



SKIN ELEMENTS
LIMITED ABN 90 608 047 794
and its controlled entities

APPENDIX 4E
Preliminary Final
Report
30 June 2020

Corporate directory

Current Directors

Peter Malone	<i>Executive Chairman</i>
Phil Giglia	<i>Non-executive Director</i>
Craig Piercy	<i>Executive Director</i>

Company Secretary

Craig Piercy

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Auditors

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APPENDIX 4E

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30 June 2020

SKIN ELEMENTS LIMITED

AND CONTROLLED ENTITIES

ABN 90 608 047 794

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Company Update

1. Operating and financial review

1.1. Nature of Operations Principal Activities

Skin Elements Limited (SKN, the Company, the Group) is a developer, manufacturer, distributor and retailer of its leading proprietary all-natural skincare technology. This technology includes the Soleo Organics natural sunscreen brand, the PapayaActivs therapeutic skincare range, Elizabeth Jane Natural Cosmetics, and the recently developed Invisi-Shield® new generation natural sanitiser range.

1.2. Financial Review

As at 30 June 2020, the Group's cash and cash equivalents increased from 30 June 2019 by \$89,837 to \$206,075 at 30 June 2020 (2019: \$116,238) and had working capital of \$355,234 (2019: \$102,893 working capital).

Revenue for the year ended 30 June 2020 was recorded at \$425,167 as compared with the previous year ended 30 June 2019 which recorded \$798,107.

The Group recorded an EBITDA loss of approximately \$1,545,869 for 2020 (2019: \$1,576,967 loss).

The net tangible assets of the Group have increased from 30 June 2019 by \$344,298 to \$544,327 at 30 June 2020 (2019: \$200,029).

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

1.3. Operations Review

New Product – Invisi Shield® Natural Sanitiser

On the Company becoming aware of the COVID-19 global pandemic in late January 2020 it moved to bring forward a research program on Invisi-Shield®, a new generation of sanitiser.

Skin Elements announced the commencement of production of Invisi Shield® in late April 2020. It is a natural alcohol-free, anti-microbial sanitiser designed to deliver superior protection. With the formulation completed, production underway and launch announced, Invisi Shield® Natural sanitiser is now available through the Company's online store www.sknlife.com.au.

Skin Elements detailed in its announcement on 29 May 2020 that its SE Formula™, a plant based active formulation, demonstrated in independent laboratory testing, 99.99% effectiveness against Feline coronavirus, a surrogate of Coronavirus COVID-19. Skin Elements is continuing to investigate the use of the SE Formula™ in a range of applications for Invisi-Shield Natural, and the regulatory requirements of the Therapeutic Goods Administration (TGA) in making any product claims. No product claims or TGA registrations have been made.

International Distribution Agreement

In the first half of the financial year, SKN was fully focused on the international distribution agreement with Henan Huatuo Health Management Co, Ltd (HHHM). Due to a number of key terms that could not be delivered, SKN advised on 9 October 2019, that it was not proceeding with the agreement with HHHM.

On 29 November 2019, SKN completed the finalisation of the project through a settlement of the \$200,000 convertible note through the issue of the convertible note to third parties on similar terms. During this period SKN was not able to undertake production of its products and sales through its existing distribution channels.

SKNLife Product and Branding Platform Established

Skin Elements completed the strategic re-branding, expansion and refinement across its entire natural skincare and sun care product range. This process resulted in the Company now having a total of 40 therapeutic and cosmetic skin care products in production, including five new products in the flagship Soléo Organics sunscreen range, as well as the PapayaActivs range of therapeutic treatments and every day skincare, and the first five products from the Elizabeth Jane Natural Cosmetics range.

Global Opportunity

Skin Elements continues to maintain its focus on developing sales in global markets including major retail pharmacy and health chains in the United Kingdom, the expansion of its online sales portal, and the support to its distributors in Europe with further initial orders and deposits being received. Skin Elements continues to maintain its focus on developing sales in Australia and global markets.

Company Update

Funding of Growth Strategies

The Company continually reviews its financial position to ensure that it has sufficient working capital to undertake its growth programs including:

- Placements – issued 40,359,838 ordinary fully paid shares, raising \$538,675.
- Rights Issue – issued 100,479,822 ordinary fully paid shares, raising \$1,004,798.
- Pre-production financing facility – \$10 million pre-factoring financing facility with Custodian Australia Pty Ltd. As at 30 June 2020, \$500,000 has been drawn down.
- Options exercising – issued 4,492,881 ordinary fully paid shares, raising \$134,786.
- R&D Rebate – anticipating to provide funds in excess of \$600,000 in September 2020 quarter.

Manufacturing Underway

Skin Elements has commenced production of Invisi-Shield® Natural sanitiser in June, following delivery of 100,000 bottles and active ingredients for production in the Company's facility in West Perth. The Company has taken delivery of 16,000 tubes of Soleo Organics natural sunscreen with orders placed with Baxter Laboratories for a further 150,000 tubes of Soleo Organics sunscreen. In addition, the Company has taken delivery of 25,000 tubes of PapayaActivs pawpaw based natural skincare, with a further 10,000 tubes of PapayaActivs pawpaw based natural skincare in production.

These products are available through distributors and for sale through the Company's online store www.sknlife.com.au.

1.4. Impact of COVID 19 Coronavirus

The COVID-19 coronavirus global pandemic has caused significant disruption and restrictions to the movement of people and goods throughout the world. During this time, SKN has continued to operate from its West Perth premises and has achieved customer receipts of over \$340,000 in the second half of the year, notwithstanding the impact of COVID-19 restrictions that has seen the delay of orders from national and international distributors and the shift to direct online sales through the Company's online store. The Company has also experienced restrictions on travel resulting in reduced ability to meet with distributors and new customers, increased costs and shipment timeframes for national and international freight, and delayed production and the delivery of inventories from its contract manufacturers in Victoria and Queensland. As a result, SKN was not able to scale up additional production and use further production funding under its pre-factoring production finance facility over the period.

1.5. Future Developments, Prospects and Business Strategies

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report particularly given the early stage of the Company's commercial operations with its new expanded range of natural and organic products. The Directors believe that the inclusion of such information would be likely to be unreasonably prejudicial to the Group.

Results for announcement to the Market for the year ended 30 June 2020

1	REPORTING PERIOD (item 1)	
	■ Report for the financial year ended:	30 June 2020
	■ Previous corresponding period is the year months ended:	30 June 2019

2	RESULTS FOR ANNOUNCEMENT TO THE MARKET	Movement	Percentage %	Amount \$
	■ Decrease in revenues from ordinary activities (item 2.1)	↓	(46.73) to	425,167
	■ Decrease in loss from ordinary activities after tax attributable to members (item 2.2)	↓	(1.55) to	(1,937,163)
	■ Decrease in loss after tax attributable to members (item 2.3)	↓	(1.55) to	(1,937,163)
	a. Dividends (item 2.4)			
			Amount per Security ¢	Franked amount per security ¢
	■ Interim dividend		nil	n/a
	■ Final dividend		nil	n/a
	■ Record date for determining entitlements to the dividend (item 2.5)	n/a		
	b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6): Refer to Operations Review on page 1 of this report.			

3	PRELIMINARY FINAL REPORT
	a. Statement of comprehensive income (item 3): Refer to Consolidated statement of profit or loss and other comprehensive income on page 6
	b. Statement of financial position (item 4): Refer to Consolidated statement of financial position on page 7
	c. Statement of cash flows (item 5): Refer to Consolidated statement of cash flows on page 9
	d. Statement of changes in equity (item 6): Refer to Consolidated statement of changes in equity on page 8

4	DIVIDENDS (item 7) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS (item 14.2)
	Nil.
	a. Details of dividend or distribution reinvestment plans in operation are described below (item 8): Not applicable

Results for announcement to the Market for the year ended 30 June 2020

5 RATIOS	Current period	Previous corresponding period
a. Financial Information relating to 5b and 5c:	\$	\$
Earnings for the period attributable to owners of the parent	(1,937,163)	(1,967,761)
Net assets	9,198,151	9,195,146
Less: Intangible assets (including net deferred tax balances)	(8,653,824)	(8,995,117)
Net tangible assets	544,327	200,029
	No.	No.
Fully paid ordinary shares	323,284,299	158,404,002
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	223,746,949	136,771,476
	¢	¢
b. Net tangible assets backing per share (cents) (item 9):	0.168	0.126
c. Earnings per share attributable to owners of the parent (cents) (item 14.1):	(0.866)	(1.439)
The Group does not report diluted earnings per share, as dilution is not applied to annual losses generated by the Group. During the 2020 financial year the Group had 127,489,034 unissued shares under option.		
6 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 10)		
a. Control gained over entities		
■ Name of entities (item 10.1)	Nil	
■ Date(s) of gain of control (item 10.2)		
b. Loss of control of entities		
■ Name of entities (item 10.1)	Nil	
■ Date(s) of loss of control (item 10.2)	N/A	
c. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 10.3).	Nil	
d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	Nil	
7 DETAILS OF ASSOCIATES AND JOINT VENTURE: (item 11)		
■ Name of entities (item 11.1)	Nil	
■ Percentage holding in each of these entities (item 11.2)	n/a	
	Current period	Previous corresponding period
	\$	\$
■ Aggregate share of profits (losses) of these entities (item 11.3)	N/A	N/A

**Results for announcement to the Market
for the year ended 30 June 2020**

8	Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position. (item 12): Refer to commentary update accompanying this 4E
9	The financial information provided in the Appendix 4E is based on the preliminary final report (attached), which has been prepared in accordance with Australian Accounting Standards (item 13)
10	A COMMENTARY ON THE RESULTS FOR THE PERIOD (item 14) Refer to Company Update on page 1. The Group had revenue of \$425,167 (2019: \$798,107) for the period.
11	The preliminary final report has been prepared based on the 30 June 2020 accounts which are in the process of being audited by an independent Audit Firm in accordance with the requirements of s.302 of the <i>Corporations Act 2001</i> (Cth). (item 15)

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SKIN ELEMENTS LIMITED

AND CONTROLLED ENTITIES

ABN 90 608 047 794

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Note	2020 \$	2019 \$
<i>Continuing operations</i>			
Revenue	1.1	425,167	798,107
Cost of sales		(220,078)	(440,851)
Gross profit		205,089	357,256
Other income	1.2	812,982	689,976
Administration expenses	2.1	(676,077)	(643,257)
Advertising and marketing expenses		(192,269)	(92,293)
Amortisation		(391,294)	(390,794)
Corporate expenses	2.2	(320,145)	(297,175)
Consultants fees	2.3	(365,681)	(587,534)
Occupancy costs		(123,669)	(104,268)
Research and development expenses		(886,099)	(899,672)
Loss before tax		(1,937,163)	(1,967,761)
Income tax expense	3.1	-	-
Net loss for the year		(1,937,163)	(1,967,761)
<i>Other comprehensive income, net of income tax</i>			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(1,937,163)	(1,967,761)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2020

	Note	2020 \$	2019 \$
<i>Current assets</i>			
Cash and cash equivalents	4.1	206,075	116,238
Trade and other receivables	4.2.1	765,763	675,142
Inventories	5.1	155,705	17,721
Other current assets	4.3.1	438,056	97,136
Total current assets		1,565,599	906,237
<i>Non-current assets</i>			
Intangible assets	5.2	8,653,824	8,995,117
Total non-current assets		8,653,824	8,995,117
Total assets		10,219,423	9,901,354
<i>Current liabilities</i>			
Trade and other payables	4.4.1	521,272	506,208
Borrowings	4.5.1	500,000	200,000
Total current liabilities		1,021,272	706,208
Total liabilities		1,021,272	706,208
Net assets		9,198,151	9,195,146
<i>Equity</i>			
Issued capital	6.1.1	17,620,725	15,286,784
Reserves	6.2	368,764	804,743
Accumulated losses		(8,791,338)	(6,896,381)
Total equity		9,198,151	9,195,146

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

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SKIN ELEMENTS LIMITED

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Consolidated statement of changes in equity

for the year ended 30 June 2020

	Note	Contributed equity	Accumulated losses	Convertible note reserve	Share-based payment reserve	Total equity
		\$	\$		\$	\$
<i>Balance at 1 July 2018</i>		13,679,321	(4,928,620)	522,835	215,505	9,489,041
Loss for the year attributable owners of the parent		-	(1,967,761)	-	-	(1,967,761)
Other comprehensive income for the year attributable owners of the parent		-	-	-	-	-
Total comprehensive income for the year attributable owners of the parent		-	(1,967,761)	-	-	(1,967,761)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	6.1.1	1,569,269	-	-	-	1,569,269
Share based payments during the year		-	-	-	96,833	96,833
Shares issued during the year to consultants	6.1.1	38,194	-	-	-	38,194
Repayment of convertible notes		-	-	(30,430)	-	(30,430)
Balance at 30 June 2019		15,286,784	(6,896,381)	492,405	312,338	9,195,146
<i>Balance at 1 July 2019</i>		15,286,784	(6,896,381)	492,405	312,338	9,195,146
Change in accounting policy		-	-	-	-	-
Restated total equity at the beginning of the financial year		15,286,784	(6,896,381)	492,405	312,338	9,195,146
Loss for the year attributable owners of the parent		-	(1,937,163)	-	-	(1,937,163)
Adjustment to fair value of convertible note		-	42,206	(42,206)	-	-
Other comprehensive income for the year attributable owners of the parent		-	-	-	-	-
Total comprehensive income for the year attributable owners of the parent		-	(1,894,957)	(42,206)	-	(1,937,163)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	6.1.1	1,563,392	-	-	-	1,563,392
Share based payments during the year		120,351	-	-	56,426	176,777
Converting note conversion		650,199	-	(450,199)	-	200,000
Balance at 30 June 2020		17,620,726	(8,791,338)	-	368,764	9,198,152

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2020

	Note	2020 \$	2019 \$
<i>Cash flows from operating activities</i>			
Receipts from customers		421,825	798,166
Payments to suppliers and employees		(3,167,868)	(3,096,304)
Receipt of Research and development tax incentive		793,959	490,630
Interest paid		-	(11,010)
Interest received		-	75
Net cash used in operating activities		(1,952,084)	(1,818,443)
<i>Cash flows from investing activities</i>			
Purchase of intangibles		(30,000)	(6,148)
Net cash used in investing activities		(30,000)	(6,148)
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares		1,894,089	1,744,963
Share issue costs		(95,870)	(199,795)
Proceeds from convertible notes		-	200,000
Proceeds of borrowings		1,000,000	-
Repayments of borrowings		(700,000)	-
Costs related to loan and borrowings		(26,298)	-
Net cash provided by financing activities		2,071,921	1,745,168
Net increase in cash and cash equivalents held		89,837	(79,423)
Cash and cash equivalents at the beginning of the year		116,238	195,661
Cash and cash equivalents at the end of the year	4.1	206,075	116,238

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

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Notes to the Appendix 4E preliminary final report
for the year ended 30 June 2020

Note	1	Revenue and other income	Note	2020	2019
				\$	\$
1.1		Revenue			
		Sales to customers		425,167	798,107
				425,167	798,107
1.2		Other Income			
		Interest income		57	-
		Research and Development grant income		707,925	689,976
		Job Keeper subsidy		30,000	-
		ATO Cash flow boost		75,000	-
				812,982	689,976
Note	2	Loss before income tax		2020	2019
				\$	\$
		The following significant revenue and expense items are relevant in explaining the financial performance:			
2.1		Administration expenses			
		■ Accounting expenses		143,174	144,308
		■ Wages and salaries		367,196	331,794
		■ Travel expenses		11,566	28,998
		■ Other expenses		154,141	138,157
				676,077	643,257
2.2		Corporate expenses			
		■ ASX fees		51,735	54,185
		■ Audit expenses		57,938	58,923
		■ Directors fees		32,000	53,570
		■ Filing fees		16,138	9,978
		■ Legal expenses		103,891	68,043
		■ Share Registry and shareholder communications		58,443	52,476
				320,145	297,175
2.3		Contract and consulting fees			
		■ Executive services contracts		78,655	420,804
		■ Share based performance rights		56,426	96,833
		■ External consulting fees		230,600	69,897
				365,681	587,534

Notes to the Appendix 4E preliminary final report

for the year ended 30 June 2020

Note 3	Income tax	Note	2020 \$	2019 \$
3.1	Income tax benefit			
	Current tax		-	-
			-	-
Note 4	Financial assets and financial liabilities			
4.1	Cash and cash equivalents		2020 \$	2019 \$
	Cash at bank		206,075	116,238
			206,075	116,238
4.2	Trade and other receivables		2020 \$	2019 \$
4.2.1	<i>Current</i>			
	Trade receivables		21,959	16,154
	Goods and Services Tax receivable		75,009	9,159
	Research and Development Grant receivable		668,418	649,452
	Other receivables		377	377
			765,763	675,142
4.3	Other assets		2020 \$	2019 \$
4.3.1	<i>Current</i>			
	Prepayments – Raw Materials		189,093	97,136
	Other deposits		248,963	-
			438,056	97,136
4.4	Trade and other payables		2020 \$	2019 \$
4.4.1	<i>Current</i>			
	<i>Unsecured</i>			
	Trade payables		311,043	184,880
	Other payables		210,229	321,328
			521,272	506,208
4.5	Borrowings		2020 \$	2019 \$
4.5.1	<i>Current</i>			
	Convertible note		-	200,000
	Pre-Factoring Facility		500,000	-
			500,000	200,000

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 Preliminary final report
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SKIN ELEMENTS LIMITED

AND CONTROLLED ENTITIES

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Notes to the Appendix 4E preliminary final report

for the year ended 30 June 2020

Note 5 Non-financial assets and financial liabilities

5.1 Inventories	2020	2019
	\$	\$
Finished goods	155,705	17,721
	155,705	17,721

5.2 Intangible assets	2020	2019
	\$	\$
Intangible assets – formula and technology (net)	8,653,824	8,995,117

Note 6 Equity

6.1 Issued capital	Note	2020	2019	2020	2019
		No.	No.	\$	\$
Fully paid ordinary shares at no par value		323,284,299	158,404,002	17,620,725	15,286,784
6.1.1 Ordinary shares		2020 No.	2019 No.	2020 \$	2019 \$
At the beginning of the year		158,404,002	86,053,001	15,286,784	13,679,321
Shares issued during the year:					
■ 1 Aug 2018 non-renounceable rights issue		-	43,026,519	-	1,075,664
■ 4 Oct 2018 placement		-	13,954,717	-	363,800
■ 4 Oct 2018 consultant pursuant to a contract		-	873,353	-	29,694
■ 20 Dec 2018 consultant pursuant to a contract		-	425,000	-	8,500
■ 2 May 2019 placement		-	7,000,000	-	140,000
■ 14 Jun 2019 placement		-	7,071,412	-	198,000
■ 31 Jul 2019 placement		4,059,838	-	113,675	-
■ 31 Dec 2019 consultants		761,538	-	19,800	-
■ 31 Dec 2019 consultants		2,734,892	-	55,551	-
■ 31 Dec 2019 convertible note		3,001,326	-	450,199	-
■ 31 Dec 2019 convertible note		12,500,000	-	200,000	-
■ 17 March 2020 Placement		100,479,822	-	1,004,798	-
■ 20 March 2020 Placement		36,300,000	-	425,000	-
■ Options conversion		4,492,881	-	134,786	-
■ 30 June 2020 consultants		550,000	-	45,000	-
Transaction costs relating to share issues			-	(114,868)	(208,195)
At reporting date		323,284,299	158,404,002	17,620,725	15,286,784

6.2 Reserves	2020	2019
	\$	\$
Options Reserve	368,764	312,338
Convertible note reserve	-	492,405
	368,764	804,743



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SCIENCE



KNOWLEDGE

NATURE