



31 August 2017

Preliminary Final Report 2017 – Skin Elements poised for 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 2017, which has seen it deliver a strong business performance that positions the Company for significant future growth.

The 2017 financial year was a transformational year for Skin Elements highlighted by its successful \$3.71 million Initial Public Offer and ASX listing in January 2017. The Company's ASX listing represented the culmination of more than 10 years development and experience, and an investment of approximately \$9 million in the field of natural sun care and skin care products.

The ASX listing has delivered the market visibility and access to capital markets to enable the Company to aggressively execute its businesses plans for its natural and organic skin care product range, including the Soléo Organics 100% natural and organic sunscreen as well as the acquisition of McArthur Skincare range of therapeutic and cosmetic skin care products – and achieve its goal of becoming a recognised leading national and international skin care company.

Post its ASX listing, Skin Elements has vigorously pursued its business model and has achieved significant progress.

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.

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.

The Company's \$1 million acquisition (\$400,000 cash consideration and Skin Elements' ordinary shares to the value of \$600,000) of the McArthur Skincare business, completed in 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 company which has generated total sales of approximately \$23 million since inception in 2010. The acquisition will transform Skin Elements into a natural skin care company of significant scale and size, and looking forward it will seek to deliver substantial turnover and sales from the McArthur Skincare product range.



Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

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.

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.

Skin Elements is extremely pleased with the progress achieved in its first year of operations as an ASX listed company, and believes that the foundations laid leave it well placed to deliver strong growth. The Company would like to acknowledge all shareholders for their support, and eagerly looks forward to delivering value for shareholders in the year ahead.

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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 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/>

Appendix 4E

Preliminary Final Report Skin Elements Limited ABN 90 608 047 794

Dates

Financial Year Ended	30 June 2017
Previous Corresponding Reporting Period	Financial year ended 30 June 2016 ¹

Results for Announcement to the Market

	Current Period (30 Jun 2017) \$	Percentage increase /(decrease) over previous corresponding period	Previous Corresponding Period¹ (30 Jun 2016) \$
Revenue from ordinary activities²	310,753	72.85%	179,782
(Loss) from ordinary activities after tax attributable to members³	(2,237,308)	10,274%	(21,777)
Net (loss) for the period attributable to members	(2,237,308)	10,274%	(21,777)

Notes:

1. The comparative period represents the results and information for SE Operations Pty Ltd.
2. Revenue from continuing operations has been disclosed as revenue from ordinary activities.
3. 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 2017

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 model and growth strategy to position itself as a leading global supplier of natural and organics skincare products.

The key highlights for the year ended 30 June 2017 include:

- Completion of acquisition of SE Operations Pty Ltd (SEO) on 23 December 2016, successful Initial Public Offering (IPO) of \$3.71million and ASX listing completed on 6 January 2017.
- Acquisition of leading Australian pawpaw based natural skincare business McArthur Skincare on 5 May 2017 for consideration of \$400,000 cash and 3,000,000 ordinary fully paid shares. A further \$222,716 is to be paid for inventories subject to the sale of those inventories at fair value.
- Sales income of \$310,753, (increase from \$179,782 in 2016) as the Group positions itself to add scale and product range to deliver strong growth.
- Cash expenses of \$1,594,363 (an increase from \$140,253 in 2016) as a result of the increased activities detailed 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 and a deferred income tax expense of \$615,937. The deferred income tax is required to recognise the tax timing difference between historical development cost expensed for tax purposes but for accounting purposes have been capitalised and will be amortised over future periods.
- Capitalisation of development expenditure of \$451,913 and associated R&D Tax rebate income of \$196,584.

Net tangible assets per ordinary share

	30 June 2017	30 June 2016 ⁴
	\$	\$
Net tangible asset per share	0.01853	(0.0005)

4. The comparative period represents the share capital taking into account the share consolidation to 55,000,000 and balance sheet information for SE Operations Pty Ltd.

Details of Associates and Joint Venture Entities

Name of entity	Ownership Interest		Contribution to net profit/(loss)	
	2017 %	2016 %	2017 \$A	2016 \$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	Skin Elements Limited
Date of gaining control	23 December 2016
Commentary and contribution	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 re-organise the Group by way of an equity swap. The shareholders of SEO received the same proportion of equity instruments in SEL. Consequently, this report presents the results of SEO for the period from 1 July 2015 to 30 June 2016 and of the consolidated Group for the period from 1 July 2016 to 30 June 2017. The loss for the year for Skin Elements Limited was \$1,438,778.

Details of businesses acquired

Name of entity	McArthur Skincare
Date of gaining control	5 May 2017
Commentary and contribution	In accordance with Australian Accounting Standards, the acquisition was accounted for as a business combination. The profit for the period after acquisition until 30 June 2017 was \$16,869.

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:

N/A.

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 2017
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated Year Ended 30 Jun 2017 \$	Year Ended 30 Jun 2016 \$
Revenue			
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
Expenses			
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	8	(141,619)	-
Advertising and marketing expenses		(149,227)	(35,432)
Total Expenditure		(1,736,685)	(140,253)
Loss before income tax		(1,621,371)	(21,777)
Income tax expense	11	(615,937)	-
Loss after income tax from continuing activities attributable to equity holders of Skin Elements Limited		(2,237,308)	(21,777)
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			
		(2,237,308)	(21,777)
Basic earnings per share (cents per share)	15	(0.0344)	(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 this Appendix 4E.

SKIN ELEMENTS LIMITED
APPENDIX 4E AS AT 30 JUNE 2017
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
		As at	As at
		30 Jun 2017	30 Jun 2016
	Notes	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	1,407,153	8,918
Trade and other receivables	4	48,657	2,243
Other receivables	5	125,047	49,214
Inventories	7	422,820	89,198
Research and development receivable	6	196,584	156,008
TOTAL CURRENT ASSETS		2,200,261	305,581
NON-CURRENT ASSETS			
Intangible assets	8	9,874,493	8,671,782
TOTAL NON-CURRENT ASSETS		9,874,493	8,671,782
TOTAL ASSETS		12,074,754	8,977,363
CURRENT LIABILITIES			
Trade and other payables	9	737,586	289,665
Borrowings – related parties	10	44,201	44,611
TOTAL CURRENT LIABILITIES		781,787	334,276
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11	982,366	-
TOTAL NON-CURRENT LIABILITIES		982,366	-
TOTAL LIABILITIES		1,764,153	334,276
NET ASSETS		10,310,601	8,643,087
EQUITY			
Issued capital	12	13,033,994	9,245,988
Reserves	13	116,816	-
Accumulated losses	14	(2,840,209)	(602,901)
TOTAL EQUITY		10,310,601	8,643,087

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 2017
CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	Consolidated	
		Year Ended 30 Jun 2017 \$	Year Ended 30 Jun 2016 \$
Cash flows from operating activities			
Receipts from customers		264,339	182,317
Payments to suppliers and employees		(1,686,394)	(93,627)
Interest paid		-	-
Interest received		780	95
Net cash (outflows) / inflow from operating activities	3	(1,421,275)	88,785
Cash flows from investing activities			
Payments for businesses	20	(416,869)	-
Payments for intangibles		(269,040)	(346,985)
Receipt of research and development tax incentive		156,008	133,935
Net cash outflow from investing activities		(529,901)	(213,050)
Cash flow from financing activities			
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)
Net cash inflow from financing activities		3,349,411	113,821
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)
Cash and cash equivalents at the end of the financial year	3	1,407,153	8,918

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 2017
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Consolidated			
	Issued Capital	Share based Payments Reserves	Accumulated losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2016	9,245,988	-	(602,901)	8,643,087
Loss for the year	-	-	(2,237,308)	(2,237,308)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(2,237,308)	(2,237,308)
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	(2,840,209)	10,310,601
Balance at 1 July 2015	8,861,401	-	(581,125)	8,280,276
Loss for the year	-	-	(21,777)	(21,777)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(21,777)	(21,777)
Transactions with owners in their capacity as owners				
Equity Issued	550,026	-	-	550,026
Share issue costs	(165,439)	-	-	(165,439)
	384,587	-	-	384,587
Balance as at 30 June 2016	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 Appendix 4E.

NOTES TO THE APPENDIX 4E PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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 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 shareholders of SEO received the same proportion of equity instruments in SEL. Consequently, this Appendix 4E presents the results of SEO for the period from 1 July 2015 to 30 June 2016 and of the consolidated Group for the period from 1 July 2016 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 Appendix 4E.

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

(b) Segment Information

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

(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. 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) 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 but has estimated the costs of intangible assets to be \$1,170,001 on the basis of the estimated sunk costs of the development process.

(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.

(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.

(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) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employee renders the services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amount expected to be paid when the liabilities are settled. The liabilities are presented as current payables in the balance sheet.

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2017
CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

	Consolidated	Consolidated
	Year ended 30 Jun 2017	Year ended 30 Jun 2016
	\$	\$
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 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) 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 most recent half year report and the nature of these services have not changed.

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2017
CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

3 CASH	Consolidated	As at
	As at	As at
	30 Jun 2017	30 Jun 2016
	\$	\$
Cash at bank	1,407,153	8,918
Balance per statement cash flows	1,407,153	8,918

	Consolidated	Consolidated
	Year ended	Year ended
	30 Jun 2017	30 Jun 2016
	\$	\$
(a) Reconciliation of loss after income tax to net cash flows from operating activities		
Loss for the year	(2,237,308)	(21,777)
Non-cash items		
Amortisation	141,619	-
Acquisition stock margin and deferred taxes	15,788	-
(Increase) / decrease in traded 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
Increase in deferred taxes (not on acquisition)	622,704	-
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 20 for further information.

4 TRADE RECEIVABLES	Consolidated	As at
	As at	As at
	30 Jun 2017	30 Jun 2016
	\$	\$
Trade receivables	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
CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

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

	Consolidated As at 30 Jun 2017 \$	As at 30 Jun 2016 \$
6 RESEARCH AND DEVELOPMENT TAX INCENTIVE		
Research and development receivable (i)	196,584	156,008
	196,584	156,008

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.

(i) The 2016 comparative value included a GST payable amount of \$6,049, this value has been reclassified to trade and other payables.

	Consolidated As at 30 Jun 2017 \$	As at 30 Jun 2016 \$
7 INVENTORY		
Finished goods	387,199	89,198
Raw materials	35,621	-
	422,820	89,198
Movements in inventory		
Opening balance	89,198	32,262
Inventory purchased	207,125	118,337
Inventory transferred to costs of sales (i)	(196,219)	(61,401)
Inventory acquired in business combination	322,716	-
Inventory written off	-	-
Closing balance	422,820	89,198

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

SKIN ELEMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2017
CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

	Consolidated	
	As at 30 Jun 2017 \$	As at 30 Jun 2016 \$
8 INTANGIBLE ASSETS		
Soléo Organics – formula and technology	6,578,397	6,457,529
McArthur skincare – formula and technology	1,063,436	-
Website development costs	18,407	-
Elizabeth Jane Natural Cosmetics – formula and technology	2,214,253	2,214,253
	<u>9,874,493</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	1,070,001	-
Less: R&D tax incentives	-	-
Less: Write-off or impairments	-	-
Less: Amortisation	(6,565)	-
Closing balance	<u>1,063,436</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>
Profit or loss expense		
Soléo amortisation	134,461	-
McArthur amortisation	6,565	-
Website costs	593	-
	<u>141,619</u>	<u>-</u>

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

(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 20) and amounts payable to executive management of \$202,871 and to directors of \$58,667.

	Consolidated	
	As at 30 Jun 2017	As at 30 Jun 2016
	\$	\$
10 BORROWINGS		
Loans - related parties	44,201	44,611
	44,201	44,611
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	44,201	44,611

(i) *Terms of the borrowings*

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

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

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	Consolidated	
	As at	As at
	30 Jun 2017	30 Jun 2016
	\$	\$
11 DEFERRED TAX LIABILITY		
Deferred tax liability	982,366	-
	<u>982,366</u>	<u>-</u>
Movements in deferred tax liabilities		
Opening balance	-	-
Amounts recognised as per the business combination	366,429	-
Amounts recognised on intangible asset	622,704	-
Amounts de-recognised as part of fair value of inventory	(6,767)	-
Closing balance	<u>982,366</u>	<u>-</u>
Profit and loss items		
Income tax expense		
Current tax	-	-
Deferred tax	615,937	-
	<u>615,937</u>	<u>-</u>
Numerical reconciliation between tax expense and pre-tax net loss		
Loss before income tax expense	(1,621,371)	(21,777)
Income tax benefit calculated at 30.0%. (2016: 30.0%)	(486,411)	(6,533)
Effect of non-deductible item		
- Amortisation	42,486	-
- Non-deductible stock margin	6,767	-
- Non-deductible listing fees	70,310	-
Effect of timing differences		
- Annual leave	637	-
- Unpaid super	3,074	-
- Accrued accounting fees	8,850	-
- Capital raising costs	(10,805)	-
- Deferred taxes on intangibles (net)	615,937	-
- Deferred tax assets on losses not recognised	365,092	6,533
	<u>615,937</u>	<u>-</u>

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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
	Shares	Shares	\$	\$
(i) Share Capital				
Ordinary Shares	76,550,001	1	13,033,994	9,425,988

(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		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 19 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.

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
	Options	Options	\$	\$
(i) 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	<u>2,000,000</u>	<u>116,816</u>

(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	2,237,308	21,777
Closing balance	<u>2,840,209</u>	<u>602,901</u>

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	Year Ended 30 Jun 2017 \$	Year Ended 30 Jun 2016 \$
15 EARNINGS PER SHARE		
Loss attributable to ordinary shareholders	(2,237,308)	(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)	(0.0344)	(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
16 SEGMENT REPORTING			
Year ended 30 June 2017			
Segment Revenue	310,753	-	310,753
Expenses			
Interest income	-	780	780
Consultants fees	(21,800)	(573,995)	(595,795)
Listing fees	-	(196,993)	(196,993)
Segment net operating loss after tax	(798,530)	(1,438,778)	(2,237,308)
Year ended 30 June 2016			
Segment Revenue	179,782	-	179,782
Significant items			
Interest Income	95	-	95
Consultants fees	(43,599)	-	(43,599)
Listing fees	-	-	-
Segment net operating loss after tax	(21,777)	-	(21,777)
Segment assets			
At 30 June 2017	10,540,502	1,534,252	12,074,754
At 30 June 2016	8,977,363	-	8,977,363
Segment liabilities			
At 30 June 2017	(1,319,843)	(444,310)	(1,764,153)
At 30 June 2016	(334,276)	-	(334,276)

SKIN ELEMENTS LIMITED
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CONDENSED NOTES TO THE CONSOLIDATED APPENDIX 4E

17 CONTINGENT LIABILITIES

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

18 SUBSEQUENT EVENTS

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

19 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 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.

20 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.

	Year Ended 30 Jun 2017 \$	Year Ended 30 Jun 2016 \$
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	1,070,001	-
Inventory	455,144	-
Deferred tax liabilities	(366,429)	-
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)	-

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.