



28 February 2019

2018 Half-Year Report –Commercialization Programme

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Half-Year Report to 31 December 2018.

The six months represented a highly significant period in Skin Elements' growth and development in terms of its commercialization programme.

The Company fore shadowed at the Annual General Meeting the focus on commercial sales growth opportunities across its key international regions of Europe, North America and Asia, with particular emphasis on China.

Your Company has seen immediate dividends in terms of sales in Europe over the current half year period and similarly looks to success in regard to the broader client programme over the course of 2019. This investment by your Company has seen the opportunity for on-line distribution in the North American markets of the USA and Canada with recent meetings in Perth with a US on- line distribution group. In the Asian segment the focus has been on the China market with again very advanced discussions in progress with a significant health and cosmetics group.

We expect to be able to bring updates to these opportunities over the coming weeks.

Our product offering to the international markets has seen an expansion of the award winning Soléo Organics 100% natural and organic sunscreen range which now includes an additional five new products, namely Soléo for babies, Soléo for face, Soléo for everyday use and with a coconut fragrance together with the original high performance and also a coconut variant.

Together with the natural PapayaActivs range of active skincare treatments, the Complete Esscience range of natural skincare and the soon to be released Elizabeth Jane range of natural cosmetics sees the Company with 40 natural organic skincare products entering commercialization.

Skin Elements continues to maintain a prudential approach to its capital management, and as part of this process it regularly assesses its working capital requirements and capital raising options to ensure it has sufficient capital to support the operation and growth of the business. During the half-year the Company completed successful capital raising initiatives – by way of a fully underwritten non-renounceable pro-rata rights issue (Entitlement Offer) to existing shareholders and a Placement – which raised a total of \$1.439 million (before costs).

The Skin Elements' Board and management team acknowledges the continued support of its loyal shareholder base, and looks forward to sharing news of the Company's growth and progress in the year ahead.



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About Skin Elements

Skin Elements is an Australian ASX-listed skin care company that has developed and internationally launched a range of 40 natural and organic skin care products. The portfolio of products includes the award winning Soléo Organics 100% natural and organic sunscreen, its PapayaActivs natural therapeutics range, the Complete Esscience natural skincare, and the Elizabeth Jane Natural Cosmetics brand.

The current key international markets include North America, Europe and Asia, particularly China.

Further information is available via the Company website: <http://skinelementslimited.com>



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SKIN ELEMENTS LIMITED**Appendix 4D****HALF YEAR REPORT****1. COMPANY DETAILS**

Name of Entity	Skin Elements Limited
ABN	90 608 047 794
Reporting Period	Half year ended 31 December 2018
Previous Reporting Period	Year end 30 June 2018

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

			\$'000
Revenues from ordinary activities	down	33% to	264
Profit (Loss) from continuing activities after tax attributable to the owners of Skin Elements Limited	down	9% to	(1,432)
Profit (Loss) for the half year attributable to the owners of Skin Elements Limited	down	9% to	(1,432)

3. NET TANGIBLE ASSETS

	Reporting Period Cents	Previous Period Cents
Net tangible assets per ordinary security	0.001	0.001

4. CONTROL GAINED OVER ENTITIES

The Group did not gain any entities during the period

LOSS OF CONTROL OVER ENTITIES

The Group did not dispose of any entities during the period.

5. DIVIDENDS

The Group did not declare or pay any dividends during the period.

6. DIVIDEND REINVESTMENT PLAN

Not applicable

7. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable

8. FOREIGN ENTITIES

Not applicable

9. AUDIT QUALIFICATION OR REVIEW

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

ATTACHMENTS

The Interim Report of Skin Elements Limited for the half year ended 31 December 2018 is attached.

SIGNED

Signed  _____

Peter Malone
Executive Chairman

Dated: 28 February 2019



Interim Financial Report

For the six months ended 31 December 2018
Skin Elements Limited ABN 90 608 047 794





Corporate Directory

SKIN ELEMENTS LIMITED

ABN 90 608 047 794

DIRECTORS

Mr Peter Malone – Executive Chairman
Mr Luke Martino – Non-Executive Director
Mr Phil Giglia – Non-Executive Director

COMPANY SECRETARY

Mr Craig Piercy

REGISTERED AND PRINCIPAL OFFICE

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AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

AUSTRALIAN SECURITIES EXCHANGE LISTING

ASX Code: SKN



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The Directors present the interim financial report of Skin Elements Limited (the **Company, Group** or **SEL**) for the half-year ended 31 December 2018 and the auditor's review report thereon:

DIRECTORS

The Directors of the Company at any time during or since the end of the half year and until the date of this report are noted below.

Mr Peter Malone

Executive Chairman

Mr Luke Martino

Independent Non-Executive Director

Mr Phil Giglia

Independent Non-Executive Director

PRINCIPAL ACTIVITIES

During the half-year ended 31 December 2018, the principal continuing activity of the Group consisted of the development and commercialisation of its proprietary all natural skincare technology.

REVIEW OF OPERATIONS

Commercialisation – International Markets

The Company's major focus for commercialisation of the natural skincare products are on the three key areas of North America, Europe and Asia with the Company targeting strong results over forthcoming period.

SKNLife product and branding platform established

The expansion and refinement of its product range was completed, in conjunction with a strategic re-branding across the entire 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 PapayaActivs range of therapeutic treatments and its range of Complete Esscience skincare.

The Company refers to this product and branding platform as SKNLife. With this now in place, Skin Elements is well positioned to drive sale growth through its SKNLife website and physical distribution network by offering a comprehensive and diverse range of natural and organic products to protect and care for the skin. Also, in line with the establishment of the SKNLife business model, the Company has streamlined operations and cost structures to better fit its operations moving forward.

Capital Raise of \$1.3 million

Skin Elements completed a fully underwritten non-renounceable pro-rata rights issue (Entitlement Offer) to existing shareholders at an issue price of \$0.025 per new share, on the basis of one new share for every two ordinary shares held. Shareholders also received one new free option for every four new shares, exercisable at \$0.10 on or before 31 December 2020. Under the Entitlement Offer, 43,026,519 shares and 10,756,630 options were issued, which raised \$1,075,663 (before costs).

The Company completed a further placement of 13,954,717 ordinary fully paid shares and 3,488,689 free attaching options (exercisable at \$0.10 each on or before 31 December 2020) raising \$363,800.

Skin Elements reviews its working capital requirements and capital raising options on an ongoing basis to ensure it has sufficient capital to support the operation and growth of the business.

RESULTS

The Company incurred a loss of \$1,432,181 after income tax for the half-year (2017: loss \$1,374,440) predominantly due to the expansion of the product range as it positions the business for growth.

ISSUE OF SHARES AND OPTIONS

During the half year, Skin Elements Limited issued the following shares and options:

Fully underwritten non-renounceable pro-rata entitlement offer of 43,026,519 ordinary fully paid shares and 10,756,630 free attaching options (exercisable at \$0.10 each on or before 31 December 2020) under an Entitlement Offer prospectus dated 6 August 2018 raising \$1,075,063.

Placement of 13,954,717 ordinary fully paid shares and 3,488,689 free attaching options (exercisable at \$0.10 each on or before 31 December 2020) in October raising \$363,800.

Issue of 873,353 ordinary fully paid shares for services rendered during the period with the fair value per share being \$0.034 each for value of \$29,694.

On 31 October 2018, 38,775,000 listed \$0.20 options (SKNO) expired and on 30 November 2018, 27,500,000 unlisted \$0.30 options (SKNUO) expired. At the Company's Annual General Meeting on 30 November 2018, shareholders approval was obtained and the Company issued on an entitlement basis 61,801,381 loyalty options (SKNOA) which are exercisable at \$0.10 per share on or before 31 December 2020.

Issue of 425,000 ordinary fully paid shares for services rendered during the period with the fair value per share being \$0.02 each for value of \$8,500.

EVENTS SUBSEQUENT TO REPORTING DATE

There have been no other significant events after the end of the reporting period to the date of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.



Peter Malone
Executive Chairman

Dated at Perth, Western Australia this 28 February 2019.



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DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF SKIN ELEMENTS LIMITED

As lead auditor for the review of Skin Elements Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Wayne Basford', with a long horizontal flourish extending to the right.

Wayne Basford

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Period ended 31 Dec 2018	RESTATED Period Ended 31 Dec 2017
	Notes	\$	\$
Revenue			
Sale of sun care & skincare products		263,671	393,476
Cost of sales		(125,333)	(229,082)
Gross profit		138,338	164,394
Other income		247,222	181,465
Expenses			
Administration expenses	2	(699,025)	(456,006)
Consultants fees	2	(366,848)	(491,515)
Occupancy expenses		(61,280)	(64,680)
Research & development expenses		(414,642)	(421,340)
Advertising & marketing expenses		(124,857)	(136,664)
Amortisation	8	(150,989)	(150,095)
Total Expenditure		(1,817,641)	(1,720,299)
Profit / (loss) before income tax expense		(1,432,081)	(1,374,440)
Income tax expense		-	-
Profit / (Loss) after income tax from continuing operations attributable to equity holders of Skin Elements Limited		(1,432,081)	(1,374,440)
Other comprehensive income			
Total comprehensive income for the year		-	-
Profit / (loss) and total comprehensive income attributable to equity holders of Skin Elements Limited	14	(1,432,081)	(1,374,440)
Basic loss per share		(0.011)	(0.018)
Diluted loss 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.

Consolidated Statement of Financial Position

	Notes	As at 31 Dec 2018 \$	As at 30 Jun 2018 \$
Current Assets			
Cash and cash equivalents	3	69,888	195,661
Trade receivables	4	45,634	36,509
Other receivables	5	185,966	46,058
Inventories	7	275,940	191,255
Research and development receivable	6	206,773	450,181
Total Current Assets		784,201	919,664
Non Current Assets			
Intangible assets	8	9,228,775	9,379,763
Total Non Current Assets		9,228,775	9,379,763
Total Assets		10,012,976	10,299,427
Current Liabilities			
Trade and other payables	9	597,887	810,386
Total Current Liabilities		597,887	810,386
Total Liabilities		597,887	810,386
Net Assets		9,415,089	9,489,041
Shareholders Equity			
Issued Capital	11	15,027,382	13,679,321
Reserves	12	748,508	738,340
Accumulated losses	13	(6,360,801)	(4,928,620)
Total Shareholders Equity		9,415,089	9,489,041

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Period Ended 31 December 2018				
	Issued capital	Accumulated losses	Share based payments reserves	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 half-year	-	(1,432,181)	-	-	(1,432,181)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the half-year	-	(1,432,181)	-	-	(1,432,181)
Transactions with owners in their capacity as owners					
Issue of share capital	1,309,867	-	-	-	1,309,867
Share based payments	38,194	-	48,417	-	86,611
Converting note conversion	-	-	-	(38,249)	(38,249)
	1,348,061	-	48,417	(38,249)	1,358,229
Balance at 31 December 2018	15,027,382	(6,360,801)	263,922	484,586	9,415,089

	RESTATED Period Ended 31 December 2017				
	Issued capital	Accumulated losses	Share based payments reserves	Converting Note reserve	Total Equity
Balance at 1 July 2017	13,033,994	(2,221,984)	116,816	-	10,928,826
Prior Period Adjustment	-	61,533	-	-	61,533
Loss for the half-year	-	(1,374,440)	-	-	(1,374,440)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the half-year	-	(1,312,907)	-	-	(1,312,907)
Transactions with owners in their capacity as owners					
Issue of share capital	233,000	-	-	-	233,000
Share based payments	-	-	14,431	-	14,431
Issue of converting note	-	-	-	24,000	24,000
	33,000	-	14,431	24,000	71,431
Balance at 31 December 2017	13,266,994	(3,334,891)	131,247	24,000	9,887,350

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cashflows

	Notes	Period Ended 31 Dec 2018 \$	Period Ended 31 Dec 2017 \$
Cash flows from operating activities			
Receipts from customers		251,495	335,235
Payments to suppliers and employees		(1,997,119)	(1,113,520)
Interest paid		(2,765)	-
Interest received		-	74
Net cash inflow / (outflow) from operating activities	3	(1,748,389)	(778,211)
Cash flows from investing activities			
Payments for businesses		-	(194,284)
Receipt of Research and development tax incentive		490,630	196,584
Net cash inflow / (outflow) from investing activities		490,630	2,300
Cash flow from financing activities			
Proceeds from the issue of equity		1,261,582	-
Payment for share issue costs		(129,596)	-
Proceeds from borrowings		-	24,000
Net cash inflow / (outflow) from financing activities		1,131,986	24,000
Cash and cash equivalents at the beginning of the financial year		195,661	1,407,153
Net increase / (decrease) in cash and cash equivalents		(125,773)	(751,911)
Cash and cash equivalents at the end of the financial year	3	69,888	655,242

This consolidated statement of cash flows should be read in conjunction with the notes to this interim financial report

Condensed Notes to the Consolidated Interim Financial Report**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half yearly report of Skin Elements Limited (the **Company, Group or Skin Elements**) for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of directors on 28 February 2019.

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

The nature of the operations and principal activities of the Company are described in the director's report above.

(a) Basis of preparation

The principle accounting policies adopted for the preparation of interim financial report are set out below. These accounting policies have been applied consistently to all periods presented unless otherwise stated.

(i) Statement of compliance

This interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the any public announcements made by Skin Elements Limited up to the date of this report in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

(ii) Basis of measurement and reporting convention

This interim financial report has been prepared on an accruals basis and are based on historical cost. The interim financial report 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 unless otherwise stated.

(b) Going Concern

For the half-year ended 31 December 2018 the Group recorded a loss of \$1,432,081 (31 December 2017: \$1,374,440 loss), a net working capital surplus of \$186,314 (30 June 2018: \$109,278) and had net cash outflows from operating activities of \$1,748,389. 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.

Condensed Notes to the Consolidated Interim Financial Report**(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 interim financial report requires the use of accounting estimates and judgements which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involve a degree of judgement or complexity in preparing the interim financial report. Facts and circumstances may come to light after the event which may have significantly varied the assessment used which result in a materially different value being recorded at the time of preparing these interim financial report.

(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.

(ii) Deferred taxes

Deferred tax assets 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.

(e) 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.

Condensed Notes to the Consolidated Interim Financial Report**(f) 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.

(g) Changes in Accounting Policies

The note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers 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.

AASB 15 had no impact on the Company. The adoption of these new accounting policies did not have any effect on the financial position or performance of the Company.

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.

In the comparative period 31 December 2017, revenue was recognised at fair value of the consideration received net of the amount of GST payable to taxation authorities. Sales of products were recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards were considered passed to the buyer at the time of delivery of the goods to the customer or at the point where billing threshold has been met.

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.

(h) 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.

Condensed Notes to the Consolidated Interim Financial Report

	As at 31 Dec 2018	As at 31 Dec 2017
	\$	\$
PROFIT OR LOSS ITEMS		
2 LOSS FOR THE HALF YEAR		
Loss for the half year included the following items:		
(a) Administration expenses		
Accounting expenses	41,561	44,583
Audit expenses	38,181	11,844
Legal expenses	44,707	13,575
Wages, super & leave	168,021	125,271
Directors fees	49,751	70,000
Travel expenses	66,242	30,921
Other expenses	290,562	159,811
	<u>699,025</u>	<u>456,006</u>
c) Consulting fees		
Related party consulting fees (i)	208,672	237,350
External consulting fees	158,176	254,165
	<u>366,848</u>	<u>491,515</u>

(i) The Company engages the executives under consulting agreements to provide their services. A description of the services and the amounts paid or payable are listed in note 16.

Condensed Notes to the Consolidated Interim Financial Report

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
3 CASH		
Cash at bank	69,888	195,661
Balance per statement cash flows	69,888	195,661
	Period ended 31 Dec 2018	Period ended 31 Dec 2017
	\$	\$
(a) Reconciliation of loss after income tax to net cash flows from operating activities		
Loss for the half year	(1,432,181)	(1,374,440)
Non-cash items		
Amortisation	150,989	150,095
Share based payments	48,417	247,431
Acquisition of stock margin & deferred tax	(13,888)	43,517
Increase in traded receivables	(15,831)	(58,241)
Increase in other receivables	(247,222)	(182,821)
Decrease in inventories	(72,552)	(60,901)
Increase / (decrease) in trade and other payables	(166,121)	457,149
Net cash outflow from operating activities	(1,748,389)	(778,211)

(b) Non-cash financing and investing activities

(i) Issue of Shares to consultants

The Company issued 873,353 and 425,000 shares to consultants for services rendered during the period. The total value attributed to the shares was \$38,194 (refer note 11).

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
4 TRADE RECEIVABLES		
Trade receivables	45,634	36,509
	45,634	36,509

(i) Classification of trade and other receivables

Trade debtors are amounts due from customers for 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 31 December 2018 (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.

Condensed Notes to the Consolidated Interim Financial Report

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
5 OTHER RECEIVABLES		
GST receivable (net)	40,208	45,681
ABN Withholding	377	377
Share Application Funds	145,381	-
	<u>185,966</u>	<u>46,058</u>

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
6 RESEARCH AND DEVELOPMENT TAX INCENTIVE		
Research and development receivable	206,773	450,181
	<u>206,773</u>	<u>450,181</u>

The Group continued its development program during the half year ended 31 December 2018. This program will result in a claim for research and development tax incentive which will subsequently be received after the year end. 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 31 Dec 2018	As at 30 June 2018
	\$	\$
7 INVENTORY		
Raw materials	95,072	61,619
Finished goods	180,868	129,636
	<u>275,940</u>	<u>191,255</u>

Condensed Notes to the Consolidated Interim Financial Report

	As at 31 Dec 2018 \$	As at 30 June 2018 \$
8 INTANGIBLE ASSETS		
Soléo Organics – formula & technology	6,183,694	6,315,261
McArthur – formula & technology	818,121	835,642
Website development costs	12,707	14,607
Elizabeth Jane Natural Cosmetics – formula & technology	2,214,253	2,214,253
	<u>9,228,775</u>	<u>9,379,763</u>
 Movements in Soléo Organics – formula & technology		
Opening balance	6,315,262	6,578,398
Development cost additions	-	-
Less: R&D tax incentives	-	-
Less: Write-off or impairments	-	-
Less: Amortisation	(131,568)	(263,136)
Closing balance	<u>6,183,694</u>	<u>6,315,262</u>
 Movements in McArthur – formula & technology		
Opening balance	835,642	870,683
Development cost additions	-	-
Less: R&D tax incentives	-	-
Less: Write-off or impairments	-	-
Less: Amortisation	(17,521)	(35,041)
Closing balance	<u>818,121</u>	<u>835,642</u>
 Movements in Website development costs		
Opening balance	14,607	18,407
Development cost additions	-	-
Less: R&D tax incentives	-	-
Less: Write-off or impairments	-	-
Less: Amortisation	(1,900)	(3,800)
Closing balance	<u>12,707</u>	<u>14,607</u>
 Movements in Elizabeth Jane Natural Cosmetics – formula & technology		
Opening balance	2,214,253	2,214,253
Development cost additions	-	0
Less: R&D tax incentives	-	0
Less: Write-off or impairments	-	0
Less: Amortisation	-	0
Closing balance	<u>2,214,253</u>	<u>2,214,253</u>

The company assess the impairment of assets at each reporting date as disclosed in note 1(d)(i).

Condensed Notes to the Consolidated Interim Financial Report

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
9 TRADE PAYABLES		
Trade creditors	236,327	236,139
Other creditors	361,560	574,247
	<u>597,887</u>	<u>810,387</u>

(a) 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 31 Dec 2018	As at 30 June 2018
	\$	\$
10 BORROWINGS		
Loans - related parties	-	-
	<u>-</u>	<u>-</u>
Movements in related party loans		
Opening balance	-	44,201
Amounts borrowed	-	-
Amounts repaid	-	(44,201)
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.

Condensed Notes to the Consolidated Interim Financial Report

11 Issued capital

	As at 31-Dec-18	As at 30-Jun-18	As at 31-Dec-18	As at 30-Jun-18
(i) Share Capital	Shares No.	Share No.	\$	\$
Ordinary Shares	144,332,590	86,053,001	15,027,382	13,679,321

(ii) Movement in share capital

Date	Details	Number of shares	\$
01-Jul-18	Opening balance	86,053,001	13,679,321
08-Aug-18	Issue of shares rights issue	43,026,519	1,075,663
04-Oct-18	Issue of shares placement	13,954,717	363,800
04-Oct-18	Issue of shares consultants	873,353	29,694
20-Dec-18	Issue of shares consultants	425,000	8,500
	Less: Transaction Costs		-129,596
31-Dec-18	Closing balance	144,332,590	15,027,382

12 RESERVES

Share based payment reserve
Converting Note Reserve

As at 31-Dec-18	As at 30-Jun-18
\$	\$
263,922	215,505
484,586	522,835
748,508	738,340

(i) Options

	As at 31-Dec-18	As at 30-Jun-18	As at 31-Dec-18	As at 30-Jun-18
	Options No.	Options No.	\$	\$
Options	2,000,000	2,000,000	116,816	116,816

(i) Performance Rights

	As at 31-Dec-18	As at 30-Jun-18	As at 31-Dec-18	As at 30-Jun-18
	No.	No.	\$	\$
Performance Rights	4,400,000	4,400,000	147,106	98,689

On 30 November 2017, at the Company obtained shareholder approval to issue 4,400,000 performance rights to Directors. The company has used a Monte Carlo statistical calculation to determine the value of the rights (being hurdle 1 - \$0.0751 and hurdle 2 - \$0.0768) using the inputs as set out below. 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. The amortisation for the period was \$48,417.

Condensed Notes to the Consolidated Interim Financial Report

Particulars	Inputs	
	Hurdle 1	Hurdle 2
Consideration	Nil	Nil
Rights Issued	2,200,000	2,200,000
Grant Date	30-Nov-17	30-Nov-17
Expiry Date	30-Jun-19	30-Jun-20
Hurdle	5 Day VWAP of \$0.34	5 Day VWAP of \$0.51
Expected volatility	90%	90%
Dividend yield	0	0
Risk free rate	1.75% and 1.89%	1.75% and 1.89%

(b) Convertible note reserve**Convertible Note**

As at 31-Dec-18 \$	As at 30-Jun-18 \$
484,586	522,835
484,586	522,835

Movements in convertible notes

Date	Details	Number of Notes	\$
01/07/2016	Opening balance	522,835	522,835
26/10/2018	Revision to notes for previous director	-28,000	-
26/10/2018	Fair value adjustment	-10,249	-
		484,586	322,835

(i) Terms of Convertible Notes

The Company entered into a transaction with a sophisticated investor to issue convertible notes during the period. The convertible notes are provided on the following terms:

Particulars	Terms
Principal	No fixed amount, value of subscription amount equals face value of the note
Interest rate	10% (simple interest)
Period	12 Months from date of agreement
Conversion	Automatically converts to shares at \$0.15 in 12 months (if not before)
Bonus option issues	For each share issued the holder receives a free attaching option exercisable at \$0.22 (first option) and on conversion of the first option a second option exercisable at \$0.34.
Security	No security

13 Accumulated Losses

	As at 31-Dec-18 \$	As at 30-Jun-18 \$
Opening balance	4,928,620	2,200,505
Loss for the period / year	1,432,181	2,728,114
Closing balance	6,360,801	4,928,619

Condensed Notes to the Consolidated Interim Financial Report

	31 Dec 2018	31 Dec 2017
	\$	\$
14 EARNINGS PER SHARE		
Loss attributable to ordinary shareholders	(1,432,081)	(1,374,440)
Weighted average number of ordinary shares (i)		
Balance before transaction	86,053,001	76,550,001
Effect of shares issued for the rights issue	33,906,768	-
Effect of shares issued for the placement	6,673,995	-
Effect of shares issued to consultants	417,691	-
Effect of shares issued to consultants	25,408	-
Shares issued to consultants (165,000 shares * (121/184 days)	-	766,114
	127,076,863	77,316,115
Basic loss per share calculation (6mths loss / weighted ave shares)	(0.011)	(0.018)

15 SEGMENT REPORTING

	Operations	Corporate & Administration	Company
Half Year ended 31 December 2018			
Segment Revenue	263,571	-	263,571
Significant items			
Consultants fees	(91,978)	(274,869)	(366,847)
Employment costs	(119,605)	(49,751)	(169,356)
Amortisation	(150,989)	-	(150,989)
Other expenses	(450,937)	(245,635)	(696,572)
Share based payments	-	(48,417)	(48,417)
Segment net operating loss after tax	(813,509)	(718,566)	(1,432,181)
Half Year ended 31 December 2017			
Segment Revenue	393,476	-	393,476
Significant items			
Interest Income	-	74	74
Consultants fees	(238,450)	(441,450)	(679,900)
Employment costs	(359,240)	(72,885)	(432,125)
Amortisation	(150,095)	-	(150,095)
Other expenses	(491,439)	-	(491,439)
Share based payments	-	(14,431)	(14,431)
Segment net operating loss after tax	(845,748)	(528,692)	(1,374,440)
Segment assets			
At 31 December 2018	9,756,873	256,103	10,012,977
At 30 June 2018	10,095,169	204,258	10,299,427
Segment liabilities			
At 31 December 2018	(264,210)	(333,677)	(597,887)
At 30 June 2018	(338,438)	(471,948)	(810,386)

Condensed Notes to the Consolidated Interim Financial Report

16 RELATED PARTY TRANSACTIONS

The Group may enter into agreements for services rendered with individuals (or an entity that is associated with the individuals) during the ordinary course of business.

A number of entities associated with the directors and select technical staff have consulting agreements in place which have resulted in transactions between the Group and those entities during the period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

		Transaction Value		Outstanding Balance	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
		\$	\$	\$	\$
Director	Transaction				
Peter Malone	Executive services (i)	120,000	120,000	40,570	83,786
Luke Martino	Corporate advisory services (ii)	22,141	158,810	306	23,637
	Directors fees (iii)	30,000	30,000	50,375	60,500
Phil Giglia	Directors fees (iv)	30,000	30,000	27,500	7,150

(i) A company associated with Mr Malone, Boston Corporate Pty Ltd, provides consulting services in connection with the operations of the Company.

(ii) A company of which Mr Martino is a director, Indian Ocean Advisory Group, provided professional accounting and IPO corporate advisory services during the half year. LJM Corporate Capital Pty Ltd.

(iii) A company of which Mr Martino is a director, LJM Corporate Capital Pty Ltd, provided directors services during the half year.

(iv) A company of which Mr Giglia is a director, Colosseum Securities Pty Ltd, provided directors services during the half year.

		Transaction Value		Outstanding Balance	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
		\$	\$	\$	\$
Technical personnel	Transaction				
Craig Piercy	Consultancy services (v)	78,000	99,300	20,355	36,305
	Office facilities	-	12,545	-	-
Leo Fung	Consultancy services (vi)	78,000	78,000	37,944	105,152

(v) A company of which Mr Piercy is a Director, Boston Corporate Pty Ltd, provides consulting services in connection with the operations of the Company.

(vi) A company, Blackridge Group Pty Ltd, provides consulting services of Mr Fung in connection with the operations of the Company.

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

	As at 31 Dec 2018	As at 30 June 2018
Borrowings	\$	\$
Loans – related parties	-	374,877
	-	374,877
Movements in related party loans		
Opening balance	374,877	44,611
Amounts borrowed	-	505,742
Amounts repaid	(374,877)	(175,476)
Closing balance	-	374,877

For the terms and conditions, refer to note 10 above.

Condensed Notes to the Consolidated Interim Financial Report

17 CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities as at 31 December 2018.

18 SUBSEQUENT EVENTS

There have been no other significant events after the end of the reporting period to the date of this report.

DIRECTORS' DECLARATION

In the opinion of the directors of Skin Elements Limited:

- (a) the consolidated financial statements and notes set out on pages 5 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Peter Malone
Executive Chairman

Dated at Perth, Western Australia this 28th day of February 2019.



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Skin Elements Limited

Report on the Half-Year Financial Report

Qualified Conclusion

We have reviewed the half-year financial report of Skin Elements Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, with the exception of the matter described in the *Basis for qualified conclusion* section, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for qualified conclusion

Included in the consolidated statement of financial position as at 31 December 2018 is technology and formula Intangible assets of \$9,228,775 as disclosed in note 8 and note 1(d)(i). Due to sustained operating losses, the Group has undertaken an impairment assessment of its Intangible in accordance with AASB 136 *Impairment of assets*.

Due to the significant variability of the future cash flows of the asset, we were unable to satisfy ourselves as to the appropriateness and reliability of the forecast of future cashflows that was included in the impairment model. Therefore we were unable to obtain sufficient appropriate audit evidence about the carrying value of the Intangible assets as at 31 December 2018.

Consequently we were unable to determine whether any adjustments to the carrying value of the Intangible asset in the statement of financial position are necessary for the period ended 31 December 2018.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

**Directors' responsibility for the Half-Year Financial Report**

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford', is written over a faint, stylized 'BDO' logo.

Wayne Basford

Director

Perth, 28 February 2018



Skin Elements Limited

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