



# Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

29 September 2017

## 2017 Annual Report – Building a Leading International Skin Care Business

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Annual Report for the year ending 30 June 2017.

The year represented a period of transformation and growth for Skin Elements – highlighted by its successful ASX listing and the acquisition of leading Australian skin care company, McArthur Skincare.

The Company is committed to becoming a recognised leading national and international skin care company, and with the foundations laid in the 2017 year it is extremely well positioned to achieve its objective.

### Business Highlights of Skin Elements' 2017 Financial Year

- **IPO and ASX listing:** The Company completed a highly successful \$3.71 million Initial Public Offer and ASX listing in January 2017. The ASX listing provides the market visibility and access to capital markets required to help facilitate the execution of Skin Elements' growth plans for its range of natural and organic skin care products.
- **Strong revenue growth:** Revenues from all product sales grew by 72.85% compared to the previous year – with revenues of \$310,753 reported in 2017. Sales for the core Soléo Organics 100% natural and organic sunscreen were generated in a number of major markets including Japan, Slovenia, Hong Kong and Australia, and in the US, via online retailer Amazon.
- **McArthur Skincare – a major value accretive acquisition:** The Company completed the \$1 million acquisition of McArthur Skincare in May 2017. It is an established 100% Australian owned and operated business with a range of pawpaw-based therapeutic skincare products - with sales of approximately \$23 million since inception in 2010. The acquisition is in line with Skin Elements' natural and organic skin care-focused business model, and consistent with its dual-focus growth strategy – to grow via the organic growth of the core product range and also by complementary acquisitions.
- **Preferred Manufacturing Partner appointed – Production continues to ramp up:** Baxter Laboratories Pty Ltd was appointed as Skin Elements' preferred Manufacturing Partner. Baxter is a leading Australian TGA-licensed laboratory facility with a strong track record in providing end-to-end manufacturing, packaging and distribution services. Baxter has delivered its first major production, of 10,000 tubes of Soléo Organics sunscreen with 40,000 tubes to follow – and is well placed to meet increased production requirements as demand grows.

### Outlook

In the year ahead, Skin Elements' core focus will be on the commercial expansion of the Soléo Organics sunscreen and the McArthur pawpaw-based skincare ranges. This will include targeted sales growth in existing markets and expansion into other key global markets. It will also involve the development of brand extension products in line with the Company's philosophy to deliver innovative natural and organic skincare products.



## Skin Elements Limited **ASX ANNOUNCEMENT**

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Skin Elements will also focus on the development and launch of the Elizabeth Jane Natural Cosmetic skincare range. The Elizabeth Jane product range has 10 separate products in its range, and the Company plans to commercially launch the product range in the medium term.

Skin Elements is delighted with the achievements and performance of the business in 2017, and believes that it is well positioned to pursue and achieve its growth objectives. The Company would like to thank shareholders for their support and looks forward to sharing news of its progress in the year 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 a portfolio of products which includes its lead product, the Soléo Organics 100% natural and organic sunscreen, the Elizabeth Jane Natural Cosmetics brand, and the natural pawpaw based McArthur Skincare range. 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

**ABN 90 608 047 794**

## **ANNUAL REPORT**

**For the year ended 30 June 2017**



## ***CORPORATE DIRECTORY***

### ***DIRECTORS***

Peter Malone (Executive Chairman)  
Luke Martino (Non-executive Director)  
David Humann (Non-executive Director)

### ***COMPANY SECRETARY***

Craig Piercy

### ***REGISTERED OFFICE***

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West Perth WA 6005  
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Email: [craig@senatural.com](mailto:craig@senatural.com)  
Web: [www.soleoorganics.com](http://www.soleoorganics.com)

### ***PRINCIPAL PLACES OF BUSINESS***

32 Ord Street  
West Perth WA 6005

### ***BANKERS***

ANZ (Australia and New Zealand Banking Group Limited)  
1275 Hay Street  
West Perth WA 6005

### ***SECURITIES EXCHANGE LISTING***

ASX Limited  
20 Bridge Street Sydney NSW 2000, Australia  
ASX Code: SKN

### ***SHARE REGISTRY***

Link Market Services Limited  
Level 4 Central Park  
152 St Georges Terrace  
PERTH WA 6000  
Telephone (within Australia) : 1300 554 474  
Telephone (outside Australia): +61 1300 554 474  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### ***AUDITORS***

BDO Audit (WA) Pty Ltd  
38 Station Street SUBIACO WA 6000, Australia

### ***SOLICITORS***

DLA Piper Australia  
Level 31, Central Park  
152-158 St Georges Tce  
PERTH WA 6000

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## DIRECTORS' REPORT

Your directors submit the annual report of the consolidated entity consisting of Skin Elements Limited (the **Company, Group or SEL**) and the entity it controlled during the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

### DIRECTORS

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

**Mr Peter Francis Malone** B.Arch MBA

*Executive Chairman – Appointed: 4 September 2015*

Mr Malone has over 30 years experience as Chief Executive Officer (CEO) of technology programs and listed companies. He has been the CEO of the Skin Elements program since inception in 2005.

Mr Malone holds an interest in the following securities in the Company:

Number of fully paid ordinary shares	Listed Options over ordinary shares Exercisable at \$0.20 on or before 31 Oct 2019	Unlisted Options over ordinary shares Exercisable at \$0.30 on or before 30 Nov 2019
10,130,781	5,065,390	5,065,390

**Mr Luke John Martino** B.Com FCA FAICD

*Independent Non-Executive Director – Appointed: 4 September 2015*

*Member of the Audit Committee, Remuneration Committee and Nomination Committee*

Mr Martino has over 20 years senior leadership experience in major Australian accounting firms. 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 former non-executive director of NuEnergy Capital Limited and South Pacific Resources Limited (Canadian listed public company), former non-executive Chairman of Central Asia Resources Limited (ASX: CVR), and former Company Secretary of Blackgold International Holdings Limited (ASX: BGG).

Mr Martino holds an interest in the following securities in the Company:

Number of fully paid ordinary shares	Listed Options over ordinary shares Exercisable at \$0.20 on or before 31 Oct 2019	Unlisted Options over ordinary shares Exercisable at \$0.30 on or before 30 Nov 2019
1,250,000	625,000	625,000

**Mr David James Humann** FCA FCPA FAICD

*Independent Non-Executive Director – Appointed: 15 August 2016*

*Chairman of the Audit Committee, Remuneration Committee and Nomination Committee*

Mr Humann has over 40 years experience working extensively in Price Waterhouse (now PWC) including as a member of the PWC World Board and Global Executive Committee and managing partner Asia pacific region.

He is the Chairman of Mincor Resources NL, a director of Exxaro Australian Iron Pty Ltd and a director of Future Directions International Pty Ltd.

Mr Humann holds an interest in the following securities in the Company:

Number of fully paid ordinary shares	Listed Options over ordinary shares Exercisable at \$0.20 on or before 31 Oct 2019	Unlisted Options over ordinary shares Exercisable at \$0.30 on or before 30 Nov 2019
30,000	15,000	-

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS (CONT'D)

#### Mr Robin Armstrong

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

Mr Armstrong has over 30 years experience in finance and corporate services and has served as executive and nonexecutive director on numerous Australian and international public companies.

#### Mr Craig Leslie Piercy BBus CA

*Company Secretary – Appointed: 4 September 2017*

Mr Piercy has over 20 years' experience in corporate accounting, finance and compliance. He has been the Company Secretary and CFO of the Skin Elements program since inception in 2005.

Mr Piercy holds interest in the following securities in the Company:

Number of fully paid ordinary shares	Listed Options over ordinary shares Exercisable at \$0.20 on or before 31 Oct 2019	Unlisted Options over ordinary shares Exercisable at \$0.30 on or before 30 Nov 2019
4,570,325	2,285,162	2,285,162

### PRINCIPAL ACTIVITIES

During the year ended 30 June 2017, the principal continuing activity of the Group consisted of the development and commercialisation of its proprietary all natural skincare technology.

### REVIEW OF OPERATIONS

The 2017 financial year highlights for Skin Elements Limited (SKN) include:

- Acquisition of all the issued share capital in SE Operations Pty Ltd (formerly Skin Elements Pty Ltd) (SEO)
- Successful completion of \$3.71 million Initial Public Offer (IPO) and ASX listing in January 2017 (Code: SKN).
- Appointment of Baxter Laboratories Pty Ltd as Preferred Manufacturing Partner
- Acquisition of McArthur Skincare

#### Acquisition of SE Operations Pty Ltd

During the year ended 30 June 2017, 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 year ended 30 June 2017 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.

#### Preferred Manufacturing Partner

Leading Australian TGA-licensed laboratory facility, Baxter Laboratories Pty Ltd, was appointed preferred Manufacturing Partner for the Company's natural and organic skin care product range, and delivered a scale production run in the June quarter, of 10,000 tubes of the Soléo Organics sunscreen with a further 20,000 tubes in process and a further 20,000 to follow, to meet orders from expanding Australian and international markets. Baxter's ability to deliver an efficient end-to-end manufacturing service is of major importance and benefit to Skin Elements as it seeks to accelerate sales growth.

## **DIRECTORS' REPORT (CONTINUED)**

### **REVIEW OF OPERATIONS (CONT'D)**

#### **Acquisition of McArthur Skincare**

The Company's \$0.95 million acquisition (\$400,000 cash consideration and 3,000,000 ordinary fully paid shares to the value of \$550,000) of the McArthur Skincare business, completed on 5 May 2017, represented a highly complementary and value accretive acquisition in line with its natural and organic skin care-focused business model.

McArthur Skincare is an established 100% Australian owned and operated business which has generated total sales of approximately \$23 million since 2010. The acquisition will leverage Skin Elements into a natural Skincare business of increased range, scale and size.

With the acquisition complete, Skin Elements has assumed full control of the business assets, including the product range, and business operations of McArthur Skincare. This includes all revenue from sale of McArthur Skincare products and the responsibility for the manufacture of products and operational expenses.

#### **Market developments**

The Company continued its development of the distribution channels and global markets for its Soléo Organics sunscreen product in Australia and internationally. Test marketing sales during the year ended 30 June 2017 included 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 Organics 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 Organics sunscreen, Elizabeth Jane Natural Cosmetics (EJNC) skincare range, and the McArthur pawpaw based therapeutic skincare range. The Groups development philosophy will continue to focus on the delivery of innovative natural and organic skincare products.

As indicated, the Company's immediate focus is on the commercial expansion of the Soléo Organics sunscreen and McArthur pawpaw based skincare. This will involve the development of the brand extension and increased scale manufacture and distribution of the Soléo Organics and McArthur product ranges. 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**

#### **Results for the Year**

The Company incurred a loss of \$1,619,082 after income tax for the year (2016: loss \$21,777).

Skin Elements delivered strong progress in the sales and distribution of its Soleo Organics product range during the year. Revenues from all product sales for the year ending 30 June 2017 were \$310,753, an increase of 72.85% on the corresponding figure for the previous year. Sales for the Soléo Organics sunscreen included Japan, Slovenia, Hong Kong and Australia, and in the US, via online retailer Amazon - and the Company will continue to work to expand its sales and distribution footprint for its entire product range in the year ahead.

It is noted that the Company's financial position for the year was impacted by significant one-off expenses associated with its IPO and ASX listing, and the acquisition of the McArthur Skincare business. In addition, the Company has integrated key McArthur Skincare personnel into the business and has also expanded its corporate and operational head office in West Perth to provide an enhanced corporate environment for its growing team. With these expenses now accounted for and with the integration of the McArthur Skincare business nearing completion, the Company is well positioned to deliver strong growth in the year ahead.



## **DIRECTORS' REPORT (CONTINUED)**

### **RESULTS (CONT'D)**

The 2017 results include cash expenses of \$1,595,066 (an increase from \$140,253 in 2016) as a result of the increased activities including \$517,960 costs of corporate structuring, \$140,833 compliance costs including accounting, audit and share registry costs, \$196,993 associated with the listing on ASX, and \$738,577 operational costs.

Non-cash expenses include an amount for amortisation of the Soléo Organics and McArthur intangibles of \$141,619

### **Financial position**

The Group made a change to its legal structure during the year as part of the listing. This change resulted in the Group commencing on 23 December 2016 as SEL completed the acquisition of SEO in a share sale agreement. The prior period values represent SEO assets and liabilities. The basis for preparing the financial statements using this accounting methodology has been included in note 1 in the notes to the annual report.

The Company financial statements show the following key movements in the group's assets and liabilities over the two periods:

- Increase in cash assets by \$1.398m to \$1.407m (2016: \$0.009m);
- Increase in trade receivables by \$0.047m to \$0.048m (2016: \$0.001m);
- Increase in trade and other payables by \$0.448m to \$0.738m (2016: \$0.290m);
- Increase in other receivables by \$0.117m to \$0.322m (2016: \$0.205m);
- Increase in non-current assets by \$0.838 to \$9.510m (2016: \$8.672m);

At 30 June 2017 the Consolidated Group had a working capital position of \$1.34m (2016: \$(0.029)m).

### **DIVIDENDS**

During the financial year the Company did not pay a dividend (2016: nil).

### **RISK MANAGEMENT**

The Board of Directors takes a pro-active approach to risk management. The Board is ultimately responsible for ensuring that risks and also opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has established an Audit & Risk Committee that operates under a charter approved by the Board. The purpose of the Audit & Risk Committee is to assist the Board in fulfilling its corporate governance, oversight, risk management and compliance practices responsibilities.

### **ENVIRONMENT REGULATIONS**

The Group's operations are not regulated by any environment regulations including the National Greenhouse and Energy Reporting Act 2007.

### **ISSUE OF SHARES AND OPTIONS**

During the 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.

## **DIRECTORS' REPORT (CONTINUED)**

### **ISSUE OF SHARES AND OPTIONS (cont'd)**

During the 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.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

The significant changes in the state of affairs of the Company during the year are:

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 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. A further 2,000,000 options exercisable at \$0.20 each on or before 31 October 2018 were issued to Facilitators in connection with the IPO.

During the year the Group acquired the business of McArthur Skincare for consideration of \$400,000 cash and 3,000,000 ordinary fully paid shares issued by the Company to Tom McArthur Pty Ltd. A further \$222,716 is to be paid for inventories subject to the sale of those inventories at fair value.

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

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Likely developments in the operations, business strategies and prospects of the Group include:

Continued expansion of the Groups' natural skincare products offering including developing additional products in established brands Soleo Organics suncare and McArthur pawpaw based therapeutic skincare, launch of its Elizabeth Jane Natural Cosmetics (EJNC) organic skincare range, and acquiring or developing additional brands in the natural and organic skincare space.

Growth in sales revenue of these products through development and support of existing wholesale and distributor sales networks, development and management of online and social media programs, and expansion from Australia into international markets.

Raising further working capital by equity placement as required to fund the Group's business strategies.

More information on these are set out in the Review of Activities on pages 4 to 5.

The Company has commenced the process of developing its operation business plans and forecasting results however it is too early in the process to present this information with any degree of certainty.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT

This report outlines the remuneration arrangements in place for the key management personnel of Skin Elements Limited (the “Company” or “Group” or individually “SEL”) for the financial year ended 30 June 2017 and SE Operations Pty Ltd (“SEO”) for the year ended 30 June 2016. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel (“KMP”) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

No remuneration consultants were used during the year.

The following table shows the gross revenue, profits/losses and share price of the Group at the end of the respective financial years.

	Consolidated 30 June 2017*	SEO 30 June 2016
Revenue from continuing operations	\$310,753	\$179,782
Net profit/(loss)	(\$1,619,082)	\$(21,777)
Share price	\$0.16	\$N/A

\* This year has been impacted by the costs associated with the listing of SEL on ASX.

### Key Management Personnel

#### 2017

##### (i) Directors

Peter Malone	Executive Chairman	appointed 4 September 2015
Luke Martino	Non-Executive Director	appointed 4 September 2015
David Humann	Non-Executive Director	appointed 15 August 2016
Robin Armstrong	Non-Executive Director	appointed 4 September 2015, resigned 18 August 2016

##### (ii) Executives

Craig Piercy	Chief Financial Officer	appointed 1 January 2017
	Company Secretary	appointed 4 September 2015
Leo Fung	Chief Technical Advisor	appointed SEL 1 January 2017

#### 2016

##### (i) Directors

Peter Malone	Executive Chairman	appointed March 2005
Luke Martino	Non-Executive Director	appointed 4 September 2015
Robin Armstrong	Non-Executive Director	appointed 4 September 2015, resigned 18 August 2016

##### (ii) Executives

Craig Piercy	Company Secretary	appointed SEO March 2005
Leo Fung	Chief Technical Advisor	appointed SEO March 2005

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (CONT'D)

#### Remuneration Philosophy

The Board of Directors has established a Nomination and Remuneration Committee. The Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities, however, ultimate responsibility for the Company's nomination and remuneration practices remains with the Board. The main functions and responsibilities of the Committee include the following:

- assisting the Board in examining the selection and appointment practices of the Company;
- ensuring remuneration arrangements are equitable and transparent and enable the Company to attract and retain executives and directors (executive and non-executive) who will create sustainable value for members and other stakeholders;
- ensuring the Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- reviewing Board succession plans and Board renewal;
- reviewing the processes for evaluating the performance of the Board, its committees and individual directors and ensuring that a fair and responsible reward is provided to executives and directors having regard to their performance evaluation;
- reviewing levels of diversity within the Company and Board and reporting on achievements pursuant to any diversity policy developed by the Board;
- reviewing the Company's remuneration, recruitment, retention and termination policies for the Board and senior executives; and
- complying with all relevant legislation and regulations including the ASX Listing Rules and *Corporations Act 2001* (Cth).

The Group's policy for determining the nature and amount of remuneration of board members and senior executives is as follows:

#### (i) Non-Executive Directors

The remuneration of non-executive Directors will be determined by the Board having regard to the Remuneration Committee's recommendations and evaluation of each individual director's contribution to the Board.

The maximum aggregate annual remuneration of non-executive directors is subject to approval by the shareholders in general meeting in accordance with the Company's Constitution, the ASX Listing Rules and the *Corporations Act 2001* (Cth). The current maximum aggregate remuneration amount to non-executive directors approved by shareholders under the Constitution is \$500,000 per year. The directors have resolved that fees payable to non-executive directors for Board activities are \$60,000 per year with an additional fee of \$20,000 per year payable to the Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee.

#### (ii) Key management personnel

The Company's remuneration policy reflects the Company's obligation to align executive remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the Company. In particular, reward should reflect the competitive global market in which the Company operates, individual reward should be linked to performance criteria, and should reward both financial and non-financial performance of the Director.

The Board of Directors and the Nomination & Remuneration Committee are in the process of assessing and implementing the Company's executive reward framework to ensure reward for performance is competitive and appropriate for the results delivered.

For the year ended 30 June 2017 no performance based remuneration has been determined or implemented. All executive remuneration is set at base level fixed amounts at commensurate market rates or lower.

The relative proportions of executive remuneration that is fixed or at risk is outlined below. The Company does not currently have any remuneration that is linked to performance.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (CONT'D)

#### (ii) Key management personnel (cont'd)

	Fixed Remuneration		At risk - STI	
	2017	2016	2017	2016
<b>Directors of SEL</b>				
Peter Malone (appointed 4 September 2015)	100%	100%	-	-
Luke Martino (appointed 4 September 2015)	100%	100%	-	-
David Humann (appointed 15 August 2016)	100%	-	-	-
Robin Armstrong (appointed 4 September 2015 – resigned 18 August 2016)	100%	100%	-	-
<b>Executives of SEL</b>				
Craig Piercy	100%	100%	-	-
Leo Fung	100%	100%	-	-

#### Service agreements

Remuneration and terms of employment for other key management personnel are formalised in consultancy and employment agreements. The major provisions relating to remuneration to existing directors are set out below.

##### *Executive agreements*

##### *Peter Malone, Executive Chairman*

The Company has entered into a consultancy agreement with Empire Services Pty Ltd (*-Empire Consultancy Agreement*) to provide -services- to the Group. Mr Peter Malone will be engaged by Empire Services Pty Ltd to act as the Executive Chairman of the Group. Empire Services Pty Ltd will be paid a consulting fee of A\$20,000 (plus GST) per month for at least 100 hours of service per month and will also be reimbursed for reasonable expenses incurred in the performance of its duties.

The Empire Consultancy Agreement continues for a period of 2 years from 1 January 2017, with the option to extend the term by mutual written agreement of the parties. The Empire Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to - Empire Services Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Sovereign Empire Pty Ltd over the 3 month period if the engagement had not been terminated.

As noted above the Empire Consultancy agreement commenced on 1 January 2017. During the 2016 year and for the six month period up to 31 December 2016, the Group engaged Boston Corporate Pty Ltd to provide the Services of Mr Malone to act as Executive Chairman of the Group. Boston Corporate Pty Ltd was paid a consulting fee of \$8,257 (plus GST) per month for these services. These amounts have been included in the remuneration report below.

##### *Craig Piercy, CFO / Company Secretary*

The Company has entered into a consultancy agreement with Equities Services Pty Ltd (*Equities Consultancy Agreement*) to provide services to the Group. Mr Craig Piercy will be engaged by Equities Services Pty Ltd to act as the Company Secretary and Chief Financial Officer of the Group. Equities Services Pty Ltd will be paid a consulting fee of A\$13,000 (plus GST) per month for at least 100 hours of service per month and will also be reimbursed for reasonable expenses incurred in the performance of its duties.

The Equities Consultancy Agreement continues for a period of 2 years from 1 January 2017, with the option to extend the term by mutual written agreement of the parties. The Equities Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Equities Services Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Equities Services Pty Ltd over the 3 month period if the engagement had not been terminated. These amounts have been included in the remuneration report below.

## **DIRECTORS' REPORT (CONTINUED)**

### **REMUNERATION REPORT (CONT'D)**

#### **Service agreements**

##### *Executive agreements*

##### *Craig Piercy, CFO / Company Secretary (cont'd)*

As noted above the Equities Consultancy agreement commenced on 1 January 2017. During the 2016 year and for the six month period up to 31 December 2016, the Group engaged Boston Corporate Pty Ltd to provide the Services of Mr Piercy to act as Company Secretary and Chief Financial Officer of the Group. Boston Corporate Pty Ltd was paid a consulting fee of \$4,954 (plus GST) per month for these services.

##### *Leo Fung, Chief Technical Advisor*

The Company has entered into a consultancy agreement with Blackridge Group Pty Ltd (*Blackridge Consultancy Agreement*) to provide services to the Group. Mr Leo Fung will be engaged by Blackridge Group Pty Ltd to act as the Chief Technical Advisor of the Group. Blackridge Group Pty Ltd will be paid a consulting fee of A\$13,000 (plus GST) per month for at least 100 hours of service per month and will also be reimbursed for reasonable expenses incurred in the performance of its duties.

The Blackridge Consultancy Agreement continues for a period of 2 years from 1 February 2017, with the option to extend the term by mutual written agreement of the parties. The Blackridge Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Blackridge Group Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Blackridge Group Pty Ltd over the 3 month period if the engagement had not been terminated.

As noted above the Blackridge Consultancy agreement commenced on 1 February 2017. During the 2016 year and for the six month period up to 31 January 2017, the Group engaged Essential Property Pty Ltd to provide the Services of Mr Fung to act as Chief Technical Advisor to the Group. Essential Property Pty Ltd was paid a consulting fee of \$4,954 (plus GST) per month for these services. These amounts have been included in the remuneration report below.

##### *Non-executives*

The non-executive directors' appointments are on the following basis:

##### *David Humann – Non-Executive Director / Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee*

The Company has entered into an agreement with James Anne Holdings Pty Ltd (*Humann Agreement*). Mr Humann is engaged by James Anne Holdings Pty Ltd to provide non-executive director services to the Company. James Anne Holdings Pty Ltd will be paid a fee of A\$60,000 (plus GST) per annum for at least 40 hours of service per month from 1 January 2017. James Anne Holdings Pty Ltd will also be paid a fee of A\$20,000 (plus GST) per annum to provide Mr Humann as Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee. Mr Humann will also be reimbursed for reasonable expenses incurred in the performance of his duties as a non-executive Director of the Company.

##### *Luke Martino – Non-Executive Director*

The Company has entered into an agreement with LJM Capital Corporation Pty Ltd (*Martino Agreement*). Mr Martino is engaged by LJM Capital Corporation Pty Ltd to provide non-executive director services to the Company. LJM Capital Corporation Pty Ltd will be paid a fee of A\$60,000 (plus GST) per annum for at least 40 hours of service per month from 1 January 2017. Mr Martino will also be reimbursed for reasonable expenses incurred in the performance of his duties as a non-executive Director of the Company.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (CONT'D)

#### Details of remuneration

Details of the remuneration of the key management personnel of the Group are set out in the following tables.

	Cash Salary & fees	Non-cash benefits	Super-annuation	Security-based payments	Total
	\$	\$	\$	\$	\$
<b>2016/17</b>					
<b>Directors</b>					
Peter Malone <sup>1</sup>	169,542	-	-	-	169,542
Luke Martino <sup>2</sup>	30,000	-	-	-	30,000
David Humann <sup>3</sup>	35,709	-	-	-	35,709
Robin Armstrong <sup>4</sup>	-	-	-	-	-
<b>Executives of SEL</b>					
Craig Piercy <sup>5</sup>	107,727	-	-	-	107,727
Leo Fung <sup>6</sup>	107,727	-	-	-	107,727
	450,705	-	-	-	450,705

<sup>1</sup>. Peter Malone, fees paid to Empire Services Pty Ltd and Boston Corporate Pty Ltd, refer to the service agreement section for details of the changes for the periods pre and the Company post listing on ASX;

<sup>2</sup>. Luke Martino, fees paid to LJM Capital Corporation Pty Ltd, agreement commenced on 1 January 2017;

<sup>3</sup>. David Humann, fees paid to James Anne Holdings Pty Ltd, agreement commenced on 1 January 2017;

<sup>4</sup>. Robin Armstrong, no fees were payable to Mr Armstrong during the period as a director;

<sup>5</sup>. Craig Piercy, fees paid to Equities Services Pty Ltd and Boston Corporate Pty Ltd, refer to the service agreement section for details of the changes for the periods pre and post the Company listing on ASX;

<sup>6</sup>. Leo Fung, the above fees paid to Blackridge Group Pty Ltd and Essential Property Pty Ltd who engage Leo Fung, refer to the service agreement section for details of the changes for the periods pre and post the Company listing on ASX;

#### Details of remuneration

	Cash Salary & fees	Non-cash benefits	Super-annuation	Security-based payments	Total
	\$	\$	\$	\$	\$
<b>2015/16</b>					
<b>Directors</b>					
Peter Malone <sup>1</sup>	99,084	-	-	-	99,084
Robin Armstrong <sup>2</sup>	-	-	-	-	-
<b>Executives of SEO</b>					
Craig Piercy <sup>3</sup>	59,448	-	-	-	59,448
Leo Fung <sup>4</sup>	59,448	-	-	-	59,448
	217,980	-	-	-	217,980

<sup>1</sup>. Peter Malone, fees paid to Boston Corporate Pty Ltd, refer to the service agreement section for details of the service contracts;

<sup>2</sup>. Robin Armstrong, no fees were payable to Mr Armstrong during the period as a director;

<sup>3</sup>. Craig Piercy, fees paid to Boston Corporate Pty Ltd, refer to the service agreement section for details of the service contracts;

<sup>4</sup>. Leo Fung, to Essential Property Pty Ltd, refer to the service agreement section for details the service contracts.

#### Termination benefits

No termination benefits are payable to executive or non-executive directors.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (CONT'D)

#### Employee Incentive Plan

The Company has established an Equity Incentive Plan (EIP) to assist in the motivation, retention and reward of senior management and other employees. The EIP is designed to align the interest of senior management and other employees with the interest of Shareholders by providing an opportunity for the participants to receive an equity interest in the Company.

During the year up to the date of this report the Company has not issued any equities to senior management or other employees under the EIP.

#### Share-based compensation

No share based compensation was made during the year.

#### Transaction with KMP's

The Group had the following related party transactions with the key management personnel during the year:

Other Transactions with Key Management Personnel	2017 \$	2016 \$
Boston Corporate Pty Ltd (a company of which Mr Piercy is a director) provided office facilities on monthly rental basis.	24,000	22,909
Equities Services Pty Ltd (a company of which Mr Piercy is a director), provided IPO services in relation to assisting with placements during the IPO process.	17,357	-
Empire Services Pty Ltd (company of which Mr Malone is a Director), provided IPO services in relation to assisting with placements during the IPO process.	28,926	-
James Anne Holdings Pty Ltd (a company of which Mr Humann is a director), provided Due Diligence services.	24,000	-
Indian Ocean Advisory Group (a company associated with Mr Martino), provided professional accounting and IPO corporate advisory services.	237,778	-
LJM Corporate Capital Pty Ltd (a company associated with Mr Martino), received a placement fee.	1,650	-

#### Loans to / from KMP's

The following information relates to the loans provided by associates of key management personnel during the year.

	Balance at the start of the year	Interest paid or payable	Interest not charged	Highest indebtedness during the year
	\$	\$	\$	\$
2016/17				
Boston Corporate Pty Ltd	17,445	-	-	170,812
Boston Corporate Pty Ltd	10,245	-	-	100,318
Essential Property Pty Ltd	16,921	-	-	105,002
	44,611	-	-	376,132



## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (CONT'D)

Movement in the loan balance are presented below:

	Balance at the start of the year	Amount borrowed	Amounts repaid	Closing balance
	\$	\$	\$	\$
2016/17				
Boston Corporate Pty Ltd	17,445	304,684	(303,418)	18,711
Boston Corporate Pty Ltd	10,245	178,942	(178,199)	10,988
Essential Property Pty Ltd	16,921	109,465	(111,884)	14,502
	44,611	593,091	(593,501)	44,201

The terms of the loans are as follows:

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.

These balances due under these loans result from the provision of consulting services unpaid at balance date under the executive consultancy agreements and as such are due to the entities detailed.

### Share sale agreement

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 in the table below. The shareholders received one share in SEL for every four shares held in SEO in addition to one listed and unlisted option in SEL for every four options held in SEO.

	Number of shares in SEO	Number of options in SEO	Number of shares in SEL	Number of listed options in SEL	Number of unlisted options in SEL
2016/17					
<b>Directors</b>					
Peter Malone	40,523,123	20,225,560	10,130,781	5,065,390	5,065,390
Luke Martino	5,000,000	2,500,000	1,250,000	625,000	625,000
<b>Executives</b>					
Craig Piercy	18,281,300	9,140,648	4,570,325	2,285,162	2,285,162
	63,804,423	31,866,208	15,951,106	7,975,552	7,975,552

Other than the above, there have been no other transactions or loans with key management personnel during the reporting period.

## DIRECTORS' REPORT (CONTINUED)

### Additional disclosures relating to key management personnel

#### Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group including their personally related parties, is set out below:

All securities	Balance at beginning of year or appointment date	Issued on exercise of options	Other changes*	Balance at end of year or date of resignation
<b>2017</b>				
<b>Directors</b>				
Peter Malone				
- Ordinary shares	40,523,124	-	(30,392,343) <sup>1</sup>	10,130,781
- Options	20,225,560	-	(15,160,170) <sup>1</sup>	5,065,390
- Unlisted options	-	-	5,065,390 <sup>1</sup>	5,065,390
Luke Martino				
- Ordinary shares	5,000,000	-	(3,750,000) <sup>1</sup>	1,250,000
- Options	2,500,000	-	(1,875,000) <sup>1</sup>	625,000
- Unlisted options	-	-	625,000 <sup>1</sup>	625,000
David Humann				
- Ordinary shares	-	-	30,000 <sup>2</sup>	30,000
- Options	-	-	15,000 <sup>2</sup>	15,000
- Unlisted options	-	-	-	-
Robin Armstrong				
- Ordinary shares	2,400,000	-	(1,800,000)	600,000
- Options	1,200,000	-	(900,000)	300,000
- Unlisted options	-	-	300,000	300,000
<b>Executives of SEL</b>				
Craig Piercy				
- Ordinary shares	18,281,300	-	(13,710,975) <sup>1</sup>	4,570,325
- Options	9,140,648	-	(6,855,486) <sup>1</sup>	2,285,162
- Unlisted options	-	-	2,285,162 <sup>1</sup>	2,285,162
Leo Fung				
- Ordinary shares	-	-	-	-
- Options	-	-	-	-
- Unlisted options	-	-	-	-

<sup>1</sup> Securities in Skin Elements Limited (SEL) issued as consideration for the acquisition of all the issued capital in SE Operations Pty Ltd (SEO) on the basis of 1 new share for every 4 SEO shares and 1 new option and 1 unlisted option for every 1 SEO option held.

<sup>2</sup> Issue of shares and options for cash pursuant to Initial Public Offering Prospectus dated 6 June 2016 and Supplementary Prospectus.

**END OF THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED**

## DIRECTORS' REPORT (CONTINUED)

### Voting of shareholders at last year's annual general meeting

The Company has yet to hold an Annual General Meeting.

### Directors' Meetings

The number of meetings of the Company's Board of Directors and each Board Committee held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

	Directors' Meetings*		Audit and risk Committee		Remuneration committee	
	Held	attended	Held	attended	Held	attended
Peter Malone	6	6	1	1	-	-
Luke Martino	6	6	1	1	-	-
David Humann	6	6	1	1	-	-
Robin Armstrong (resigned 18/8/16)	-	-	-	-	-	-

\* Matters considered by the Board during the year have also been effected by execution of circulated resolutions by directors.

### Indemnification and insurance of Directors and Officers

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company against a liability incurred by such directors and officers to the extent permitted by the Corporations Act 2001. The nature of the liability and the amount of the premium has not been disclosed due to confidentiality of the insurance contracts. The Company has not otherwise during or since the end of the year, indemnified, or agreed to indemnify an officer or an auditor of the Company, or of any related body corporate, against a liability incurred by such an officer or auditor.

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

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

### Events subsequent to the end of the financial year

In the opinion of the directors, no items, transactions or events of a material and unusual nature have arisen in the interval between the end of the financial year and the date of this report which have been significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

### Auditor Independence and Non-Audit Services

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 audit of the annual report. This Independence Declaration is set out on page 18 and forms part of this directors' report for the year ended 30 June 2017.

Non-audit services provided by the new auditors, BDO Audit (WA) Pty Ltd, and their related entities, are set out below. BDO Audit (WA) Pty Ltd and their related entities received or are due to receive the following amounts for the provision of non-audit services:

	2017 \$	2016 \$
BDO Audit (WA) Pty Ltd associated entities:		
Tax Compliance and advice	-	-
Corporate Services – Investigating Accountants' Report	-	15,924
	-	15,924

## **DIRECTORS' REPORT (CONTINUED)**

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.

A handwritten signature in black ink, appearing to read 'Peter Malone', is written over a horizontal line.

Peter Malone  
Executive Chairman

Dated at Perth, Western Australia this 29th day of September 2017.

**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 2017, 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.

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

**BDO Audit (WA) Pty Ltd**



**Wayne Basford**  
Director

Perth, 29 September 2017

**SKIN ELEMENTS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

		Consolidated Year Ended 30 Jun 2017 \$	Year Ended 30 Jun 2016 \$
	Notes		
<b>Revenue</b>			
Revenue from continuing operations		310,753	179,782
Cost of sales		(196,219)	(61,401)
- Gross profit		114,534	118,381
Interest Income		780	95
<b>Expenses</b>			
Administration expenses	2	(538,565)	(43,933)
Consultants fees	2	(595,795)	(43,599)
Occupancy expenses		(114,486)	(17,288)
Listing expenses	2	(196,993)	-
Amortisation expense	9	(139,330)	-
Advertising and marketing expenses		(149,227)	(35,432)
<b>Total Expenditure</b>		(1,734,396)	(140,253)
<b>Loss before income tax</b>		(1,619,082)	(21,777)
Income tax expense	3	-	-
<b>Loss after income tax from continuing activities attributable to equity holders of Skin Elements Limited</b>		(1,619,082)	(21,777)
<b>Other comprehensive income</b>			
<i>Items that may be realised through to profit or loss</i>			
Movements in reserves		-	-
<b>Total comprehensive income for the year</b>		-	-
<b>Loss and total comprehensive income attributable to equity holders of Skin Elements Limited</b>		(1,619,082)	(21,777)
Basic earnings per share (cents per share)	15	(0.0249)	(0.0004)
Diluted earnings per share (cents 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 to annual report.*

**SKIN ELEMENTS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

		<b>Consolidated</b>	
		<b>As at</b>	<b>As at</b>
		<b>30 Jun 2017</b>	<b>30 Jun 2016</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,407,153	8,918
Trade receivables	5	48,657	2,243
Other receivables	6	125,047	49,214
Inventories	8	422,820	89,198
Research and development receivable	7	196,584	156,008
<b>TOTAL CURRENT ASSETS</b>		<b>2,200,261</b>	<b>305,581</b>
<b>NON-CURRENT ASSETS</b>			
Intangible assets	9	9,510,353	8,671,782
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9,510,353</b>	<b>8,671,782</b>
<b>TOTAL ASSETS</b>		<b>11,710,614</b>	<b>8,977,363</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	737,586	289,665
Borrowings – related parties	11	44,201	44,611
<b>TOTAL CURRENT LIABILITIES</b>		<b>781,787</b>	<b>334,276</b>
<b>TOTAL LIABILITIES</b>		<b>781,787</b>	<b>334,276</b>
<b>NET ASSETS</b>		<b>10,928,826</b>	<b>8,643,087</b>
<b>EQUITY</b>			
Issued capital	12	13,033,994	9,245,988
Reserves	13	116,816	-
Accumulated losses	14	(2,221,984)	(602,901)
<b>TOTAL EQUITY</b>		<b>10,928,826</b>	<b>8,643,087</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes to this annual report.*

**SKIN ELEMENTS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	Consolidated Year Ended 30 Jun 2017 \$	Year Ended 30 Jun 2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		264,339	182,317
Payments to suppliers and employees		(1,686,394)	(93,627)
Interest paid		-	-
Interest received		780	95
<b>Net cash (outflows) / inflow from operating activities</b>	4	<b>(1,421,275)</b>	<b>88,785</b>
<b>Cash flows from investing activities</b>			
Payments for businesses (net of cash acquired)	18	(416,869)	-
Payments for intangibles - development		(269,040)	(346,985)
Receipt of research and development tax incentive		156,008	133,935
<b>Net cash outflow from investing activities</b>		<b>(529,901)</b>	<b>(213,050)</b>
<b>Cash flow from financing activities</b>			
Proceeds from the issue of equity		3,710,000	550,026
Payment for share issue costs		(360,179)	(165,439)
Proceeds from borrowings		593,091	-
Repayment of borrowings		(593,501)	(270,766)
<b>Net cash inflow from financing activities</b>		<b>3,349,411</b>	<b>113,821</b>
Cash and cash equivalents at the beginning of the financial year		8,918	19,362
Net increase / (decrease) in cash and cash equivalents		1,398,235	(10,444)
<b>Cash and cash equivalents at the end of the financial year</b>	4	<b>1,407,153</b>	<b>8,918</b>

*The above consolidated statement of cash flow should be read in conjunction with the accompanying notes to this annual report.*



**SKIN ELEMENTS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

		Consolidated			
		Issued Capital	Share based Payments Reserves	Accumulated losses	Total Equity
		\$	\$	\$	\$
<b>Balance at 1 July 2016</b>		9,245,988	-	(602,901)	8,643,087
Loss for the year		-	-	(1,619,082)	(1,619,082)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss) for the year		-	-	(1,619,082)	(1,619,082)
<b>Transactions with owners in their capacity as owners</b>					
Equity Issued		4,265,001	-	-	4,265,001
Share issue costs		(360,179)	-	-	(360,179)
Share based payments	13	(116,816)	116,816	-	-
		3,788,006	116,816	-	3,904,822
<b>Balance as at 30 June 2017</b>		13,033,994	116,816	(2,221,984)	10,928,826
<b>Balance at 1 July 2015</b>		8,861,401	-	(581,125)	8,280,276
Loss for the year		-	-	(21,777)	(21,777)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss) for the year		-	-	(21,777)	(21,777)
<b>Transactions with owners in their capacity as owners</b>					
Equity Issued		550,026			550,026
Share issue costs		(165,439)	-	-	(165,439)
		384,587	-	-	384,587
<b>Balance as at 30 June 2016</b>		9,245,988	-	(602,901)	8,643,087

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to this annual report.*

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(a) Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

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

The financial report has also been prepared on a historical cost basis except for assessing the fair value of the business combination and the fair value of the share based payments.

As at 30 June 2017, the activities of the Company were the manufacture and distribution of skincare products.

*Reporting convention.*

This annual report has been prepared on an accruals basis and are based on historical cost. The annual report is presented in Australian dollars.

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. Consequently, this annual report presents the results of SEO for the year from 1 July 2015 to 23 December 2016 and of the consolidated Group for the year from the period to 30 June 2017.

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 annual report.

**(b) Statement of Compliance**

The financial report was authorised for issue on in accordance with a resolution of directors on 29 September 2017.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards, as adopted in Australia. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS) as adopted by the AASB.

**(c) Business Combination**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises of the fair value of assets transferred, liabilities incurred to the former owner, equity interests issued and the fair value of any contingent consideration.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(c) Business Combinations (cont'd)**

Acquisition related costs are expensed as incurred.

**(d) Principles of Consolidation**

*General consolidation principles*

The consolidated financial statements comprise Skin Elements Limited and its controlled entity as at 30 June 2017. A subsidiary is fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which the group ceases to have control.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

**(e) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the annual 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 annual report. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances known to management. 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 annual report.

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

**(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 for tax losses and timing differences have not been brought to account as it is not considered probable that the group will make taxable profits over the next 12 months. Deferred tax assets are recognised for deductible temporary differences and taxation losses when management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences and losses. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies. Where there are significant variables relating to generating taxable profits in the future and there is limited operating history, the Company will disclose the unrecognised deferred taxes.

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(e) Critical accounting judgements and key sources of estimation uncertainty**

**(iii) Fair value of assets (business combination)**

The Company has acquired the business and business assets of McArthur skincare on 5 May 2017. As the acquisition has been deemed to be a business combination, the Company is required to assess the fair value of assets and liabilities acquired. The Company has currently provisionally accounted for the acquisition having estimated the fair value of the technology and formula assets to be \$703,572 on the basis of the estimated sunk costs of the development process.

**(iv) Amortisation rates**

The Company has assessed the effective life of its Soléo and McArthur intangible assets taking into account sector practices, the expected product life cycle and its own internal knowledge of the sunscreen and skincare markets to determine an appropriate amortization rate. This rate is an estimate of what the Company anticipates the intangible will be able to generate future benefits from the production and sale of the product and this may differ from the future results. The directors will continue to assess the effective life at each reporting date.

**(v) Share based payments**

The Company has assessed the fair value of the options issued using on Black Scholes Option Pricing model. This model includes a number of estimated inputs including a comparable company's volatility, the risk-free rate and an estimated shares price of the Company's shares upon listing. These inputs were considered to be a reasonable basis for valuing the options in the absence of a price for services but the outcome would be materially different if the Company had used different inputs.

**(vi) Development costs**

Development costs have been capitalised as intangible assets in accordance with the accounting policy detailed in note 1(p)(iii). At 30 June 2017, management has assessed that the capital additions (net of research and development tax incentive) carried forward at year end, totalling \$255,329 (2016: \$190,977), comprises directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Intangible assets are amortised over their estimate life, being 25 years, based on the expected useful life of the intangible assets.

**(f) Segment Reporting**

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.

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(g) Foreign Currency Translation**

Both the functional and presentation currency of the Company and its Australian subsidiary is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the annual report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**(h) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*(i) Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

*(ii) Interest income*

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

**(i) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
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**Note 1 Significant accounting policies**

**(j) Income Tax**

The income tax expense or benefit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(j) Income Tax (cont'd)**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(k) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority

**(l) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(l) Impairment of assets (cont'd)**

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(m) Cash and cash equivalents**

Cash comprises cash at bank and on hand. Cash equivalents are 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. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(n) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from prepaid or cash on delivery to 60 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms.

**(o) Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories are valued at the lower of cost and net realisable value.

**(p) Intangible assets**

**(i) Formula and technology**

Separately acquired formula and technology are shown at historical cost. Formula and technology acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.



**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(p) Intangible assets**

**(ii) Software**

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the improvement of identifiable and unique software products controlled by the Group are recognised as intangible assets when the Company meets to capitalisation criteria to recognise the asset list in development costs above.

**(iii) Development costs**

Development costs which meet the criteria below are capitalised to the asset to which they relate in the year the costs were incurred. Research expenditure and development expenditure that do not meet the criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The criteria for recognising development assets are as follows:

- it is technically feasible to complete and will be available for use;
- management intends to complete the asset and use it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available, and
- the expenditure attributable to the asset during its development can be reliably measured.
- Directly attributable costs that are capitalised as part of the asset include employee costs and an appropriate portion of relevant overheads.
- Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for commercial production.

**(q) Intangible asset amortisation**

The Company commences amortisation where the development process is at a stage where the products can be produced in commercial quantities. The Company has assessed that the Soléo intangible assets and the McArthur intangibles assets are at a stage where they meet this test. The Company has assessed the effective life for these assets to be 25 years and amortised the asset carrying values on a straight-line basis for the period. The Company has a policy to regularly review the effective life of each asset.

**(r) Research and development tax incentives (government funding)**

Research and development tax incentives received or receivable from the government are recognised at their fair value where there is a reasonable assurance that the amount will be received and the Group will comply with all attached conditions. The value of the research and development tax incentives received or receivable is recognised as income where the expenses to which it relates are included in the profit or loss or alternatively as a reduction to the asset where the costs have been capitalised to the statement of financial position.

**(s) Financial assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(s) Financial assets (cont'd)**

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**Impairment of financial assets**

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

*(i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**(t) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(u) Borrowings**

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

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

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(u) Borrowings (cont'd)**

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

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**(v) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

**(w) Employee leave benefits**

*(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits however due to the infancy of the Group, no long service leave has been accrued.

**(x) Share-based payment transactions**

The grant by the Company of options over its equity instruments to contractors or to its employees is measured at the fair value of contractor's services (where the services can be valued) or at the fair value of the equity instruments provided (which includes employee services received) during the period. The measurement date is the grant date and the cost is recognised over the vesting period for the services received by the Company with an increase to the expense (or asset if it directly relates to the development of an asset) with a corresponding increase to equity or reserves.

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(y) Issued capital**

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

**(z) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(aa) New standards and interpretations not yet adopted**

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 annual report.

<b>Title and Reference</b>	<b>Nature of Change</b>	<b>Application date for entity</b>
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.	For periods beginning on or after 1 July 2018
Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. This assessment of expected credit losses will be undertaken at each reporting date to determine if, in the directors' opinion, an impairment should be recorded in the financial statements. As at 30 June 2017, the Company has yet to determine the impact.		

**SKIN ELEMENTS LIMITED**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1 Significant accounting policies**

**(aa) New standards and interpretations not yet adopted (cont'd)**

<b>Title and Reference</b>	<b>Nature of Change</b>	<b>Application date for entity</b>
AASB 15 Revenue from contracts with customers	<p>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.</p> <p>As at 30 June 2017, the Company has yet to determine the impact.</p>	For periods beginning on or after 1 July 2018
AASB 16 (issued February 2016) Leases	<p>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.</p> <p>There are some optional exemptions for leases with a period of 12 months or less and for low value leases.</p> <p>Lessor accounting remains largely unchanged from AASB 117.</p> <p>As at 30 June 2017, the Company has yet to determine the impact.</p>	For periods beginning on or after 1 Jan 2019

**SKIN ELEMENTS LIMITED**  
**FOR THE YEAR ENDED 30 JUNE 2017**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**

	<b>Consolidated</b>	
	<b>Year ended 30 Jun 2017</b>	<b>Year ended 30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Profit and loss items</b>		
<b>2 LOSS FOR THE YEAR</b>		
Loss for the year included the following items:		
(a) Listing costs <sup>(i)</sup>		
Costs of ASX listing	196,993	-
	196,993	-
(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		
Accounting expenses	65,521	12,522
Audit expenses	77,412	-
Legal expenses	128,888	3,769
Wages and salaries	110,144	-
Directors fees	98,876	-
Travel expenses	17,440	7,271
Other expenses	40,284	20,371
	538,565	43,933
(c) Operating leases (rental)	114,486	17,288
	114,486	17,288
(d) Consulting fees		
Related party consulting fees (i)	167,002	43,599
External consulting fees	428,793	-
	595,795	43,599

(i) The Company engages the executives under consulting agreements to provide their services. These services are disclosed in the remuneration report (within the directors report) above.

**SKIN ELEMENTS LIMITED**  
**FOR THE YEAR ENDED 30 JUNE 2017**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**

	Consolidated As at 30 Jun 2017 \$	As at 30 Jun 2016 \$
<b>3 INCOME TAX EXPENSE</b>		
Current tax	-	-
Deferred tax	-	-
	-	-
Numerical reconciliation between tax expense and pre-tax net loss		
Loss before income tax expense	(1,619,082)	(21,777)
Income tax (expense) / benefit calculated at 27.5%. (2016: 30.0%)	(445,877)	(6,533)
Effect of non-deductible item	45,148	
Movements in unrecognised temporary differences	400,729	6,533
Income tax expense	-	-
Deferred tax assets / (liabilities) have not been recognised in respect of the following items		
Tax losses	649,018	358,338
Provision and accruals	11,514	-
Section 40-880 costs	159,962	-
Cost base of CGT assets	14,274	-
	834,768	358,338
	Consolidated As at 30 Jun 2017 \$	As at 30 Jun 2016 \$
<b>4 CASH AND CASH EQUIVALENTS</b>		
Cash at bank	1,407,153	8,918
Balance per statement cash flows	1,407,153	8,918

**SKIN ELEMENTS LIMITED**  
**FOR THE YEAR ENDED 30 JUNE 2017**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**

**4 CASH AND CASH EQUIVALENTS (CONT'D)**

	Consolidated Year ended 30 Jun 2017 \$	Year ended 30 Jun 2016 \$
(a) Reconciliation of loss after income tax to net cash flows from operating activities		
Loss for the year	(1,619,082)	(21,777)
Non-cash items		
Amortisation	139,330	-
Acquisition stock margin	22,555	-
(Increase) / decrease in trade receivables	(46,414)	2,536
(Increase) / decrease in other receivables	58,687	(49,214)
(Increase) / decrease in inventories	(223,749)	(56,936)
Increase in trade and other payables	247,398	214,176
Net cash (outflow) / inflows from operating activities	(1,421,275)	88,785

(b) Non-cash financing and investing activities

(i) Issue of Options to consultants

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 13).

(ii) Issue of shares for the business combination

The Company issued 3,000,000 ordinary shares of the Company as part of the purchase of the McArthur skincare business. Refer to note 18 for further information.

**5 TRADE RECEIVABLES**

Consolidated As at 30 Jun 2017 \$	As at 30 Jun 2016 \$
48,657	2,243
48,657	2,243

(i) Classification and impairment of trade and other receivables

Trade debtors are amounts due from customers for the 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 30 June 2017 (30 June 2016: Nil). Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value. The trade debtors balance does not currently have any amounts that are past due but not impaired.



**SKIN ELEMENTS LIMITED**  
**FOR THE YEAR ENDED 30 JUNE 2017**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**

	<b>Consolidated</b> <b>As at</b> <b>30 Jun 2017</b>	<b>As at</b> <b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
<b>6 OTHER RECEIVABLES</b>		
GST receivable (net)	124,670	-
ABN Withholding	377	-
Other receivables	-	49,214
	<b>125,047</b>	<b>49,214</b>

	<b>Consolidated</b> <b>As at</b> <b>30 Jun 2017</b>	<b>As at</b> <b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
<b>7 RESEARCH AND DEVELOPMENT TAX INCENTIVE</b>		
Research and development receivable	196,584	156,008
	<b>196,584</b>	<b>156,008</b>

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

	<b>Consolidated</b> <b>As at</b> <b>30 Jun 2017</b>	<b>As at</b> <b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
<b>8 INVENTORY</b>		
Finished goods	387,199	89,198
Raw materials	35,621	-
	<b>422,820</b>	<b>89,198</b>
<b>Movements in inventory</b>		
Opening balance	89,198	32,262
Inventory purchased	196,140	118,337
Inventory transferred to costs of sales (i)	(185,234)	(61,401)
Inventory acquired in business combination	322,716	-
Inventory written off	-	-
Closing balance	<b>422,820</b>	<b>89,198</b>

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	Consolidated As at 30 Jun 2017 \$	As at 30 Jun 2016 \$
<b>9 INTANGIBLE ASSETS</b>		
Soléo Organics – formula and technology	6,578,397	6,457,529
McArthur skincare – formula and technology	699,296	-
Website development costs	18,407	-
Elizabeth Jane Natural Cosmetics – formula and technology	2,214,253	2,214,253
	<u>9,510,353</u>	<u>8,671,782</u>
 Movements in Soléo Organics – formula and technology		
Opening balance	6,457,529	6,266,552
Development cost additions	451,913	190,977
Less: R&D tax incentives	(196,584)	-
Less: Write-off or impairments	-	-
Less: Amortisation	(134,461)	-
Closing balance	<u>6,578,397</u>	<u>6,457,529</u>
 Movements in McArthur – formula and technology		
Opening balance	-	-
Cost on acquisition	703,572	-
Less: R&D tax incentives	-	-
Less: Write-off or impairments	-	-
Less: Amortisation	(4,276)	-
Closing balance	<u>699,296</u>	<u>-</u>
 Movements in website development costs		
Opening balance	-	-
Cost on acquisition	19,000	-
Less: R&D tax incentives	-	-
Less: Write-off or impairments	-	-
Less: Amortisation	(593)	-
Closing balance	<u>18,407</u>	<u>-</u>
 Movements in Elizabeth Jane Natural Cosmetics – formula and technology		
Opening balance	2,214,253	2,214,253
Development cost additions	-	-
Less: R&D tax incentives	-	-
Less: Write-off or impairments	-	-
Less: Amortisation	-	-
Closing balance	<u>2,214,253</u>	<u>2,214,253</u>
 <b>Profit or loss expense</b>		
Soléo amortisation	134,461	-
McArthur amortisation	4,276	-
Website costs	593	-
	<u>139,330</u>	<u>-</u>

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	<b>Consolidated</b>	
	<b>As at</b>	<b>As at</b>
	<b>30 Jun 2017</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
<b>10 TRADE PAYABLES</b>		
Trade creditors (i)	216,784	289,665
Other creditors (ii)	520,802	-
	<b>737,586</b>	<b>289,665</b>

(i) Fair value of trade and other 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.

(ii) Other payables amount includes liabilities payable to the previous owners of the McArthur business of \$205,847 subject to the sale of the inventories at fair value (refer to note 18) and amounts payable to executive management of \$202,871 and to directors of \$58,667.

	<b>Consolidated</b>	
	<b>As at</b>	<b>As at</b>
	<b>30 Jun 2017</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
<b>11 BORROWINGS</b>		
Loans - related parties	44,201	44,611
	<b>44,201</b>	<b>44,611</b>
Movements in related party loans		
Opening balance	44,611	302,777
Amounts borrowed	593,091	12,600
Amounts repaid	(593,501)	(270,766)
Closing balance	<b>44,201</b>	<b>44,611</b>

(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.

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**12 ISSUED CAPITAL**

	As at 30 Jun 2017	As at 30 Jun 2016	As at 30 Jun 2017	As at 30 Jun 2016
(i) Share Capital	Shares	Shares	\$	\$
Ordinary Shares	76,550,001	1	13,033,994	9,245,988

(ii) Movement in share capital

Date	Details	Number of shares	\$
1/07/2016	Opening balance (i)	1	9,245,988
23/12/2016	Issue of shares - acquisition of subsidiary (ii)	55,000,000	11,000,000
	Less: adjustment for continuation accounting		(11,000,000)
23/12/2016	Issue of shares – IPO (iii)	18,550,000	3,710,001
5/05/2017	Issue in respect of business combination (iv)	3,000,000	555,000
	Less: Transaction costs (v)		(476,995)
	Deferred tax recognised in equity		-
	Closing balance	76,550,001	13,033,994

(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 17 for further commentary on the transaction. The issue price of the shares was \$0.20.

(iii) The issue price of the shares was \$0.20.

(iv) The fair value of the shares at the date of issue was \$0.185.

(v) Refer to note 3 for non-cash movement in transactions costs and note 13.

**13 RESERVES**

	As at 30 Jun 2017	As at 30 Jun 2016
	\$	\$
Share based payment reserve	116,816	-
	116,816	-

	As at 30 Jun 2017	As at 30 Jun 2016	As at 30 Jun 2017	As at 30 Jun 2016
(i) Options	Options	Options	\$	\$
Options	2,000,000	-	116,816	-

Movement in options and the fair value assessment is below.

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**13 RESERVES (CONTINUED)**

(ii) Movement in the options issued.

Date	Details	Number of Options	\$
1/07/2016	Opening balance	-	-
23/12/2016	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%

**14 ACCUMULATED LOSSES**

	As at 30 Jun 2017 \$	As at 30 Jun 2016 \$
Opening balance	602,901	581,124
Loss for the year	1,619,082	21,777
Closing balance	2,221,983	602,901

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	Year Ended 30 Jun 2017	Year Ended 30 Jun 2016
	\$	\$
<b>15 EARNINGS PER SHARE</b>		
Loss attributable to ordinary shareholders	(1,619,082)	(21,777)
Weighted average number of ordinary shares (i)		
Balance before transaction	1	1
Effect of shares issued for the acquisition (55,000,000 shares (220mill / 4))	55,000,000	55,000,000
Effect of shares issued for the IPO (18,550,000 shares * (189 / 365 days))	9,605,342	-
Share issue for the business combination (3,000,000 shares * (56 / 365 days))	460,274	-
	65,065,617	55,000,001
Basic loss per share calculation (12mths loss / weighted ave shares)	(0.0248)	(0.0004)

\*Includes the effect of the transaction (under continuation accounting) for the purpose of the comparative earnings per share calculation. 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
<b>16 SEGMENT REPORTING</b>			
<b>Year ended 30 June 2017</b>			
<b>Segment Revenue</b>	310,753	-	310,753
<b>Expenses</b>			
Interest income	-	780	780
Consultants fees	(21,800)	(573,995)	(595,795)
Listing fees	-	(196,993)	(196,993)
<b>Segment net operating loss after tax</b>	(180,304)	(1,438,778)	(1,619,082)
<b>Year ended 30 June 2016</b>			
<b>Segment Revenue</b>	179,782	-	179,782
<b>Significant items</b>			
Interest Income	95	-	95
Consultants fees	(43,599)	-	(43,599)
Listing fees	-	-	-
<b>Segment net operating loss after tax</b>	(21,777)	-	(21,777)
<b>Segment assets</b>			
At 30 June 2017	10,176,362	1,534,252	11,710,614
At 30 June 2016	8,977,363	-	8,977,363
<b>Segment liabilities</b>			
At 30 June 2017	(337,477)	(444,310)	(781,787)
At 30 June 2016	(334,276)	-	(334,276)

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**17 ACQUISITION**

During the 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 annual financial report.

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.

**18 BUSINESS COMBINATION (PROVISIONAL ACCOUNTING)**

On 5 May 2017, the Company acquired the business and business assets of McArthur Skincare. The acquisition provides the Group with an established product formula which will augment the Company's current activities and future progress. The acquisition is provisionally accounted because it only occurred on 5 May 2017. Company has currently provisionally accounted for the business combination until it makes a formal assessment of the fair values of the assets:

	Year Ended 30 Jun 2017	Year Ended 30 Jun 2016
	\$	\$
Business combination		
Fair value of share issued (3,000,000 shares at \$0.185)	555,000	-
Cash paid and payable	622,716	-
- Total purchase consideration	1,177,716	-

The provisional fair value of assets and liabilities recognised as a result of the acquisition are as follows:

Website development asset	19,000	-
Product formulation and technology intangible	703,572	-
Inventory	455,144	-
Net identifiable assets acquired	1,177,716	-
Fair value of net assets acquired	1,177,716	-
Outflow of cash from the acquisition of subsidiaries, net of cash required		
Purchase consideration	416,869	-
Less: Balance required	-	-
	416,869	-
Amount payable as at 30 June 2017	(205,847)	-

Acquisition-related costs have all been included in the administration and consulting expenses in the profit and loss. The contribution of the acquisition for the period from 5 May to 30 June was a profit of \$16,869 with revenues of \$77,227 for the same period. The amount payable is subject to the sale of inventories at fair value.

The fair value of the assets has been determined using the wholesale selling price for finished goods less costs to sell, the intangible software at the market price of development and the intangible assets at its estimated sunk cost.

The fair value of shares issued as purchase consideration is based upon the price as at the acquisition date.

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19 KEY MANAGEMENT PERSONNEL	Year Ended 30 Jun 2017	Year Ended 30 Jun 2016
	\$	\$
Short term	450,705	217,980
Post employment benefits	-	-
Share based payments	-	-
	450,705	217,980

Detailed remuneration disclosures are provided in the remuneration report within the directors' report.

**20 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 agreements in place which have resulted in transactions between the Group and those entities during the year. 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.

	Transaction	Transaction Value		Outstanding Balance	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$	\$	\$	\$
<b>Director</b>					
Peter Malone	IPO placement fee (i)	28,926	-	-	-
Luke Martino	Corporate advisory services (ii)	237,778	-	68,781	-
	IPO placement fee (ii)	1,650	-	1,650	-
<b>Technical personnel</b>					
Craig Piercy	Office facilities (iii)	24,000	22,909	2,300	-
	IPO placement fee (iv)	17,357	-	-	-

(i) 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.

(ii) 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 year. LJM Corporate Capital Pty Ltd, a company associated with Mr Martino received a placement fee of \$1,650.

(iii) 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.

(iv) 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.



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**20 RELATED PARTY TRANSACTIONS (CONTINUED)**

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

	<b>Consolidated</b> <b>As at</b> <b>30 June 2017</b>	<b>As at</b> <b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Borrowings		
Loans – related parties	44,201	44,611
	44,201	44,611

  

	<b>Consolidated</b> <b>As at</b> <b>30 June 2017</b>	<b>As at</b> <b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Movements in related party loans		
Opening balance	44,611	302,777
Amounts borrowed	593,091	-
Amounts repaid	(593,501)	(258,166)
Closing balance	44,201	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.

	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)
<b>Director / Technical personnel</b>					
Peter Malone	40,523,123	20,225,560	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	9,140,648	4,570,325	2,285,162	2,285,162

(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.

The shares and options in SEL are subject to a 2 year escrow period.

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**21 FINANCIAL RISK MANAGEMENT**

*General*

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context

The Groups financial instruments consist mainly of bank deposit accounts, trade accounts receivable, other amounts receivable, trade accounts payable, and other payable including amounts payable to related parties. The totals for each category of financial instrument, measured in accordance with AASB139 Financial Instruments Recognition and Measurement as detailed in the accounting policies are as follows:

	<b>Consolidated</b>	
	<b>As at</b>	<b>As at</b>
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Categories of financial instruments</b>		
<b>Financial assets</b>		
Cash and cash equivalents	1,407,153	8,918
Trade and other receivables	49,034	51,457
	<u>1,456,187</u>	<u>60,375</u>
<b>Financial liabilities</b>		
Trade payables and other	(698,238)	(289,665)
	<u>(698,238)</u>	<u>(289,665)</u>

*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.

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**21 FINANCIAL RISK MANAGEMENT (CONT'D)**

*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 are 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 4. 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 timing may therefore differ from that disclosed.

<b>Contractual maturities of financial liabilities</b>	<b>Less than 1 year</b>	<b>6 – 12 months</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying Amount (assets)/ liabilities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 30 June 2017</b>						
Trade payables	(698,238)	-	-	-	(698,238)	(698,238)
	(698,238)	-	-	-	(698,238)	(698,238)
<b>At 30 June 2016</b>						
Trade payables	(289,665)	-	-	-	(289,665)	(289,665)
	(289,665)	-	-	-	(289,665)	(289,665)

*Market Risk*

The Company has minimal exposure to foreign exchange risk or interest rate risk.

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**21 FINANCIAL RISK MANAGEMENT (CONT'D)**

*Capital Management*

The Groups objectives when managing capital are to:

- i. Safeguard their ability to continuing as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- ii. Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Group may issue new shares or obtain additional borrowing facilities. The group monitors capital based on the assessment of the working capital requirements and net cash available on a monthly basis. The 30 June net cash available calculation is set out below:

	<b>Consolidated</b>	
	<b>As at</b>	<b>As at</b>
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	1,407,153	8,918
Trade and other receivables	48,657	2,243
Inventories	422,820	89,198
Research and development receivable	196,584	156,008
	<u>2,075,214</u>	<u>256,367</u>
Trade and other payables	(737,583)	(289,665)
Working capital available	<u>1,337,631</u>	<u>(33,298)</u>

*Fair value estimation*

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

*Financial Instruments Measured at Fair Value*

The Company does not currently have a significant fair value issues with regard to level 1 (active market for the financial instruments, level 2 (not traded in an active market) or level 3 (significant inputs is not based on observable market data) as the fair value estimates relate trade payables and receivables.

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<b>22 COMMITMENTS</b>	<b>Year Ended 30 Jun 2017</b>	<b>Year Ended 30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>

The Group has entered into commercial leases on office premises at 32 Ord Street. The lease runs for three years on commercial terms and the Company pre-paid the initial one year's rent. The remaining commitments are below.

Within one year	103,000	15,327
After one year but not more than five years	103,000	-
More than five years	-	-
	<u>206,000</u>	<u>15,327</u>

**23 PARENT ENTITY DISCLOSURE**

	<b>As at 30 June 2017</b>	<b>As at 30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Financial position</b>		
Assets		
Current assets	2,955,354	90,604
Non-current assets	11,000,000	-
<b>Total assets</b>	<u>13,955,354</u>	<u>90,604</u>
Liabilities		
Current liabilities	(444,310)	(324,971)
Non-current liabilities	-	-
<b>Total liabilities</b>	<u>(444,310)</u>	<u>(324,971)</u>
Equity		
Issued capital	14,833,006	1
Reserves	116,816	-
Accumulated losses	(1,438,778)	(234,367)
<b>Total equity</b>	<u>13,511,044</u>	<u>(234,366)</u>

**Financial performance**

	<b>Year Ended 30 Jun 2017</b>	<b>Year Ended 30 Jun 2016</b>
Profit (Loss) for the year	(1,438,778)	(234,367)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<u>(1,438,778)</u>	<u>(234,367)</u>

**24 SUBSIDIARIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c).

<b>Name</b>	<b>Country of Incorporation</b>	<b>Class of share</b>	<b>2017 %</b>	<b>2016 %</b>
SE Operations Pty Ltd	Australia	Ordinary shares	100	-

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	Year Ended 30 Jun 2017	Year Ended 30 Jun 2016
	\$	\$
<b>25 AUDITOR REMUNERATION</b>		
<i>Amounts received or due and receivable by BDO Audit (WA) Pty Ltd and its associated entities for:</i>		
<b>Assurance Services</b>		
An audit and review of the financial report for the Group	68,092	6,120
<b>Non- Assurance Services</b>		
Tax Compliance and advice	-	
Corporate Services – Investigating Accountants’ Report	-	15,924
	68,092	22,044

**26 CONTINGENT LIABILITIES**

The directors are not aware of any contingent liabilities as at 30 June 2017.

**27 SUBSEQUENT EVENTS**

In the opinion of the directors, no items, transactions or events of a material and unusual nature have arisen in the interval between the end of the financial year and the date of this report which have been significantly affected the amount disclosed in the annual report.

**28 APPENDIX 4E AMENDMENT**

The Company reported a loss after income tax of \$2,2million in the Appendix 4E. The Company has since lodged its tax return and reassessed the income tax balances with regard to the available losses and the recognition of timing differences on the provisional business combination assessment. The Company highlights that the assessment of the business combination is still currently provisional and this will ultimately change once complete.

**CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Loss after income tax	(2,237,308)
Adjustments	
De-recognition of deferred taxes relating to carry forward intangible	615,937
Change in amortization for provision accounted fair value of intangible assets	2,289
	1,619,082

**STATEMENT OF FINANCIAL POSITION**

Non-current assets	
Intangible assets	9,874,493
Adjustments	
Change in fair value of intangible asset	(366,429)
Change in accumulated amortisation	2,289
	9,510,353

**SKIN ELEMENTS LIMITED**  
**FOR THE YEAR ENDED 30 JUNE 2017**  
**NOTES TO THE CONSOLIDATED ANNUAL REPORT**

**26 APPENDIX 4E AMENDMENT (CONT'D)**

Year Ended  
30 Jun 2017

\$

STATEMENT OF FINANCIAL POSITION

Non-current liability

Deferred tax liabilities

Adjustment

Change in deferred tax liability on business combination

Movement of deferred taxes through profit and loss

Change in deferred tax liability on intangible assets

982,366

366,426

(6,767)

622,704

-

## DIRECTORS' DECLARATION

In the opinion of the directors of Skin Elements Limited:

- (a) the financial statements and notes set out on pages 19 to 52 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 30 June 2017 and of its performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and other mandatory professional reporting requirements;
- (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.
- (c) the consolidated financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
- (d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

This declaration is signed in accordance with a resolution of the board of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



Peter Malone  
Executive Chairman

Dated at Perth, Western Australia this 29th day of September 2017.



## INDEPENDENT AUDITOR'S REPORT

To the members of Skin Elements Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Skin Elements Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## Accounting for the Acquisition of McArthur Skincare

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 17 of the financial report, the Group acquired the business of McArthur Skincare during the year and has applied provisional accounting of the acquisition at 30 June 2017.</p> <p>The accounting for this acquisition is a key audit matter due to complexities in accounting for business acquisitions and the significant judgements and estimates made by management, as disclosed in Note 1(e), including:</p> <ul style="list-style-type: none"> <li>• Determination of the fair value of the total purchase consideration for the business; and</li> <li>• Identification and measurement of the fair value of assets acquired and liabilities assumed.</li> </ul>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the executed transaction documents to understand the key terms and conditions of the acquisition and evaluating management's application of the relevant accounting standards;</li> <li>• Assessing management's determination of the total purchase consideration by agreeing key terms to underlying data including contracts and settlement statements;</li> <li>• Challenging the methodology and assumptions utilized to identify and determine the fair value of the assets and liabilities acquired; and</li> <li>• Assessing the adequacy of the related disclosures in Notes 1(e) and (18) of the financial report.</li> </ul>

## Carrying value and useful life of intangible assets

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 9 of the financial report, the Group has formulation and technology recognized as intangible assets, relating to the following product lines as at 30 June 2017: Soleo Organics (\$6,578,397), McArthur Skincare (\$699,296) and Elizabeth Jane Natural Cosmetics (\$2,214,253).</p> <p>The useful life of these product lines and the underlying technology associated with these product lines is a key audit matter as the Group uses judgement to determine whether the assets have a finite or indefinite useful life and as to whether the assets are impaired. In making these determinations at 30 June 2017, the Group have used information regarding the long-term strategy for the products and the level of growth of the markets that the products operate in.</p> <p>The Soleo Organics products and the McArthur Skincare products have been classified as having</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Assessing the Group's determination of the useful lives of the Soleo Organics products and the McArthur Skincare products and technology and the period over which the expected cash flows will be derived;</li> <li>• Determining whether there is justification to continue to recognise the intangible relating to the Elizabeth Jane Natural Cosmetics formulations and technology intangible assets;</li> <li>• Assessing whether the recoverable amount of the Elizabeth Jane Natural Cosmetics formulation and technology intangible asset is greater than the carrying amount;</li> <li>• Challenging management's assessment that there are no indicators of impairment in</li> </ul>

finite lives and are being amortized over their useful lives.

The Elizabeth Jane Natural Cosmetics formulations and technology is still being developed and is not being amortized. The Elizabeth Jane Natural Cosmetics intangible asset is required to be tested for impairment in accordance with AASB 136 Impairment of Assets.

As disclosed in note 1(e) there is significant management judgement involved in assessing if there are any indicators of impairment of the Intangible Assets at 30 June 2017.

accordance with AASB136 Impairment of Assets; and

- Assessing the adequacy of the related disclosures in notes 9 and 1(e) of the financial report.

### Capitalisation of intangible assets

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 9 of the financial report, development costs of \$451,913 relating to Soleo Organics formulation and technology assets have been capitalised during the year.</p> <p>The capitalisation of these internally generated development costs is a key audit matter due to the specific criteria (as disclosed in note 1(p)) that are required to be met for capitalisation under the accounting standard AASB 138 <i>Intangible Assets</i>.</p> <p>This involves management judgement with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably and whether costs, including payroll costs, were directly attributable to relevant projects.</p> <p>In addition, management judgement is also required in estimation of useful lives of the completed projects as disclosed in note 1(q) of the financial report.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Holding discussions with management to understand the nature and feasibility of key projects as at 30 June 2017;</li> <li>• Evaluating the key assumptions used for estimates made in capitalising development costs, including assessment of whether capitalised costs related to the development phase of the project, the generation of probable future economic benefits and the useful economic life attributed to the asset;</li> <li>• On a sample basis, agreeing costs capitalised during the year met the development costs criteria; and</li> </ul> <p>Assessing the adequacy of the disclosures in Notes 9, 1(p) and 1(q) in the financial report.</p>

## Capital reorganisation

Key audit matter	How the matter was addressed in our audit
<p>On 23 December 2016 Skin Elements Limited acquired 100% of the issued capital of SE Operations Pty Ltd, by issuing the shareholders of SE Operations Pty Ltd fully paid ordinary shares in Skin Elements Limited. The transaction has been accounted for as a capital reorganisation and not an acquisition, as the shareholders of SE Operations Pty Ltd are the same shareholders of Skin Elements Limited.</p> <p>Capital reorganisation transactions are a complex accounting area because there is no specific applicable accounting standards for these types of transactions. In the absence of specific guidance, management is required to use its judgement in developing and applying an accounting policy that is relevant and reliable.</p> <p>There is a risk in the financial statements that amounts are incorrectly recognised and/or inappropriately disclosed.</p> <p>Refer to note 2 of the financial report for a description of the accounting policy and judgements applied to this transaction.</p>	<p>Our procedures include, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the transaction by holding discussions with management;</li> <li>• Obtaining an understanding of the relevant Agreements in line with management's assessment that the new company Skin Elements Limited has been set up to be combined with a business (SE Operations Pty Ltd) under a capital reorganisation and that therefore this does not meet the definition of a business;</li> <li>• Evaluating the appropriateness of the use of capital reorganisation accounting as it was applied to this transaction;</li> <li>• Assessing that the transaction was accounted for by using pre-combination book values, with no fair value uplift being recognised by SE Operations Pty Ltd on this transaction; and</li> <li>• Assessing the adequacy of the Group's disclosures in respect of the accounting for this acquisition in Note 2 in the financial report, including the significant judgements involved and the accounting policy adopted.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. The Group's annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

#### Responsibilities of the directors for the Financial Report

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

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

#### Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

#### Report on the Remuneration Report

##### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 15 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Global Construction Services Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.



## Responsibilities

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford', with a stylized flourish extending from the end.

Wayne Basford

Director

Perth, 29 September 2017

## ADDITIONAL INFORMATION

### ADDITIONAL INFORMATION IN ACCORDANCE WITH LISTING RULES OF THE ASX LIMITED.

#### Fully paid ordinary shares

##### Substantial Shareholder Information as at 25 September 2017

Shareholder Name	Securities	%
Sovereign Empire Pty Ltd	10,130,781	13.21
Lawley Group Pty Ltd	8,075,048	10.53
Sunadvance Group Limited	5,000,250	6.52
Willpower Trading Limited	5,000,250	6.52
Sovereign Equities Pty Ltd	4,570,625	5.96
Top Oceania International Limited	4,375,000	5.70

#### Listed Options exercisable at \$0.20 on or before 31 October 2019

##### Holder of 5% or more Options expiry 31 October 2019 as at 25 September 2017

Options Holder Name	Securities	%
Sovereign Empire Pty Ltd	5,065,390	13.06
Lawley Group Pty Ltd	4,037,524	10.41
Sunadvance Group Limited	2,500,125	6.45
Willpower Trading Limited	2,500,125	6.45
Sovereign Equities Pty Ltd	2,285,181	5.89
Top Oceania International Limited	2,187,500	5.64

#### Unlisted options exercisable at \$0.30 on or before 31 October 2019

##### Holder of 5% or more Unlisted options expiry 31 October 2019 as at 25 September 2017

Options Holder Name	Securities	%
Sovereign Empire Pty Ltd	5,065,390	13.06
Lawley Group Pty Ltd	4,037,424	10.41
Sunadvance Group Limited	2,500,125	6.45
Willpower Trading Limited	2,500,125	6.45
Sovereign Equities Pty Ltd	2,285,181	5.89

## ADDITIONAL INFORMATION

### ADDITIONAL INFORMATION IN ACCORDANCE WITH LISTING RULES OF THE ASX LIMITED.

#### Distribution of Shareholders as at 25 September 2017

Spread of Holdings	Holders	Securities
NIL holding	-	-
1 - 1,000	4	1,400
1,001 - 5,000	21	81,870
5,001 - 10,000	144	1,426,114
10,001 - 100,000	154	6,338,294
100,001 - 9,999,999	92	68,867,323
	415	76,715,001

#### Distribution of Options holders as at 25 September 2017

Spread of Holdings	Holders	Securities
NIL holding	-	-
1 - 1,000	-	-
1,001 - 5,000	202	991,250
5,001 - 10,000	56	511,611
10,001 - 100,000	113	4,686,604
100,001 - 9,999,999	61	32,585,535
	632	38,775,000

#### Distribution of Unlisted options holders as at 25 September 2017

Spread of Holdings	Holders	Securities
NIL holding	-	-
1 - 1,000	-	-
1,001 - 5,000	7	16,250
5,001 - 10,000	6	44,111
10,001 - 100,000	53	1,984,104
100,001 - 9,999,999	45	25,455,535
	111	27,500,000



## ADDITIONAL INFORMATION

### ADDITIONAL INFORMATION IN ACCORDANCE WITH LISTING RULES OF THE ASX LIMITED.

#### Top Twenty Shareholders as at 25 September 2017

1	SOVEREIGN EMPIRE PTY LTD	10,130,781	13.21
2	LAWLEY GROUP PTY LTD	8,075,048	10.53
3	SUNADVANCE GROUP LIMITED	5,000,250	6.52
3	WILLPOWER TRADING LIMITED	5,000,250	6.52
4	SOVEREIGN EQUITIES PTY LTD	4,570,325	5.96
5	TOP OCEANIA INTERNATIONAL LIMITED	4,375,000	5.70
6	TOM MCARTHUR PTY LTD	3,000,000	3.91
7	CLARE MALONE	1,500,000	1.96
8	HEKIMA PTY LTD	1,333,333	1.74
9	LJM CAPITAL CORPORATION PTY LTD	1,250,000	1.63
10	AUSTRALIAN EXECUTOR TRUSTEES LTD	1,230,000	1.60
11	CHENG GU	1,140,000	1.49
12	CALIBRE CAPITAL INC.	875,000	1.14
13	CHRIS SMAILES & SHARON SMAILES	625,000	0.81
14	ROBIN ARMSTRONG	600,000	0.78
15	TOP OCEANIA INTERNATIONAL LIMITED	539,636	0.70
16	MS JESSICA YUJIA MAO	500,000	0.65
16	MODOMIO PTY LTD	500,000	0.65
16	SALLY-ANNE MALONE	500,000	0.65
16	WHITE LINE CAPITAL PTY LTD	500,000	0.65
16	NEIL BOWIE & TERESE BOWIE	500,000	0.65
16	FRANK MALONE	500,000	0.65
16	DUNCAN MACLEAN	500,000	0.65
16	XAVIER MALONE	500,000	0.65
16	LAKEHOUSE INVESTMENTS PTY LTD	500,000	0.65
16	JO-ANNA MALONE	500,000	0.65
16	IMPACT NOMINEES PTY LTD	500,000	0.65
17	GEORGE TENNENT	487,500	0.64
18	KEITH FLYNN	461,250	0.60
19	GUANGWEI FAN	430,000	0.56
20	GREGORACH PTY LTD	416,667	0.54
<b>Total</b>		<b>56,540,040</b>	<b>73.70</b>
<b>Balance of register</b>		<b>20,174,961</b>	<b>26.30</b>
<b>Grand total</b>		<b>76,715,001</b>	<b>100.00</b>

## ADDITIONAL INFORMATION

### ADDITIONAL INFORMATION IN ACCORDANCE WITH LISTING RULES OF THE ASX LIMITED.

#### Top Twenty Options Holders as at 25 September 2017

1	SOVEREIGN EMPIRE PTY LTD	5,065,390	13.06
2	LAWLEY GROUP PTY LTD	4,037,524	10.41
3	SUNADVANCE GROUP LIMITED	2,500,125	6.45
3	WILLPOWER TRADING LIMITED	2,500,125	6.45
4	SOVEREIGN EQUITIES PTY LTD	2,285,161	5.89
5	TOP OCEANIA INTERNATIONAL LIMITED	2,187,500	5.64
6	INDIAN OCEAN CORPORATE PTY LTD	1,000,000	2.58
7	CLARE MALONE	750,000	1.93
7	AUSTRALIAN EXECUTOR TRUSTEES LTD	750,000	1.93
8	HEKIMA PTY LTD	666,667	1.72
9	LJM CAPITAL CORPORATION PTY LTD	625,000	1.61
10	CHENG GU	570,000	1.47
11	ALVARO SERVICES PTY LTD	500,000	1.29
11	AUST EXECUTOR TRUSTEES LTD	500,000	1.29
12	CALIBRE CAPITAL INC.	437,500	1.13
13	CHRIS SMAILES & SHARON SMAILES	312,500	0.81
14	ROBIN ARMSTRONG	300,000	0.77
15	MS JESSICA YUJIA MAO	250,000	0.64
15	MODOMIO PTY LTD	250,000	0.64
15	SALLY-ANNE MALONE	250,000	0.64
15	WHITE LINE CAPITAL PTY LTD	250,000	0.64
15	NEIL BOWIE & TERESE BOWIE	250,000	0.64
15	XAVIER MALONE	250,000	0.64
15	LAKEHOUSE INVESTMENTS PTY LTD	250,000	0.64
15	JO-ANNA MALONE	250,000	0.64
15	IMPACT NOMINEES PTY LTD	250,000	0.64
15	FRANK MALONE	250,000	0.64
15	DUNCAN MACLEAN	250,000	0.64
16	GEORGE TENNENT	243,750	0.63
17	KEITH FLYNN	230,626	0.59
18	BNP PARIBAS NOMINEES PTY LTD	225,000	0.58
19	GUANGWEI FAN	215,000	0.55
20	GREGORACH PTY LTD	208,333	0.54
<b>Total</b>		<b>28,860,201</b>	<b>74.43</b>
<b>Balance of register</b>		<b>9,914,799</b>	<b>25.57</b>
<b>Grand total</b>		<b>38,775,000</b>	<b>100.00</b>

## ADDITIONAL INFORMATION

### ADDITIONAL INFORMATION IN ACCORDANCE WITH LISTING RULES OF THE ASX LIMITED.

#### Top Twenty Unlisted options Holders as at 25 September 2017

1	SOVEREIGN EMPIRE PTY LTD	5,065,390	18.42
2	LAWLEY GROUP PTY LTD	4,037,524	14.68
3	SUNADVANCE GROUP LIMITED	2,500,125	9.09
3	WILLPOWER TRADING LIMITED	2,500,125	9.09
4	SOVEREIGN EQUITIES PTY LTD	2,285,161	8.31
5	CLARE MALONE	750,000	2.73
6	HEKIMA PTY LTD	666,667	2.42
7	LJM CAPITAL CORPORATION PTY LTD	625,000	2.27
8	CALIBRE CAPITAL INC.	437,500	1.59
9	CHRIS SMAILES & SHARON SMAILES	312,500	1.14
10	ROBIN ARMSTRONG	300,000	1.09
11	SALLY-ANNE MALONE	250,000	0.91
11	NEIL BOWIE & TERESE BOWIE	250,000	0.91
11	WHITE LINE CAPITAL PTY LTD	250,000	0.91
11	FRANK MALONE	250,000	0.91
11	LAKEHOUSE INVESTMENTS PTY LTD	250,000	0.91
11	JO-ANNA MALONE	250,000	0.91
11	IMPACT NOMINEES PTY LTD	250,000	0.91
11	DUNCAN MACLEAN	250,000	0.91
11	MODOMIO PTY LTD	250,000	0.91
11	XAVIER MALONE	250,000	0.91
12	GEORGE TENNENT	243,750	0.89
13	KEITH FLYNN	230,626	0.84
14	GREGORACH PTY LTD	208,333	0.76
15	VISSING HOLDINGS PTY LTD	175,000	0.64
16	JOHN DRISCOLL	156,250	0.57
16	PAUL NELSON	156,250	0.57
17	KOK INVESTMENTS PTY LTD	150,000	0.55
17	EMMANUEL STAMATIOU & GEORGETTE STAMATIOU	150,000	0.55
18	ALVARO SERVICES PTY LTD	145,000	0.53
19	FASTLINK HOLDINGS PTY LTD	143,750	0.52
20	DAVID ROBERT THORN	133,334	0.48
<b>Total</b>		<b>23,872,285</b>	<b>86.81</b>
<b>Balance of register</b>		<b>3,627,715</b>	<b>13.19</b>
<b>Grand total</b>		<b>27,500,000</b>	<b>100.00</b>

The shares carry the right to one vote for each ordinary share held

#### Unmarketable parcels

There are no Holdings less than a marketable parcel of ordinary shares as at 25 September 2017

#### Restricted Securities

There are no restricted voting rights attaching to ordinary shares.

#### On-Market Buy Back

There is no current on-market buy-back.