



30 August 2018

Preliminary Final Report 2019 – 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 2019.

The 2018/19 financial year results highlight the work on the further development of the Company's all natural skincare products with \$2.9 million spent on new product development adding to the \$14 million previously invested in building the Company's skincare technology.

The Company has been able to reduce overall costs from previous periods as it finalized its current development program and brings these products into scale production.

At the same time sales revenue and research grant income of \$1.48 million in 2019 increased by 15% compared to the 2018 year.

The Company's expanded range of all natural 30+SPF sunscreen ranges including **Soleo Organics Baby** and **Soleo Organic Everyday**, new **PapayaActivs** therapeutic range with five papaya based TGA registered therapeutic creams, the new **Complete Esscience** natural skincare range of over twelve commentary skincare products, together with the **Elizabeth Jane Natural Cosmetic** are now all in production.

The Company raised additional working capital of \$1.86 million during the year from a fully underwritten non-renounceable entitlement issue and separate placements.

In March 2019, Skin Elements announced that it had entered into a Term Sheet with Henan Huatuo Health Management Limited (HHHM) for \$20 million order over the next three years and a strategic investment of \$2.4 million subject to certain conditions including shareholder approvals.

Peter Malone Executive Chairman said **"Skin Elements is pleased with the results achieved during the year which has laid the foundations to deliver strong sales growth 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 PapyaActivs therapeutics range and Complete Essience 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 2019
Previous Corresponding Reporting Period	Financial year ended 30 June 2018

Results for Announcement to the Market

	Current Period (30 June 2019) \$	Percentage increase /(decrease) over previous corresponding period	Previous Corresponding Period (30 Jun 2018) \$
Revenue from ordinary activities¹	797,710	(6)%	838,292
(Loss) from ordinary activities after tax attributable to members²	(1,852,102)	(32)%	(2,728,114)
Net (loss) for the period attributable to members	(1,852,102)	(32)%	(2,728,114)

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 2019

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 2019 include:

Sales income of \$797,710 (decrease from \$838,292 in 2018) through existing online sales channels and wholesaler and distributor networks throughout Australia and internationally and the first order into China.

Cash and non-cash expenses of \$2,913,558 (a decrease from \$3,623,683 in 2018) due to completion of the ASX Listing and acquisition and integration of the MacArthur business in previous periods.

Net Loss from continuing operations attributable to shareholders of \$1,852,102 (a decrease from \$2,728,114 in 2018).

Direct Research and development expenditure of \$899,672 with a R&D Tax rebate of \$649,452 receivable at 30 June 2019.

On 8 August 2018 the Company completed a further capital raising of \$1,075,663 through a fully underwritten non renounceable entitlement offer to existing shareholders. Subsequently the Company raised further \$782,975 in working capital through private placements in October, May & June.

Net tangible assets per ordinary share

	30 June 2019	30 June 2018
	\$	\$
Net tangible asset per share	0.001	0.001

Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	2019 %	2018 %	2019 \$A	2018 \$A
Name of entity	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 2018 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 2019.

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
FOR THE YEAR ENDED 30 JUNE 2019
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Consolidated	
		Year Ended	Year Ended
		30 June 2019	30 June 2018
	Notes	\$	\$
Revenue			
Revenue for continuing operations		797,710	838,292
Cost of sales		(426,229)	(392,979)
- Gross profit		371,480	445,314
Other income		689,976	450,255
Expenses			
Administration expenses	2	(637,381)	(857,701)
Corporate expenses	2	(297,175)	(325,458)
Consultants fees	2	(490,701)	(826,108)
Occupancy expenses		(104,267)	(122,519)
Research and development expenses		(899,672)	(1,003,955)
Amortisation	9	(390,794)	(301,977)
Advertising and marketing expenses		(93,569)	(185,965)
Total Expenditure		(2,913,558)	(3,623,683)
Profit / (loss) before income tax expense		(1,852,102)	(3,178,295)
Income tax (expense) / benefit	3	-	-
Profit / (Loss) after income tax from continuing operations attributable to equity holders of Skin Elements Limited		(1,852,102)	(2,728,114)
Other comprehensive income			
<i>Items that may be realised through profit and loss</i>			
Movement in reserve		--	-
Total comprehensive income for the year		--	-
Profit / (loss) and total comprehensive income attributable to equity holders of Skin Elements Limited		(1,852,102)	(2,728,114)
Basic earnings per share	15	(0.014)	(0.035)
Diluted earnings per share		N/A	N/A

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to this Appendix 4E

SKIN ELEMENTS LIMITED
AS AT 30 JUNE 2019
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 Jun 2019	As at 30 Jun 2018
	Notes	\$	\$
Current Assets			
Cash and cash equivalents	4	227,880	195,661
Trade receivables	5	18,495	36,509
Other receivables	6	9,237	46,058
Inventories	8	129,425	191,255
Research and development receivable	7	649,452	450,181
Total Current Assets		1,034,490	919,664
Non Current Assets			
Intangible assets	9	8,995,117	9,379,763
Total Non Current Assets		8,995,117	9,379,763
Total Assets		10,029,607	10,299,427
Current Liabilities			
Trade and other payables	10	501,961	810,386
Total Current Liabilities		501,961	810,386
Non Current Liabilities		-	-
Total Non Current Liabilities		-	-
Total Liabilities		501,961	810,386
Net Assets		9,527,647	9,489,041
Shareholders Equity			
Issued Capital	12	15,400,459	13,679,321
Reserves	13	907,911	738,340
Accumulated losses	14	(6,780,723)	(4,928,620)
Total Shareholders Equity		9,527,647	9,489,041

This consolidated statement of financial position should be read in conjunction with the notes to this Appendix 4E

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2019
CONSOLIDATED STATEMENT OF CASHFLOWS

	Notes	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Cash flows from operating activities			
Receipts from customers		797,769	851,395
Payments to suppliers and employees		(3,111,615)	(2,151,496)
Receipt of Research and development tax incentive		490,630	196,584
Interest paid		(11,010)	-
Interest received		75	74
Net cash inflow / (outflow) from operating activities	4	(1,834,152)	(1,103,443)
Cash flows from investing activities			
Payments for businesses		-	(205,847)
Payments for intangibles		-	(183,702)
Net cash inflow / (outflow) from investing activities		-	(389,549)
Cash flow from financing activities			
Proceeds from the issue of equity		1,858,638	150,000
Payment for share issue costs		(199,795)	-
Proceeds from Share applications		-	32,500
proceeds from Con Note		207,528	-
Proceeds from borrowings		-	99,000
Net cash inflow / (outflow) from financing activities		1,866,371	281,500
Cash and cash equivalents at the beginning of the financial year		195,661	1,407,153
Net increase / (decrease) in cash and cash equivalents		32,220	(1,211,492)
Cash and cash equivalents at the end of the financial year	4	227,880	195,661

This consolidated statement of cash flows should be read in conjunction with the notes to this Appendix 4E

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2019
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year Ended 30 June 2019				
	Issued Capital	Accumulated Losses	Share based payments reserve	Converting note reserve	Total Equity
Balance at 1 July 2018	13,679,321	(4,928,620)	215,505	522,835	9,489,041
Loss for the period	-	(1,852,101)	-	-	(1,852,101)
Other comprehensive income	-	-	-	-	0
Total comprehensive income for the period	-	(1,852,101)	-	-	(1,852,101)
Transactions with owners in their capacity as owners					
Issue of convertible notes	-	-	-	200,000	200,000
Conversion of convertible notes	-	-	-	(30,430)	(30,430)
Cost associated with share issues	(208,195)	-	-	-	(208,195)
Issue of shares (consultants)	38,194	-	-	-	38,194
Share based payments	-	-	-	-	-
Issue of shares (shareholders)	1,891,139	-	-	-	1,891,139
	1,721,138	-	-	169,570	1,890,708
Balance at 30 June 2019	15,400,459	(6,780,721)	215,505	692,405	9,527,648
Balance at 1 July 2017					
	13,033,994	(2,200,506)	116,816	-	10,950,373
Loss for the period	-	(2,728,114)	-	-	(2,728,114)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(2,728,114)	-	-	(2,728,114)
Transactions with owners in their capacity as owners					
Issue of convertible notes	-	-	-	592,092	592,092
Conversion of convertible notes	69,257	-	-	(69,257)	-
Cost associated with share issues	(6,930)	-	-	-	(6,930)
Issue of shares (consultants)	433,000	-	-	-	433,000
Share based payments	-	-	98,689	-	98,689
Issue of shares (shareholders)	150,000	-	-	-	150,000
	645,327	-	98,689	522,835	1,266,852
Balance at 30 June 2018	13,679,321	(4,928,620)	215,505	522,835	9,489,041

This consolidated statement of changes in equity should be read in conjunction with the notes to this Appendix 4E

SKIN ELEMENTS LIMITED
APPENDIX 4E FOR THE YEAR ENDED 30 JUNE 2019
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. The accounting policies adopted are consistent with the accounting policies adopted in the Company's last annual financial statements for year ended 30 June 2018.

(b) Going Concern

For the year ended 30 June 2019 the Group recorded a loss of \$1,852,102 (30 June 2018: \$2,728,114 loss), a net working capital surplus of \$532,529 (30 June 2018: \$109,278) and had net cash outflows from operating activities of \$1,852,102 (30 June 2018: \$1,103,443).

The ability of the entity to continue as a going concern is dependent on securing additional funding through issue of debt or equity, increasing revenues from sale of the Group's products and government R&D tax rebates to continue to fund its operational and marketing activities. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management believe there are sufficient funds to meet the entity's working capital requirements and as at the date of this report. Subsequent to year end the entity expects to receive additional funds by the placement of equity. The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- Positive cash flows from securing major distribution agreements.
- Will be able to raise additional equity to contribute to the Group's working capital position in the near term.
- The group expects to continue to receive the full support of its creditors.
- Ability to raise additional finance from debt or equity if and when required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ

from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(c) Segment Information

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used for the comparative period.

Operating segments are reported in a uniform manner to which is internally provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

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

The Board monitors the operations of the Company based on two segments, operational and corporate. The financial results of each segments are reported to the board to assess the performance of the Group. The Board has determined that strategic decision making is facilitated by evaluation of the operations of the legal parent and subsidiary which represent the operational performance of the group's revenues and the research and development activities as well as the finance, treasury, compliance and funding elements of the Group.

(d) 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 the 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. Due to sustained operating losses of the group, the Group has undertaken an impairment assessment of its Intangible assets in accordance with AASB136 *Impairment of assets*.

The recoverable amount of Intangible assets is determined from a value in use model. The key assumptions for the value in use calculations are those regarding the future forecast cashflows which takes into account discount rates, growth rates and direct costs during the period. As a result of the assessment no impairment loss was recognised for the period. 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.

(e) 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.

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:

- Fair value of assets transferred;
- Liabilities incurred;
- Equity interests issued; and
- 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.

(f) 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.

(g) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(h) Changes in Accounting Policies

This note explains the impact of the adoption of AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases on the Group's financial statements, and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

Impact on the financial statements

AASB 9 was adopted without restating comparative information. This change in methodology has not had an impact on the financial statements. The Company applies the AASB 9 simplified approach to measuring expected credit losses, which requires expected lifetime credit losses to be recognised from initial recognition of trade receivables with maturities of 12 months or less. The Company has made an assessment of the expected credit losses within its debtors balance. For the periods presented, a majority of the Groups' sales are made directly to retail customers who pay in advance for the products. The Company's history of returns is extremely low and therefore the historical credit losses will not be material.

AASB 15 was adopted without restating comparative information. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. The Company generates revenue from the delivery of goods as follows: Revenue from selling goods The Company sells products to external customers using a number of mediums which include internet sales, employees direct selling and the use of wholesalers and businesses whom purchase the product and are then responsible for their own on selling processes. The internet sales are driven by the Company's website which sets out pricing for the product and delivery. Each wholesalers and business customer order is specific to the client's requirements, however, for each category of customer the performance obligations cease when the Company has delivered the goods to the customers. As at 30 June the Company did not have any material customer contracts at the reporting date and will assess the impact of AASB 15 going forward.

The Group has applied AASB 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under AASB 118. The details of accounting policies under AASB 118 are disclosed separately if they are different from those under AASB 15.

AASB 16 Leases eliminates the operating and finance lease classifications for leases currently accounted for under AASB 17 Leases. It instead requires an entity to bring most leases onto its Statement of Financial Position 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 Statement of Financial Position for most leases. As at 30 June 2019, the Company has identified one contract that would be classified as leases under the new standard being the lease of office premises. Due to the short term and low value nature of this lease, the Company has applied the exemption and elected to recognise the lease payments in profit and loss on a straight line basis instead of applying the recognition and measurement requirements in AASB 16.

Nature of goods

Revenue for sale of suncare and skincare products, is recognised when the customers obtain control of the goods. This usually occurs when the goods are delivered. No other products or services are bundled in such contracts. Invoices are usually payable within 30 days and no element of financing is deemed present as the services are charged within standard credit terms which is consistent with industry practice.

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

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

	Year Ended 30 Jun 2019 \$	Year Ended 30 Jun 2018 \$
Profit or loss items		
2. Loss for the year included the following items:		
(a) Administration expenses		
Accounting expenses	143,211	98,362
Wages and Salaries	331,794	474,828
Travel expenses	25,484	112,391
Other expenses	136,892	172,120
	637,381	857,701
(b) Corporate expenses		
ASX fees	54,185	31,667
Audit expenses	58,923	47,337
Directors fees	53,570	179,590
Filing fees	9,978	2,170
Legal expenses	68,043	40,631
Share Registry and shareholder communications	52,476	24,063
	297,175	325,458
(c) Consulting fees		
Executive consulting fees (i)	420,804	317,245
External consulting fees	69,897	508,863
	490,701	826,108

(i) The Company engages the executives under consulting agreements to provide their services. These services are disclosed in the most recent annual year report and the nature of these services have not changed.

	As at 30 June 2019 \$	As at 30 June 2018 \$
3. Income Tax Benefit		
Current tax	-	-
Deferred tax	-	-
	-	-
Numerical reconciliation between tax expense and pre-tax net loss		
Loss before income tax expense	(1,852,102)	(2,728,114)
Income tax benefit calculated at 27.5%. (2018: 27.5%)	(509,328)	(750,231)
Effect of non-deductible item	(107,468)	(67,243)
Movements in unrecognised temporary differences	616,796	817,474
	--	--

	As at 30 June 2019 \$	As at 30 June 2018 \$
4. Cash		
Cash at bank	227,880	195,661
Balance per statement of cash flows	227,880	195,661
	Year Ended 30 Jun 2019 \$	Year Ended 30 Jun 2018 \$
(a) Reconciliation of loss after income tax to net cash flows from operating activities		
(Loss) / Profit for the year	(1,852,102)	(2,728,114)
Non-cash items		
Amortisation	390,794	301,537
Acquisition stock margin	-	(26,149)
Share based payments	38,194	600,946
(Increase) / decrease in traded receivables	18,014	12,147
(Increase) / decrease in other receivables	36,820	(59,718)
(Increase) / decrease in inventories	66,801	109,559
(Increase) / decrease in tax assets	(199,271)	(196,584)
Increase / (decrease) in trade payables	(308,425)	882,932
Net cash inflow / (outflow) from operating activities	(1,809,174)	(1,103,443)

(b) Non-cash financing and investing activities

(i) Issue of shares to consultants

During the year the Company issued 1,298,353 shares for consulting services during the period (See Note 12). The total value attributed to the shares was \$38,194.

	As at 30 June 2019 \$	As at 30 June 2018 \$
5. Trade receivables		
Trade receivables	18,495	36,509
	18,495	36,509

(i) Classification of trade receivables

Trade debtors are amounts due from customers for services performed 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 2019 (30 June 2018: Nil). Due to the short term nature of the current receivables, their carrying amounts approximate their fair value.

(ii) Receivables and impairment

The trade debtors balance does not currently have any amounts that are past due but not impaired.

	As at 30 June 2019 \$	As at 30 June 2018 \$
6. Other receivables		
GST receivable (net)	8,860	45,681
ABN Withholding	377	377
	9,237	46,058

	As at 30 June 2019 \$	As at 30 June 2018 \$
7. Research and development tax incentive		
R&D tax rebate receivable	649,452	450,181
	649,452	450,181

SE Operations Pty Ltd incurred expenditure on its continued development program during the year ended 30 June 2019. In relation to this expenditure SE Operations Pty Ltd has claimed the Federal Governments R&D Tax Rebate and expects to receive this rebate in the first half of financial year 2020. The Group will continue to develop its all natural skincare technology during the next year and assess the availability of applicable government assistance.

	As at 30 June 2019 \$	As at 30 June 2018 \$
8. Inventory		
Raw Materials - goods in production	84,782	49,486
Finished goods	44,643	141,769
	129,425	191,255
Movements in inventory		
Opening balance	191,255	272,910
Inventory purchased	359,428	311,323
Transferred to costs of sales (i)	(426,229)	(392,979)
Closing balance	124,454	191,255

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

	As at 30 June 2019 \$	As at 30 June 2018 \$
9. Intangible assets		
Soleo Organics - formula and technology	6,052,125	6,315,262
McArthur - formula and technology	806,503	835,642
Website development costs	10,807	14,607
Elizabeth Jane - formula technology	2,125,683	2,214,253
	8,995,117	9,379,763
 Movements in Soleo Organics - formula and technology		
Opening balance	6,315,261	6,578,397
Less: Amortisation	(263,136)	(263,136)
Closing balance	6,052,125	6,315,261
 Movements in McArthur - formula and technology		
Opening balance	835,642	870,683
Cost on acquisition	6,148	
Less: Amortisation	(35,287)	(35,041)
Closing balance	806,503	835,642
 Movements in Web site development costs		
Opening balance	14,607	18,407
Less: Amortisation	(3,800)	(3,800)
Closing balance	10,807	14,607
 Movements in Elizabeth Jane Natural Cosmetics - technology		
Opening balance	2,214,253	2,214,253
Less: Amortisation	(88,570)	-
Closing balance	2,125,683	2,214,253
 Profit or Loss expense		
Soleo Organics - Amortisation	263,136	263,136
MacArthur Skincare - Amortisation	35,287	35,041
Website Cost	3,800	3,800
Elizabeth Jane Natural Cosmetics – Amortisation	88,570	-
	390,793	301,977

	As at 30 June 2019 \$	As at 30 June 2018 \$
10. Trade payables		
Trade creditors	501,961	236,139
Other creditors	--	574,247
	<u>501,961</u>	<u>810,386</u>

Fair value of trade payables

Trade payables are unsecured and are usually paid within 60 days of recognition. The carrying amount of trade and other payables are assumed to be the same as their fair values, due to their short term nature.

	As at 30 June 2019 \$	As at 30 June 2018 \$
11. Borrowings		
Loans - related parties	--	--
	<u>--</u>	<u>--</u>
Movements in related party loans		
Opening balance	-	44,201
Amounts borrowed	-	62,662
Amounts repaid	-	-
Amounts converted into notes	-	(106,863)
Closing balance	<u>-</u>	<u>-</u>

(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

12. Issued capital

	As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
	Shares	Shares	\$	\$
(i) Share Capital				
Ordinary Shares	162,463,840	86,053,001	15,381,117	13,679,321

(ii) Movement in share capital

Date	Details	Number of shares	\$
1/07/2018	Opening balance	86,053,001	13,679,321
1/08/2018	Issue of non renounceable rights issue shares	43,026,519	1,075,664
4/10/2018	Issue of placement shares for cash	13,954,717	363,800
4/10/2018	Issue of consultant shares pursuant to a contract for services	873,353	29,694
20/12/2018	Issue of consultant shares pursuant to a contract for services	425,000	8,500
2/05/2019	Issue of placement shares for cash	7,000,000	140,000
14/06/2019	Issue of placement shares for cash	11,131,250	311,675
	Less: Transaction costs		(208,195)
		162,463,840	15,400,459
	Closing Balance		

As at 30 June 2019	As at 30 June 2018
\$	\$

13. Reserves

Share based payment reserve	215,505	215,505
Converting note reserve	692,405	522,835
	907,911	738,341

	As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
(i) Options	Options	Options	\$	\$
Options	-	2,000,000	116,816	116,816

Date	Details	Number of Options	\$
1/07/2016	Opening balance	2,000,000	116,816
30/11/2018	Options expiring	(2,000,000)	-
	Closing balance	-	116,816

(a) Fair value of options granted to consultants

The fair value of options granted was \$0.05841. The fair value at grant date using the Black Scholes Option Pricing Model.

The model inputs for the options granted during the period were:

Particulars	Inputs
Consideration	Nil
Exercise price	\$0.20
Grant date	23 December 2016
Expiry date	31 October 2018
Share price	\$0.20
Expected volatility	40%
Dividend yield	0
Risk free rate	1.89%

	As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
(ii) Performance rights	Rights	Rights	\$	\$
Performance rights	2,200,000	4,400,000	98,689	98,689

(a) Fair value of performance rights granted to directors

The Company has previously issued performance rights to directors which will convert into ordinary fully paid shares on achieving certain share market price hurdles. The fair value of the rights has been valued at \$0.075 to \$0.077 per right. 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. On 30 June 2019, 2,200,000 of these performance rights expired without achieving the performance hurdle.

	As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
(iii) Converting note reserve	Notes	Notes	\$	\$
Converting notes	578,842	409,272	692,405	522,835

Date	Details	Number of Notes	\$
1/07/2018	Opening balance	409,272	522,835
26/10/2018	Converting Notes repaid	(28,000)	(28,000)
26/10/2018	Adjustment to fair value resulting from repayment	(2,430)	(2,430)
4/3/2019	Converting Note issued to HHHM	200,000	200,000
	Closing Balance	578,842	692,405

As at 30 June 2019	As at 30 June 2018
\$	\$

14. Accumulated losses

Opening balance	(4,928,620)	(2,200,506)
Loss for the year	(1,852,102)	(2,728,114)
Closing balance	(6,780,722)	(4,928,620)

	Year Ended 30 Jun 2019 \$	Year Ended 30 Jun 2018 \$
15. Earnings per share		
Profit/(loss) attributable to ordinary shareholders	(1,852,102)	(2,728,114)
Weighted average number of ordinary shares*		
Balance before transaction	86,053,001	76,500,001
Effect of shares issued for Rights Issue	37,648,204	-
Effect of shares issued for Placement	10,466,038	-
Effect of shares issued for Placement	1,166,667	-
Effect of shares issued for Placement	463,802	-
Effect of shares to consultants	973,765	772,589
Effect of shares to directors	-	665,753
Effect of shares from conversion of notes	-	107,419
Effect of shares issued for cash	-0	16,438
	136,771,476	78,062,200
Basic loss per share calculation (12mths loss / weighted ave shares)	(0.014)	(0.035)

16. Segment reporting	Operations \$	Corporate & administration \$	Company \$
Year ended 30 June 2019			
Segment Revenue	797,710	0	797,710
Expenses			
Consultants fees	(769,699)	(212,097)	(981,796)
Amortisation	(390,793)	0	(390,793)
Share based payments	-	(38,194)	(38,194)
Segment net operating profit/(loss) after tax	(1,212,454)	(639,647)	(1,852,102)
Year ended 30 June 2018			
Segment Revenue	838,292	0	838,292
Expenses			
Interest income	0	74	74
Consultants fees	(156,391)	(669,717)	(826,108)
Amortisation	(301,977)	0	(301,977)
Share Based Payments		(98,689)	
Segment net operating profit/(loss) after tax	(1,372,056)	(1,356,058)	(2,728,114)
Segment assets			
At 30 June 2019	9,781,381	248,226	10,029,607
At 30 June 2018	10,540,502	204,258	10,299,427
Segment liabilities			
At 30 June 2019	(202,051)	(299,910)	(501,961)
At 30 June 2018	(338,438)	(471,947)	(810,386)

17. Contingent liabilities

The directors are not aware of any contingent liabilities as at 30 June 2019.

18. Subsequent events

There have been no significant events after the end of the reporting period to the date of the Appendix 4E.