



31 August 2018

Preliminary Final Report 2018 – Skin Elements Continues Growth

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Preliminary Final Report for the year ending 30 June 2018.

The 2017/18 financial year results highlight the work on the further development of the Company's all natural skincare products with \$3.6 million spent on new product development adding to the \$10 million previously invested in building the Company's base skincare technology.

At the same time sales revenue and research grant income of \$1.28 million over 2018 increased by 170% compared to the 2017 year being the first full year since listing.

The Company's thirty five new products are being marketed to the global personal skincare care sector through online, wholesale and distributor networks. This sector has an estimated turnover today in excess of US\$110 billion per annum (Euromonitor 2016).

Two new all natural 30+SPF sunscreen ranges - **Soleo Organics Baby** and **Soleo Organic Everyday** have been completed over the current year to broaden the market presence of the Company's number one rated **Soleo Organics** sunscreen.

Additionally the Company has launched its new **PapayActivs** therapeutic range with five papaya based TGA registered therapeutic creams and has developed the new **SknEssience** natural skincare range of over twelve commentary skincare products.

Together with the **Elizabeth Jane Natural Cosmetic** range due for release in 2019, this completes the Company's current range of over fifty natural skincare products.

Peter Malone Executive Chairman said "**Skin Elements is pleased with the commencement of sales achieved during the year which has laid the foundations to deliver greater opportunities over the year ahead.**"

ENDS

Natural Science by Skin Elements

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About Skin Elements

Skin Elements is an ASX-listed skin care company focused on the development of natural and organic skin care products, as an alternative to current chemical-based products. It has developed a portfolio of products which includes its lead product, the Soléo Organics 100% natural and organic sunscreen, the Elizabeth Jane Natural Cosmetics brand, and the natural pawpaw based PapyraActivs therapeutics range and SkinEssience natural skincare. 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://skinelementslimited.com/>

Natural Science by Skin Elements

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Appendix 4E

Preliminary Final Report Skin Elements Limited ABN 90 608 047 794

Dates

Financial Year Ended	30 June 2018
Previous Corresponding Reporting Period	Financial year ended 30 June 2017

Results for Announcement to the Market

	Current Period (30 Jun 2018) \$	Percentage increase /(decrease) over previous corresponding period	Previous Corresponding Period (30 Jun 2017) \$
Revenue from ordinary activities ¹	838,292	170%	310,753
(Loss) from ordinary activities after tax attributable to members ²	(2,728,114)	71%	(1,597,605)
Net (loss) for the period attributable to members	(2,728,114)	71%	(1,597,605)

Notes:

1. Revenue from continuing operations has been disclosed as revenue from ordinary activities.
2. Net loss for the year from continuing operations has been disclosed as loss from ordinary activities after tax attributable to members

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Commentary on the results for the financial year ended 30 June 2018

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Skin Elements Limited has continued to execute its business plan and growth strategy to position itself as a leading global supplier of natural and organic skincare products.

The Key highlights for the year ended 30 June 2018 include:

- Sales income of \$838,292 (increase from \$310,753 in 2017) through increased online sales promotion and expanding full product ranges into wholesaler and distributor networks throughout Australia.
- Cash and non-cash expenses of \$3,623,683 (an increase from \$1,735,474) as a result of increased activities.
- Other non-cash expenses include amortisation of the Soleo Organics and McArthur intangible assets of \$301,977.
- Research and development expenditure of \$1,003,955 with a R&D Tax rebate of \$450,181 receivable at 30 June 2018.
- The Company has restated the comparative period resulting from a review of its provisional accounting for the McArthur business combination acquisition undertaken in May 2017. The net impact to the profit and loss was \$21,478 (benefit) during that year and an adjustment to the fair value of stock and intangible assets of \$149,910 and \$171,388 respectively.
- The Company completed a private placement on 29 June 2018 raising \$150,000. On 8 August 2018 the Company completed a further capital raising of \$1,075,663 through a fully underwritten entitlement offer to existing shareholders.

Net tangible assets per ordinary share

	30 June 2018	30 June 2017
	\$	\$
Net tangible asset per share	0.001	0.017

Details of Associates and Joint Venture Entities

Name of entity	Ownership Interest		Contribution to net profit/(loss)	
	2018 %	2017 %	2018 \$A	2017 \$A
	N/A	N/A	N/A	N/A
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

Details of entities over which control has been gained during the period

Name of entity	N/A
Date of gaining control	
Commentary and contribution	

Details of businesses acquired

Name of entity	N/A
Date of gaining control	
Commentary and contribution	

Audit Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter:

The Company's Interim Financial report for the half year ended 31 December 2017 contained an emphasis of matter paragraph covering a material uncertainty relating to going concern. The Company expects to receive a similar emphasis of matter paragraph in relation to its full year annual report for 30 June 2018.

If the accounts have been audited contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter:

N/A.

SKIN ELEMENTS LIMITED
APPENDIX 4E FOR THE YEAR ENDED 30 JUNE 2018
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

		Year Ended 30 Jun 2018 \$	RESTATED Year Ended 30 Jun 2017 \$
	Notes		
Revenue			
Revenue from continuing operations		838,292	310,753
Cost of sales		(392,978)	(173,664)
- Gross profit		445,314	137,089
Other Income		74	780
Expenses			
Administration and corporate expenses	2	(1,183,159)	(538,565)
Contract and consulting fees	2	(826,108)	(595,795)
Occupancy expenses		(122,519)	(114,486)
Listing expenses	2	-	(196,993)
Research and development expenditure		(1,003,955)	-
Amortisation expense	8	(301,977)	(140,408)
Advertising and marketing expenses		(185,965)	(149,227)
Total Expenditure		(3,623,683)	(1,735,474)
Loss before income tax		(3,178,295)	(1,597,605)
Income tax benefit	2	450,181	-
Loss after income tax from continuing activities attributable to equity holders of Skin Elements Limited		(2,728,114)	(1,597,605)
Other comprehensive income			
<i>Items that may be realised through to profit or loss</i>			
Movements in reserves		-	-
Total comprehensive income for the year		-	-
Loss and total comprehensive income attributable to equity holders of Skin Elements Limited		(2,728,114)	(1,597,605)
Basic earnings per share (cents per share)	14	(0.0350)	(0.0250)
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 this Appendix 4E.

SKIN ELEMENTS LIMITED
APPENDIX 4E AS AT 30 JUNE 2018
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 Jun 2018	RESTATED As at 30 Jun 2017
	Notes	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	195,661	1,407,153
Trade and other receivables	4	36,509	48,657
Other receivables	5	46,058	125,047
Inventories	7	191,255	272,910
Research and development receivable	6	450,181	196,584
TOTAL CURRENT ASSETS		919,664	2,050,351
NON-CURRENT ASSETS			
Intangible assets	8	9,379,763	9,681,740
TOTAL NON-CURRENT ASSETS		9,379,763	9,681,740
TOTAL ASSETS		10,299,427	11,732,091
CURRENT LIABILITIES			
Trade and other payables	9	810,386	737,586
Borrowings – related parties	10	-	44,201
TOTAL CURRENT LIABILITIES		810,386	781,787
TOTAL LIABILITIES		810,386	781,787
NET ASSETS		9,489,041	10,950,304
EQUITY			
Issued capital	11	13,679,321	13,033,994
Reserves	13	738,340	116,816
Accumulated losses	12	(4,928,620)	(2,200,506)
TOTAL EQUITY		9,489,041	10,950,304

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to this Appendix 4E.

SKIN ELEMENTS LIMITED
APPENDIX 4E FOR THE YEAR ENDED 30 JUNE 2018
CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	Year Ended 30 Jun 2018 \$	Year Ended 30 Jun 2017 \$
Cash flows from operating activities			
Receipts from customers		851,395	264,339
Payments to suppliers and employees		(2,151,496)	(1,686,394)
Interest paid		-	-
Interest received		74	780
Net cash (outflows) / inflow from operating activities	3	(1,300,027)	(1,421,275)
Cash flows from investing activities			
Payments for businesses	19	(205,847)	(416,869)
Payments for intangibles		(183,702)	(269,040)
Receipt of research and development tax incentive		196,584	156,008
Net cash outflow from investing activities		(192,965)	(529,901)
Cash flow from financing activities			
Proceeds from the issue of equity		150,000	3,710,000
Payment for share issue costs		-	(360,179)
Proceeds from share applications		32,500	-
Proceeds from borrowings		99,000	593,091
Repayment of borrowings		-	(593,501)
Net cash inflow from financing activities		281,500	3,349,411
Cash and cash equivalents at the beginning of the year		1,407,153	8,918
Net increase / (decrease) in cash and cash equivalents		(1,211,492)	1,398,235
Cash and cash equivalents at the end of the financial year	3	195,661	1,407,153

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes to this Appendix 4E.

SKIN ELEMENTS LIMITED
APPENDIX 4E FOR THE YEAR ENDED 30 JUNE 2018
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Share based Payments Reserves	Accumulated losses	Convertible Note Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2017	13,033,994	116,816	(2,200,506)	-	10,950,373
Loss for the year	-	-	(2,728,114)	-	(2,728,114)
Other comprehensive income					
Total comprehensive income for the year	-	-	(2,728,114)	-	(2,728,114)
Transactions with owners in their capacity as owners					
Equity Issued - consultants	233,000	-	-	-	233,000
Issue of convertible notes	-	-	-	592,092	592,092
Conversion of convertible notes	69,257	-	-	(69,257)	(69,257)
Equity Issued - consultants	200,000	-	-	-	200,000
Share issued	150,000	-	-	-	150,000
Share issue costs	(6,930)	-	-	-	(6,930)
Share based payments	-	98,689	-	-	98,689
	645,327	98,689		522,835	1,273,782
Balance as at 30 June 2018	13,679,321	215,505	(4,928,620)	522,835	9,489,041

			RESTATED		
Balance at 1 July 2016	9,245,988	-	(602,901)	-	8,643,087
Prior period adjustment			21,478		21,478
Loss for the year	-	-	(1,619,082)	-	(1,619,082)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	(1,597,605)	-	(1,597,605)
Transactions with owners in their capacity as owners					
Equity Issued	4,265,001	-	-	-	4,265,001
Share issue costs	(360,179)	-	-	-	(360,179)
Share based payments	(116,816)	116,816	-	-	-
	3,788,006	116,816	-	-	3,904,822
Balance as at 30 June 2017	13,033,994	116,816	(2,200,506)	-	10,950,304

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to this Appendix 4E.

NOTES TO THE APPENDIX 4E PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Note 1 Accounting Policies

(a) Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

These consolidated Appendix 4E financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001. Australian Accounting standards, including Australian Accounting Interpretations and other pronouncements of the Australian Accounting Standards Board.

It is recommended that this Appendix 4E be read in conjunction with any public announcements made Skin Elements Limited (the Company or Group) and its controlled entity during the period since listing in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

This Appendix 4E covers the consolidated group of Skin Elements Limited and its controlled entity from the date of the acquisition. Skin Elements Limited is a listed public company, incorporated and domiciled in Australia.

The Appendix 4E of Skin Elements Limited comply with all the International Financial Reporting Standards (IFRS) in their entirety.

The accounting policies have been consistently applied by the consolidated entity across both periods presented in this report unless otherwise stated.

This report does not include full disclosures of the type normally included in the annual financial report.

Reporting basis and Convention

This Appendix 4E has been prepared on an accruals basis and are based on historical cost with the exception of the business combination, share based payments and convertible note fair values. The Appendix 4E is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

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

The accounting policies adopted are consistent with the accounting policies adopted in the Company's last annual financial statements for year ended 30 June 2017.

(b) Segment Information

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

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.

NOTES TO THE APPENDIX 4E PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Note 1 Accounting Policies

(c) Estimates and judgements

The preparation of the Appendix 4E 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 Appendix 4E. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances known to the executives. 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 Appendix 4E:

(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 tax assets relating to losses

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

(iii) 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.

(iv) 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.

(d) Significant accounting policies

The Company's accounting policies have been consistently applied from the most recent annual report with the addition of the following significant accounting policies:

(i) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE APPENDIX 4E PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Note 1 Accounting Policies

(ii) Business combinations

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 the:

- (I) Fair value of assets transferred;
- (II) Liabilities incurred;
- (III) Equity interests issued; and
- (IV) Fair value of any assets or liabilities resulting from contingent consideration.

Identifiable assets acquired and liabilities assumed in a business combination are measured at fair value as the acquisition date. The acquisition costs relating to the transaction are expenses as incurred. The excess of the consideration transferred, amount of any non-controlling interest and the acquisition fair value of assets and liabilities are recorded as goodwill.

(iii) 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 of the effective life of each asset.

(iv) Convertible notes

The Company recognises convertible notes that automatically convert to shares after a set period as equity instruments within a reserve. The initial recognition of the notes is at the face value of the cash received and the amounts are carrying within a reserve until the notes are converted to shares.

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2018
CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

	Year ended 30 Jun 2018 \$	Year ended 30 Jun 2017 \$
Profit and loss items		
2 LOSS FOR THE YEAR		
Loss for the year included the following items:		
(a) Listing costs ⁽ⁱ⁾		
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 and corporate expenses		
Accounting and taxation services	98,362	65,521
Audit expenses	47,337	77,412
Legal expenses	40,631	128,888
Wages and salaries	474,828	110,144
Directors fees	179,590	98,876
Travel expenses	112,391	17,440
Other expenses	230,020	40,284
	1,183,159	538,565
c) Contract and consulting fees		
Executive services contracts (i)	317,245	167,002
External consulting fees	508,863	428,793
	826,108	595,795
(i) The Company engages the executives under consulting agreements to provide their services. These services are disclosed in the most recent annual report and the nature of these services have not changed.		
Reconciliation of income tax expense		
Income tax expense	-	-
Deferred taxes	-	-
Research and development tax incentive	450,181	-
	450,181	-

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2018
CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

3 CASH	As at 30 Jun 2018 \$	As at 30 Jun 2017 \$
Cash at bank	195,661	1,407,153
Balance per statement cash flows	195,661	1,407,153
	Year ended 30 Jun 2018 \$	RESTATED Year ended 30 Jun 2017 \$
(a) Reconciliation of loss after income tax to net cash flows from operating activities		
Loss for the year	(2,728,114)	(1,597,605)
Non-cash items		
Amortisation	301,977	140,408
Acquisition stock margin and deferred taxes	(26,149)	-
Share based payments	600,946	-
(Increase) / decrease in traded receivables	12,147	(46,414)
(Increase) / decrease in other receivables	(453,326)	58,687
(Increase) / decrease in inventories	109,559	(223,749)
Increase in trade and other payables	882,933	247,398
Net cash (outflow) / inflows from operating activities	(1,300,027)	(1,421,275)

(b) Non-cash financing and investing activities

(i) Issue of shares to consultants

The Company issued 165,000 shares to consultants at a fair value of \$0.20 per share for services rendered. The Company also issued 2,000,000 shares to consultants at a fair value of \$0.10 per share for corporate advisory services. The total value attributed to the shares was \$233,000 (refer note 11).

(ii) Issue of shares on conversion of notes

The Company issued 338,000 shares on conversion of notes with a fair value of \$0.20 per share. The total value attributed to the shares was \$69,257 (refer note 11).

(iii) Issue of shares for services

The Company issued 500,000 shares to an entity associated with a directors and 500,000 to an external consultant with a fair value of \$0.20 per share for professional services rendered. The total value attributed to the shares was \$200,000 (refer note 11).

(iv) Issue of rights

The Company agreed to issue 4,400,000 performance rights to a director with a fair value of \$0.075 and \$0.077 per right. The total expense recorded for these rights (for this year as a proportion of the vesting period) was \$98,689.

(v) Issue of convertible notes

The Company has issued 360,972 convertible notes to extinguish trade debts and borrowings. The fair value of the notes was \$493,092 (refer note 13).

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2018
CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

	As at 30 Jun 2018 \$	As at 30 Jun 2017 \$
4 TRADE RECEIVABLES		
Trade receivables (i)	36,509	48,657
	36,509	48,657

(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 2018 (30 June 2017: Nil). Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value. The trade debtor's balance does not currently have any amounts that are past due but not impaired.

5 OTHER RECEIVABLES

GST receivable (net)	45,681	124,670
ABN Withholding	377	377
	46,058	125,047

6 RESEARCH AND DEVELOPMENT TAX INCENTIVE

Research and development receivable (i)	450,181	196,584
	450,181	196,584

- (i) The Group continued its development program during the year ended 30 June 2018 resulting in a claim for research and development tax incentive.

	As at 30 Jun 2018 \$	RESTATED As at 30 Jun 2017 \$
7 INVENTORY		
Finished goods	129,636	237,289
Raw materials	61,619	35,621
	191,255	272,910

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2018
CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

	As at 30 Jun 2018 \$	RESTATED As at 30 Jun 2017 \$
8 INTANGIBLE ASSETS		
Soléo Organics – formula and technology	6,315,261	6,578,397
McArthur skincare – formula and technology	835,642	870,683
Website development costs	14,607	18,407
Elizabeth Jane Natural Cosmetics – formula and technology	2,214,253	2,214,253
	<u>9,379,763</u>	<u>9,681,740</u>
 Movements in Soléo Organics – formula and technology		
Opening balance	6,578,397	6,457,529
Development cost additions		451,913
Less: R&D tax incentives		(196,584)
Less: Write-off or impairments		-
Less: Amortisation	(263,136)	(134,461)
Closing balance	<u>6,315,261</u>	<u>6,578,397</u>
 Movements in McArthur – formula and technology		
Opening balance	870,683	-
Cost on acquisition	-	703,572
Add: prior period adjustment	-	172,465
Less: R&D tax incentives	-	-
Less: Write-off or impairments	-	-
Less: Amortisation	(35,041)	(5,354)
Closing balance	<u>835,642</u>	<u>870,683</u>
 Movements in website development costs		
Opening balance	18,407	-
Cost on acquisition	-	19,000
Less: R&D tax incentives	-	-
Less: Write-off or impairments	-	-
Less: Amortisation	(3,800)	(593)
Closing balance	<u>14,607</u>	<u>18,407</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>
 Profit or loss expense		
Soléo amortisation	263,136	134,461
McArthur amortisation	35,041	5,354
Website costs	3,800	593
	<u>301,977</u>	<u>140,408</u>

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2018
CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

	As at 30 Jun 2018 \$	As at 30 Jun 2017 \$
9 TRADE PAYABLES		
Trade creditors (i)	236,139	216,784
Other creditors (ii)	574,247	520,802
	810,386	737,586

(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) In the prior period other payables amount includes liabilities payable to the previous owners of the McArthur business of \$205,847 and amounts payable to executive management of \$202,871 and to directors of \$58,667.

	As at 30 Jun 2018 \$	As at 30 Jun 2017 \$
10 BORROWINGS		
Loans - related parties	-	44,201
	-	44,201
Movements in related party loans		
Opening balance	44,201	44,611
Amounts borrowed	62,662	593,091
Amounts repaid	-	(593,501)
Conversion of debt to notes (ii)	(106,863)	-
Closing balance	-	44,201

(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.

(ii) On 1 March 2018, the Company agreed to issue 106,863 convertible notes to extinguish borrowings (refer note 13)

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11 ISSUED CAPITAL

	As at 30 Jun 2018	As at 30 Jun 2017	As at 30 Jun 2018	As at 30 Jun 2017
	Shares	Shares	\$	\$
(i) Share Capital				
Ordinary Shares	86,053,001	76,550,001	13,679,321	13,033,994

(ii) Movement in share capital

Date	Details	Number of shares	\$
1/07/2017	Opening balance	76,550,001	13,033,994
31/08/2017	Issue of shares - consultants (i)	165,000	33,000
30/10/2017	Issue of shares – services (ii)	1,000,000	200,000
06/03/2018	Issue of shares – Conversion of notes (iii)	338,000	69,257
06/03/2018	Issue of shares - consultants (iv)	2,000,000	200,000
29/06/2018	Issue of shares – Placement (v)	6,000,000	150,000
	Less: Transaction costs (v)		(6,930)
	Deferred tax recognised in equity		-
	Closing balance	86,053,001	13,679,321

- (i) The company issued 165,000 shares to consultants at a fair value of \$0.20 per share.
- (ii) The company issued 500,000 share to an associate of a director and 500,000 to an external consultant for services rendered. The fair value of the shares was \$0.20 per share.
- (iii) During the period the company issued shares on the conversion of a parcel of convertible notes, the fair value of the notes was \$69,257.
- (iv) The company issued 2,000,000 shares in satisfaction of a corporate consulting fee. The fair value of a share at the date of issue was \$0.10 per share.
- (v) The company undertook a placement of 6,000,000 shares (with 1,500,000 free attaching options at \$0.10 per share on or before 31/12/2020) at \$0.025 before year end to raise \$150,000.

12 ACCUMULATED LOSSES

	As at 30 Jun 2018 \$	RESTATED As at 30 Jun 2017 \$
Opening balance	2,200,506	602,901
Prior period adjustment	-	(21,478)
Loss for the year	2,728,114	1,619,082
Closing balance	4,928,620	2,200,506

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13 RESERVES

	As at 30 Jun 2018 \$	As at 30 Jun 2017 \$
Share based payment reserve	215,505	116,816
Convertible note reserve	522,835	-
	738,340	116,816

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

No movement in options during the period.

	As at 30 Jun 2018 Rights(a)	As at 30 Jun 2017 Rights	As at 30 Jun 2018 \$	As at 30 Jun 2017 \$
(ii) Performance rights				
Performance rights	4,400,000	-	98,689	-

(a) The Company has agreed to issue performance rights to directors, however, these are subject to shareholder approval and have not yet been issued. Under the accounting standard, the Company is required to fair value these instruments at the date of the agreement and remeasure the instruments when they have been approved by shareholders. The rights are subject to performance conditions and are amortised over the vesting period which is up to 20 months from the date of issue.

(b) Movement in Performance rights

Date	Details	Number of notes	\$
1/07/2017	Opening balance	-	-
30/11/2017	Agreement to issue rights	4,400,000	98,689
	Closing balance		98,689

(c) Fair value of rights granted to directors

The fair value of the rights has been valued at \$0.075 to \$0.077 per right. The Company used a Monte Carlo simulation model to value the rights with the following inputs:

Particulars	Terms
Consideration	Nil
Grant date	30 November 2017
Expiry date	30 June 2019 and 30 June 2020
Share price	\$0.16
Expected volatility	90%
Dividend yield	0%
Risk free rate	1.75% and 1.89%

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13 RESERVES (CONTINUED)

	As at 30 Jun 2018	As at 30 Jun 2017	As at 30 Jun 2018	As at 30 Jun 2017
	Notes	Notes	\$	\$
(iii) Convertible Note reserve				
Performance rights	409,272	-	522,835	-

- (a) The Company has agreed to issue performance rights to directors, however, these are subject to shareholder approval and have not yet been issued. Under the accounting standard, the Company is required to fair value these instruments at the date of the agreement and remeasure the instruments when they have been approved by shareholders.

(ii) Movement in Performance rights

Date	Details	Number of notes	\$
1/07/2017	Opening balance	-	-
13/12/2017	Issue of convertible notes	24,000	24,000
30/01/2018	Issue of convertible notes	75,000	75,000
30/01/2018	Issue of convertible notes to extinguish debt	203,409	203,409
28/02/2018	Issue of convertible notes to extinguish debt	50,700	50,700
01/03/2018	Issue of convertible notes to extinguish debt	106,863	106,863
	Fair value adjustment (i)		132,120
06/03/2018	Conversion of notes to shares	(50,700)	(69,257)
	Closing balance	409,272	522,835

(i) *Terms of the notes*

Particulars	Terms
Principal	Face value of the consideration provided.
Interest rate	10%
Period	1 year
Repayment	Convertible at any time during the year and automatically after one year.
Security	The borrowing is unsecured and there are no covenants in place for the notes.

(ii) *Fair value of the notes – extinguishment of liabilities*

The convertible notes convert to shares at \$0.15 per share. In addition, the note holder receives an option exercisable at \$0.22 on or before 30 January 2020. The notes also include an additional option, where the first option has been exercised, the additional option is exercisable at \$0.34 on or before 30 January 2022. The three instruments have been valued as follows:

Particulars	Terms
Share	Share price at date of issue \$0.11
Option – Exercise price	\$0.22 (first option) and \$0.34 (second options)
Option – Grant date	31 January 2018
Option – Expiry date	30 January 2020 (first option) 30 January 2022 (second option)
Option – Share price	\$0.11
Option – Expected volatility	86.81%
Option – Dividend yield	0%
Option – Risk free rate	1.77% (first option) and 2.15% (second options)

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	Year Ended 30 Jun 2018 \$	RESTATED Year Ended 30 Jun 2017 \$
14 EARNINGS PER SHARE		
Loss attributable to ordinary shareholders	(2,728,114)	(1,597,604)
Opening balance	76,550,001	
Balance before transaction	-	1
Effect of shares issued for the acquisition (55,000,000 shares (220mill/4))	-	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
Effect of shares to consultants	772,589	-
Effect of shares to directors	665,753	-
Effect of shares from conversion of notes	107,419	-
Effect of shares issued for cash	16,438	-
	78,112,200	64,605,617
Basic loss per share calculation (12mths loss / weighted ave shares)	(0.035)	(0.025)

	Operations	Corporate & Administration	Company
15 SEGMENT REPORTING			
Year ended 30 June 2018			
Segment Revenue	838,292	-	838,292
Expenses			
Interest income	-	74	74
Consultants fees	(156,391)	(669,717)	(826,108)
Amortisation	(301,977)	-	(301,977)
Share Based Payments	-	(98,689)	(98,689)
Segment net operating loss after tax	(1,372,056)	(1,356,058)	(2,728,114)
Year ended 30 June 2017 RESTATED			
Segment Revenue	310,753	-	310,753
Significant items			
Interest Income	-	780	780
Consultants fees	(21,800)	(573,995)	(595,795)
Listing fees	-	(196,993)	(196,993)
Segment net operating loss after tax – RESTATED	(158,827)	(1,438,778)	(1,597,605)
Segment assets			
At 30 June 2018	10,095,169	204,258	10,299,427
At 30 June 2017 – RESTATED	10,197,839	1,534,252	11,732,091
Segment liabilities			
At 30 June 2018	(338,438)	(471,948)	(810,386)
At 30 June 2017 – RESTATED	(337,477)	(444,310)	(781,787)

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16 CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities as at 30 June 2018.

17 SUBSEQUENT EVENTS

On 8 August 2018 the Company completed a further capital raising of \$1,075,663 through a fully underwritten entitlement offer to existing shareholders. Other than this item, there have been no significant events after the end of the reporting period to the date of the Appendix 4E.

18 PRIOR PERIOD ACQUISITION

During the prior 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 Appendix 4E.

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.

19 BUSINESS COMBINATION

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.

	Year Ended 30 Jun 2018 \$	RESTATED Year Ended 30 Jun 2017 \$
Business combination		
Value of share issued	-	555,000
Cash paid and payable	-	622,716
- Total purchase consideration	-	1,177,716

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

Website development asset	-	19,000
Product formulation and technology intangible	-	876,037
Inventory	-	282,679
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	-	(205,847)

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19 BUSINESS COMBINATION (CONTINUED)

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. The amount payable is subject to the sale of inventories at fair value.

20 CORRECTION TO PROVISIONAL ACCOUNTING FOR BUSINESS COMBINATION

	Year Ended 30 Jun 2017 \$	Increase / (decrease)	Year Ended 30 Jun 2017 \$
Balance sheet			
Inventory	422,820	(149,910)	272,910
Intangible assets	9,510,353	171,388	9,681,741
Net Assets	<u>10,928,826</u>	<u>21,478</u>	<u>10,950,304</u>
Retained losses	<u>(2,221,984)</u>	<u>21,478</u>	<u>(2,200,506)</u>
Income statement			
Cost of sales	(196,219)	22,555	(173,663)
Amortisation	(139,330)	(1,077)	(140,408)
Loss before income tax	<u>(1,619,082)</u>	<u>21,478</u>	<u>(1,597,605)</u>

(a) Explanation

During the year the Company undertook a review of the stock that was acquired from the previous owners of McArthur as part of the business combination. The review highlighted that the stock cost values previously assess were considerable higher than the actual costs of generating the items. The Company then reviewed the entire stock valuation model and this resulted in an adjustment to the business combination workings in note 19.