospectus in early 2016 with the IPO raising \$3.71 million and the process culminated with its ASX listing and commencement of trading of shares on ASX on 6 January 2017. The IPO represented a pivotal juncture in Skin Elements' development timeline, and provided the capital and market presence required for the Company to execute its growth plans.

Market developments

The Company continued its development of the distribution channels and global markets for its Soléo Sunscreen product in Australia and internationally. Test marketing sales during the half-year ended 31 December 2016 included sales to the health and lifestyles sectors in Australia, New Zealand, Japan, United States of America, Hong Kong, Indonesia and European Union.

Having successfully completed its IPO and ASX listing, the Company is focused on the rapid execution of the commercial launch of the Soléo Sunscreen into major markets. This will involve an integrated marketing, manufacturing and distribution plan designed to see the Company achieve its stated objective of becoming the number one recognised national and international sun screen brand. The Company anticipates making significant progress in the execution of its business plan in the year ahead and will update the market at regular intervals on material developments.

Product developments

The Groups all natural skincare technology includes the Soléo Sunscreen and Elizabeth Jane Natural Cosmetics (EJNC) skincare range.

As indicated, the Company's immediate focus is on the commercial launch of the Soléo Sunscreen. This will involve the development of the brand extension and increased scale manufacture and distribution of the Soléo Sunscreen product range. It will also focus on the development of the Elizabeth Jane Natural Cosmetics product range, which has 10 separate products within its range, with a view to achieving a market launch in the medium term.

RESULTS

The Company incurred a loss of \$769,588 after income tax for the half-year (2015: loss \$90,098) predominantly due to one off listing costs and additional administration costs connected with the listing process.



ISSUE OF SHARES AND OPTIONS

During the half year, Skin Elements Limited acquired all of the issued capital of SE Operations Pty Ltd (SEO) through the issue of 55,000,000 ordinary shares, 22,500,000 listed options exercisable at \$0.20 each on or before 31 October 2018, and 22,500,000 unlisted options exercisable at \$0.30 each on or before 30 November 2018, with the fair value per share being the IPO price of \$0.20 each.

During the half year and pursuant to the Initial Public Offering (IPO), Skin Elements Limited issued 18,550,000 ordinary shares at an issue price of \$0.20, raising \$3.71 million in cash. Every two shares issued, investors also received one attaching free listed option exercisable at \$0.20 each on or before 31 October 2018.

EVENTS SUBSEQUENT TO REPORTING DATE

There have been no significant events after the end of the reporting period to the date of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the half year not otherwise disclosed in this report and the interim financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2016.

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

Peter Malone
Executive Chairman

Dated at Perth, Western Australia this 27th day of February 2017.

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



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

As lead auditor for the review of Skin Elements Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Skin Elements Limited and the entities it controlled during the period.

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, 27 February 2017

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.

HALF-YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated	
		31 Dec 2016	31 Dec 2015
		\$	\$
Revenue			
Soléo Sunscreen		137,931	107,744
Cost of sales		(65,389)	(78,690)
Gross profit		72,542	29,054
Interest income		525	95
Expenses			
Administration expenses	2	(281,906)	(47,928)
Consultants fees	2	(367,180)	(58,042)
Occupancy expenses		(11,455)	(13,277)
Listing expenses	2	(182,114)	-
Total Expenditure		(842,655)	(119,247)
Profit / (loss) before income tax expense		(769,588)	(90,098)
Income tax expense		-	-
Profit / (Loss) after income tax from continuing operations attributable to equity holders of Skin Elements Limited		(769,588)	(90,098)
Other comprehensive income			
Total comprehensive income for the year		-	-
Profit / (loss) and total comprehensive income attributable to equity holders of Skin Elements Limited	14	(769,588)	(90,098)
Basic loss per share		(0.01379)	(0.00164)
Diluted loss per share		N/A	N/A

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

HALF-YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
		As at 31 Dec 2016	As at 30 June 2016
	Notes	\$	\$
Current Assets			
Cash and cash equivalents	3	3,756,872	8,918
Trade receivables	4	8,507	2,243
Other receivables	5	52,040	49,213
Inventories	7	28,088	89,198
Research and development receivable	6	-	156,008
Total Current Assets		3,845,507	305,580
Non Current Assets			
Intellectual property	8	8,671,782	8,671,782
Total Non Current Assets		8,671,782	8,671,782
Total Assets		12,517,289	8,977,362
Current Liabilities			
Trade and other payables	9	919,092	289,665
Borrowings - related parties	10	374,877	44,611
Total Current Liabilities		1,293,969	334,276
Total Liabilities		1,293,969	334,276
Net Assets		11,223,320	8,643,086
Shareholder's Equity			
Issued capital	11	12,478,994	9,245,988
Reserves	12	116,816	-
Accumulated losses	13	(1,372,490)	(602,902)
Total Shareholder's Equity		11,223,320	8,643,086

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

HALF-YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Consolidated			
	31 December 2016			
	Issued capital	Accumulated losses	Share based payments reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2016	9,245,988	(602,902)	-	8,643,086
Loss for the half-year	-	(769,588)	-	(769,588)
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	-	(769,588)	-	(769,588)
Transactions with owners in their capacity as owners				
Issue of share capital	3,710,001	-	-	3,710,001
Share based payments	(116,816)	-	116,816	-
Share issue costs	(360,179)	-	-	(360,179)
Balance at 31 December 2016	12,478,994	(1,372,490)	116,816	11,223,320
Balance at 1 July 2015	8,861,401	(581,126)	-	8,280,275
Loss for the half-year	-	(90,098)	-	(90,098)
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	-	(90,098)	-	(90,098)
Transactions with owners in their capacity as owners				
Issue of share capital	550,026	-	-	550,026
Share issue costs	(165,439)	-	-	(165,439)
Balance at 31 December 2015	9,245,988	(671,224)	-	8,574,764

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

HALF-YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated	
		31 Dec 2016	31 Dec 2015
		\$	\$
Cash flow from operating activities			
Receipts from customers		131,802	82,945
Payments to suppliers and employees		(547,333)	(352,058)
Interest paid		-	-
Interest received		525	95
Net cash outflow from operating activities	3	(415,006)	(269,018)
Cash flows from investing activities			
Payments for intangibles		-	(118,411)
Research and development tax incentive		156,008	133,935
Net cash inflow from investing activities		156,008	15,524
Cash flow from financing activities			
Proceeds from the issue of equity		3,710,000	545,026
Payment for share issue costs		(33,314)	(154,289)
Proceeds from borrowings		505,742	218,524
Repayment of borrowings		(175,476)	(324,799)
Net cash inflow / (outflow) from financing activities		4,006,952	284,462
Cash and cash equivalents at the beginning of the half year		8,918	19,362
Net increase in cash and cash equivalents		3,747,954	30,968
Cash and cash equivalents at the end of the financial half year	3	3,756,872	50,330

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

HALF-YEAR ENDED 31 DECEMBER 2016

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half yearly report of Skin Elements Limited (the **Company, Group or Skin Elements**) for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of directors on 27 February 2017.

The Company is a public company limited by shares incorporated and domiciled in Australia whose securities are traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the director's report above.

(a) Basis of preparation

The principle accounting policies adopted for the preparation of interim financial report are set out below. These accounting policies have been applied consistently to all periods presented unless otherwise stated.

(i) Statement of compliance

This interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the any public announcements made by Skin Elements Limited up to the date of this report in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

(ii) Basis of measurement and reporting convention

This interim financial report has been prepared on an accruals basis and are based on historical cost. The interim financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

On 23 December 2016 Skin Elements Limited (**SEL**) completed a transaction with the shareholders of SE Operations Pty Ltd (**SEO**) to acquire 100% of the share capital of SEO in exchange for 55,000,000 shares, 27,500,000 listed options and 27,500,000 unlisted options. In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as SEL was established for the sole purpose of facilitating the listing process and to acquire SEO by way of an equity swap. The shareholders of SEO received the same proportion of equity instruments in SEL.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Basis of measurement and reporting convention (continued)

Consequently, this interim report presents the results of SEO for the period from 1 July 2015 to 31 December 2015 and of the consolidated Group for the period from 1 July 2016 to 31 December 2016.

The comparative financial information included in the Company's financial statements is that of SE Operations Pty Ltd, not the Company. However, the capital structure of the legal acquirer, the Company, is adopted in the interim financial report.

The accounting policies adopted are consistent with the accounting policies adopted in the Company's last annual financial statements for year ended 30 June 2016.

(b) Segment Information

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used for the comparative period. Operating segments are reported in a uniform manner to which is internally provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

An operating segment is a component of the group that engages in business activity from which it may earn revenues or incur expenditure, including those that relate to transactions with other group components. Each operating segment's results are reviewed regularly by the Board to make decisions about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

The Board monitors the operations of the Company based on two segments, operational and corporate. The financial results of each segments are reported to the board to assess the performance of the Group.

The Board has determined that strategic decision making is facilitated by evaluation of the operations of the legal parent and subsidiary which represent the operational performance of the group's revenues and the research and development activities as well as the finance, treasury, compliance and funding elements of the Group.

(c) Estimates and judgements

The preparation of the interim financial report requires the use of accounting estimates and judgements which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involve a degree of judgement or complexity in preparing the interim financial report. Facts and circumstances may come to light after the event which may have significantly varied the assessment used which result in a materially different value being recorded at the time of preparing these interim financial report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Estimates and judgements (continued)

(i) Impairment of assets

The Company assesses the impairment of assets at each reporting date by evaluating conditions specific to the asset that may lead to impairment. The assessment of impairment is based on the best estimate of future cash flows available at the time of preparing the report. However, facts and circumstances may come to light in later periods which may change this assessment if these facts had been known at the time.

(ii) Deferred taxes

Deferred tax assets have not been brought to account as it is not considered probable that the Company will make taxable profits over the next 12 months. The Company will make a further assessment at the next reporting period.

(d) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured 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 deconsolidated from the date that control ceases.

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

(e) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, 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 and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(f) New accounting standards and interpretations that are not yet mandatory

The following new standards and amendments to standards are applicable to the Company and are mandatory for the first time for the financial year beginning 1 July 2017 and beyond. None of the standards and interpretations have affected any of the amounts recognised in the current half year or any prior half year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) New accounting standards and interpretations that are not yet mandatory (continued)

The following new standards and amendments to standards are applicable to the Company and are mandatory for the first time for the financial year beginning 1 July 2017 and beyond. None of the standards and interpretations have affected any of the amounts recognised in the current period or any prior period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They have not been applied in preparing the interim financial report.

Title and Reference	Nature of Change	Application date for entity
AASB 9 Financial Instruments AASB 9	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The entity has not yet made an assessment of the impact of these amendments.	1 July 2017
AASB 15 Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. The entity is yet to undertake a full analysis of the impact of this standard at this stage.	1 July 2018
AASB 16 (issued February 2016) Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117. The entity has not yet made a detailed assessment of the impact of this standard at this stage.	1 Jan 2019

Consolidated	
As at 31 Dec 2016	As at 31 Dec 2015
\$	\$

PROFIT OR LOSS ITEMS

2. LOSS FOR THE HALF YEAR

Loss for the half year included the following items:

(a) Listing costs ⁽ⁱ⁾

Costs of ASX listing

182,114	-
182,114	-

(i) The Company incurred costs to list on the ASX over the last 18 months, these costs include professional fees in preparing the prospectus and additional expenditure in connection with this process. These represent one off costs and will not be incurred in the future.

(b) Administration expenses

Advertising expenses

Accounting expenses

Audit expenses

Legal expenses

Travel expenses

Other expenses

11,225	17,175
50,953	16,594
22,332	-
119,694	1,872
23,746	7,064
53,956	5,223
281,906	47,928

(c) Consulting fees

Related party consulting fees ⁽ⁱ⁾

External consulting fees

108,998	58,042
258,182	-
367,180	58,042

(i) The Company engages the executives under consulting agreements to provide their services. A description of the services and the amounts paid or payable are listed in note 16.

3. CASH

Cash at bank
Balance per statement cash flows

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$
3,756,872	8,918
3,756,872	8,918

(a) Reconciliation of loss after income tax to net cash flows from operating activities

Loss for the half year
Non-cash items
Increase in traded receivables
Increase in other receivables
Decrease in inventories
Increase / (decrease) in trade and other payables
Net cash outflow from operating activities

Consolidated	
31 Dec 2016	31 Dec 2015
\$	\$
(769,588)	(90,098)
-	-
(6,264)	(24,799)
(8,876)	(165,085)
61,110	31,517
308,612	(20,553)
(415,006)	(269,018)

(b) Non-cash financing and investing activities

(i) Issue of Shares and Options to Facilitators

The Company issued 2,000,000 Listed options to facilitators that assisted in the ASX listing process. The total value attributed to the options was \$116,816 (refer note 12).

4. TRADE RECEIVABLES

Trade receivables

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$
8,507	2,243
8,507	2,243

(a) Classification of trade and other receivables

Trade debtors are amounts due from customers for sale of goods in the ordinary course of business. The trade receivables are generally due for settlement within 30 days and therefore are classified as current. The group does not currently have any provision for doubtful debts in respect to their receivables as at 31 December 2016 (30 June: Nil). Due to the short term nature of the current receivables, their carrying amounts approximate their fair value.

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$

5. OTHER RECEIVABLES

GST receivable (net)	51,786	-
ABN Withholding	254	-
Other receivable	-	49,213
	52,040	49,213

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$

6. RESEARCH AND DEVELOPMENT TAX INCENTIVE

Research and development receivable	-	156,008
	-	156,008

The Group continued its development program during the year ended 30 June 2016 resulting in a claim for research and development tax incentive which was subsequently received after the year end. The Group will continue to develop its all natural skincare technology during 2017 and assess the availability of applicable government assistance.

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$

7. INVENTORY

Finished goods	28,088	89,198
	28,088	89,198

Movements in inventory		
Opening balance	89,198	32,262
Inventory purchased	-	114,867
Inventory transferred to costs of sales ⁽ⁱ⁾	(61,110)	(57,931)
Inventory written off	-	-
Closing balance	28,088	89,198

(i) Cost of sales includes this amount in addition to freight and distribution costs.

8. INTELLECTUAL PROPERTY

Soléo Sunscreen
Elizabeth Jane Natural Cosmetics

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$

6,457,529	6,457,529
2,214,253	2,214,253
8,671,782	8,671,782

Movements in Soléo Sunscreen
Opening balance
Development cost additions
Less: R&D tax incentives
Less: Write-off or impairments
Less: Amortisation
Closing balance

6,457,529	6,266,552
-	346,985
-	(156,008)
-	-
-	-
6,457,529	6,457,529

Movements in Elizabeth Jane Natural Cosmetics
Opening balance
Development cost additions
Less: R&D tax incentives
Less: Write-off or impairments
Less: Amortisation
Closing balance

2,214,253	2,214,253
-	-
-	-
-	-
-	-
2,214,253	2,214,253

9. TRADE PAYABLES

Trade creditors
Other creditors

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$

478,788	289,665
440,304	-
919,092	289,665

(a) Fair value of trade payables

Trade payables are unsecured and are usually paid within 60 days of recognition.

The carrying amount of trade and other payables are assumed to be the same as their fair values, due to their short term nature.

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$

10. BORROWINGS

Loans - related parties	374,877	44,611
	374,877	44,611

Movements in related party loans

Opening balance	44,611	302,777
Amounts borrowed	505,742	-
Amounts repaid	(175,476)	(258,166)
Closing balance	374,877	44,611

(i) Terms of the borrowings

The operating company and the Company obtained working capital funding from the executives of the Company to allow the group to continue operating and pay its debts as and when they fell due. The loan is provided on the following terms:

Particulars	Terms
Principal	No fixed amount, funding provided when needed.
Interest rate	0%
Period	No fixed term.
Repayment	On commencement of listing, at the Company's discretion and subject to available funds.
Security	The borrowing is unsecured and there are no covenants in place for the loan.

11. ISSUED CAPITAL

	As at 31 Dec 2016	As at 30 Jun 2016	As at 31 Dec 2016	As at 30 Jun 2016
	Shares No.	Share No.	\$	\$
(i) Share Capital				
Ordinary Shares	73,550,001	1	12,478,994	9,245,988

(ii) Movement in share capital

Date	Details	Number of shares	\$
1 July 2016	Opening balance ⁽ⁱ⁾	1	9,245,989
23 December 2016	Issue of shares – acquisition of subsidiary ⁽ⁱⁱ⁾	55,000,000	-
23 December 2016	Issue of shares – IPO	18,550,000	3,710,000
	Less: transaction costs ⁽ⁱⁱⁱ⁾		(476,995)
	Deferred tax recognised in equity		-
		73,550,001	12,478,994

(i) The application of continuation accounting for the acquisition and consolidation of SE Operations Pty Ltd required the disclosure of the value of SE Operations Pty Ltd shares on issue as at 30 June 2016 as a comparative.

(ii) Acquisition - refer to note 19 for further commentary on the transaction.

(iii) Refer to note 12 for non-cash movement in transactions costs.

12. RESERVES

Share based payment reserve

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$
116,816	-
116,816	-

(i) Options

	As at 31 Dec 2016	As at 30 jun 2016	As at 31 Dec 2016	As at 30 Jun 2016
	Options No.	Options No.	\$	\$
Options	2,000,000	-	116,816	-

Date	Details	Number of Options	\$
23 December 2016	Opening balance	-	-
	Issue of options – consultants	2,000,000	116,816
	Closing balance	2,000,000	116,816

(ii) Fair value of options granted to consultants

The Company was unable to obtain a fair value for the services of the consultant as this was not prescribed in the contract between the parties. The Company has therefore used a valuation technique to value the options. The Company fair valued the options using the Black Scholes Option Pricing Model at \$0.05841 per option using the inputs below:

Particulars	Terms
Consideration	Nil
Exercise price	\$0.20
Grant date	23 December 2016
Expiry date	31 October 2018
Share price	\$0.20
Expected volatility	40% (comparable company data used)
Dividend yield	0%
Risk free rate	1.89%

13. ACCUMULATED LOSSES

Opening balance
Loss for the period / year
Closing balance

Consolidated	
As at 31 Dec 2016	As at 30 June 2016
\$	\$
602,902	581,124
769,588	21,778
1,372,490	602,902

14. EARNINGS PER SHARE

Loss attributable to ordinary shareholders

Weighted average number of ordinary shares ⁽ⁱ⁾

Balance before transaction

Effect of shares issued for the acquisition
(55,000,000 shares) ⁽ⁱⁱ⁾

Effect of shares issued for the IPO
(18,550,000 shares * (8 / 184 days))

31 Dec 2016	31 Dec 2015
\$	\$
(769,588)	(90,098)
1	1
55,000,000	55,000,000
806,522	-
55,806,523	55,000,001

Basic loss per share calculation
(6mths loss / weighted ave shares)

(0.01379) (0.00164)

(i) Includes the effect of the transaction (under continuation accounting) for the purpose of the comparative earnings per share calculation.

(ii) The share capital of SE Operations Pty Ltd (SEO) as at 31 December 2015 was 220 million shares on issue which the shareholders subsequently swapped on the basis of four SEO shares for every one share in Skin Elements Limited.

	Operations	Corporate & Administration	Company
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15. SEGMENT REPORTING

Half Year ended 31 December 2016			
Segment Revenue	137,931	-	137,931
Significant items			
Interest income	-	525	525
Consultants fees	(108,998)	(258,182)	(367,180)
Listing fees	-	(182,114)	(182,114)
Segment net operating loss after tax	(51,022)	(718,566)	(769,588)
Half Year ended 31 December 2015			
Segment Revenue	107,744	-	107,744
Significant items			
Interest Income	95	-	95
Consultants fees	(58,042)	-	(58,042)
Segment net operating loss after tax	(90,098)	-	(90,098)
Segment assets			
At 31 December 2016	3,791,507	8,725,782	12,517,289
At 30 June 2016	8,977,363	-	8,977,363
Segment liabilities			
At 31 December 2016	(1,160,251)	(133,718)	(1,293,696)
At 30 June 2016	(334,276)	-	(334,276)

16. RELATED PARTY TRANSACTIONS

The Group may enter into agreements for services rendered with individuals (or an entity that is associated with the individuals) during the ordinary course of business.

A number of entities associated with the directors and select technical staff have consulting agreement in place which has resulted in transactions between the Group and those entities during the period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

		Transaction Value		Outstanding Balance	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
		\$	\$	\$	\$
Director	Transaction				
Peter Malone	Executive services ⁽ⁱ⁾	49,544	49,544	40,318	91,496
	IPO placement fee ⁽ⁱⁱ⁾	28,926	-	28,926	-
Luke Martino	Corporate advisory services ⁽ⁱⁱⁱ⁾	168,907	-	168,907	-
	IPO placement fee ⁽ⁱⁱⁱ⁾	1,650	-	1,650	-

(i) A company associated with Mr Malone, Boston Corporate Pty Ltd, provides consulting services in connection with the operations of the Company.

(ii) A company of which Mr Malone is a Director, Empire Services Pty Ltd, provided IPO services in relation to assisting with placements during the IPO process.

(iii) A company associated with Mr Martino, Indian Ocean Advisory Group, to which Mr Martino is one of the directors, provided professional accounting and IPO corporate advisory services during the half year. LJM Corporate Capital Pty Ltd, a company associated with Mr Martino received a placement fee of \$1,650.

		Transaction Value		Outstanding Balance	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
		\$	\$	\$	\$
Technical personnel	Transaction				
Craig Piercy	Consultancy services ^(iv)	29,727	29,727	24,711	56,078
	Office facilities ^(iv)	11,455	11,455	4,200	2,100
	IPO placement fee ^(v)	17,357	-	17,357	-
Leo Fung	Consultancy services ^(vi)	29,727	29,727	28,237	59,429

(iv) A company of which Mr Piercy is a Director, Boston Corporate Pty Ltd, provides consulting services in connection with the operations of the Company in addition to provision of office facilities to the Company.

(v) A company of which Mr Piercy is a Director, Equities Services Pty Ltd, provided IPO services in relation to assisting with placements during the IPO process.

(vi) A company, Essential Properties Pty Ltd, provides consulting services of Mr Fung in connection with the operations of the Company.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

The Group also obtained funding from entities and associates of three executives of the Company during the half year:

	Consolidated	
	As at 31 Dec 2016	As at 30 June 2016
	\$	\$
Borrowings		
Loans – related parties	374,877	44,611
	374,877	44,611

Refer overleaf for the movements table.

	Consolidated	
	As at 31 Dec 2016	As at 30 June 2016
	\$	\$
Movements in related party loans		
Opening balance	44,611	302,777
Amounts borrowed	505,742	-
Amounts repaid	(175,476)	(258,166)
Closing balance	374,877	44,611

For the terms and conditions, refer to note 10 above.

In addition to the transactions above, the Company also entered into a share sale agreement with shareholders of SE Operations Pty Ltd (SEO) to swap their securities for securities in Skin Elements Limited (SEL). This included certain related parties or associated entities and the details are listed below.

Director / Technical personnel	No. of shares in SEO	No. of options in SEO	No. of shares in SEL	No. of Listed Options in SEL ⁽ⁱ⁾	No. of Unlisted Options in SEL ⁽ⁱⁱ⁾
Peter Malone	40,523,123	20,261,561	10,130,781	5,065,390	5,065,390
Luke Martino	5,000,000	2,500,000	1,250,000	625,000	625,000
Craig Piercy	18,181,310	9,090,655	4,545,328	2,272,664	2,272,664

(i) Listed options exercisable at \$0.20 each on or before 31 October 2018.

(ii) Unlisted options exercisable at \$0.30 each on or before 30 November 2018.

These shares and options in SEL are subject to a two year escrow period.

17. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities as at 31 December 2016.

18. SUBSEQUENT EVENTS

There have been no significant events after the end of the reporting period to the date of this report.

19. ACQUISITION

During the half year, Skin Elements Limited (SEL) which was established in September 2015 entered into a Share Sale Agreement whereby the existing shareholders of SE Operations Pty Ltd (SEO) exchanged their shares in SEO for shares in SEL. The result of the transaction was that the original holders of the shares in SEO received the same proportion of shares in SEL. The acquisition does not fall within the provisions of AASB 3 and therefore the Company has applied continuation accounting in the preparation of the financial statements.

The total number of shares issued to the shareholders of SEO was 55,000,000 ordinary shares, 22,500,000 listed options exercisable at \$0.20 each on or before 31 October 2018, and 22,500,000 unlisted options exercisable at \$0.30 each on or before 30 November 2018, with the fair value per share being the IPO price of \$0.20 each.

DIRECTORS' DECLARATION

In the opinion of the directors of Skin Elements Limited:

- (a) the consolidated financial statements and notes set out on pages 6 to 25 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Peter Malone
Executive Chairman

Dated at Perth, Western Australia this 27th day of February 2017.

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Skin Elements Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Skin Elements Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Skin Elements Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, 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 review report.

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.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Skin Elements Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Wayne Basford', with a stylized flourish underneath.

Wayne Basford

Director

Perth, 27 February 2017

