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NATURE

**SKIN ELEMENTS  
LIMITED** ABN 90 608 047 794

ANNUAL REPORT

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## CORPORATE DIRECTORY

### SKIN ELEMENTS LIMITED

ABN 90 608 047 794

### CURRENT DIRECTORS

Peter Malone (Executive Chairman)  
Phil Giglia (Non-executive Director)  
John Poulsen (Non-executive Director)

### JOINT COMPANY SECRETARIES

Steven Wood  
Kate Sainty

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

1242 Hay Street WEST PERTH WA 6005  
Telephone: +61 (0)8 6311 1900  
Fax: +61 (0)8 6311 1999  
Email: [info@skinelementslimited.com](mailto:info@skinelementslimited.com)  
Web: [www.skinelementslimited.com](http://www.skinelementslimited.com)

### SECURITIES EXCHANGE

Australian Securities Exchange  
Level 40, Central Park 152-158 St George's  
Terrace, PERTH WA 6000  
Telephone: 131 ASX (131 279)  
(within Australia)  
Telephone: +61 (0)2 9338 0000  
Facsimile: +61 (0)2 9227 0885  
Website: [www.asx.com.au](http://www.asx.com.au)  
ASX Code: SKN

### SHARE REGISTRY

Link Market Services Limited  
Level 12, QV1 Building,  
250 St Georges Terrace  
PERTH WA 6000  
Telephone (within Australia) : 1300 554 474  
Telephone (outside Australia): +61 1300 554 474  
Facsimile +61 (0)8 6370 4203  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### AUDITORS

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6000, Australia



# Chief Executive Officer's Report



## The Science of today is the technology of tomorrow.

Dear Shareholder,

It gives me great pleasure to present the Skin Elements Limited Annual Report for the year ended 30 June 2020.

The year is best described as one of challenge – by virtue of the impact of the COVID-19 corona virus on our business, and on our wider business ecosystem – but also one of opportunity.

The onset of the COVID-19 pandemic caused significant disruption and restrictions to the movement of people and goods throughout the world, and our business was not immune to this.

COVID-19 restrictions resulted in the delay of orders from national and international distributors. In addition, COVID-19-imposed travel restrictions limited our ability to meet with distributors and new customers, and resulted in increased costs and shipment time frames for national and international freight – and delayed production and delivery of inventories from our contract manufacturers in Victoria and Queensland.

The net impact of these COVID-19 restrictions was that the Company was unable to scale-up production, and meet production goals, across its portfolio of nature-based skin care products.

I also note the interruption and delays to our production and growth plans attributable to the distribution agreement Skin Elements signed with Henan Huatuo Health Management Co. Ltd (HHHM) (ASX announcement, 25 March 2019). This agreement was designed to deliver a strategic investment of \$2.4 million and sales of at least \$20 million over a three-year period.



Unfortunately, a number of key terms of the agreement were unable to be delivered, and the agreement was terminated (ASX announcement, 9 October 2019). The proposed funding under this agreement was to have been utilised for production, but was not forthcoming and contributed to significant reductions in production volumes and also production delays.

Notwithstanding these considerable challenges, the Company maintained its focus on the development and commercialisation of its natural skin care technology – and achieved considerable success.

The onset of COVID-19 provided the opportunity for Skin Elements to advance its research and development program on Invisi-Shield® – a new generation, alcohol-free, anti-microbial sanitiser and disinfectant. The Company launched and commenced production of Invisi Shield® in April 2020, and it is now available through the Company's online store: [www.sknlife.com.au](http://www.sknlife.com.au).

Invisi-Shield®'s plant-based active formulation SE FormulaTM was subjected to independent laboratory tests which results showed it to be 99.99% effective against the Feline corona virus, a surrogate of corona virus COVID-19. As a company, we are continually seeking to improve our supply chain and product formulations. As part of this process, we have sourced new and, what we believe to be, advanced plant-based active ingredients for the SE FormulaTM.



## Knowledge



## Nature



This is an exciting development for Invisi-Shield®. Not only do we anticipate that the new formulation will produce a superior product, the new active ingredients are also significantly more cost effective. The Company has completed laboratory testing of its new, improved SE FormulaTM and has forwarded the results to the Therapeutic Goods Administration (TGA) for registration.

In addition to the launch of Invisi Shield, during the year, Skin Elements continued to focus on the development of our range of other natural and organic skin care products. These include the flagship Soleo Organics sunscreen range, PapayaActivs range of therapeutic treatments and the Elizabeth Jane Natural Cosmetics range.

A strategic re-branding, expansion and refinement across the entire product range was completed, and we now have a total of 40 therapeutic and cosmetic skin care products - including five new Soleo Organics products and the first five products from the Elizabeth Jane range.

Looking forward, the Company is entirely focused on growing our sales and distribution footprint for the entire product range in Australia and global markets. This includes a major retail pharmacy and health-store chain in the United Kingdom, the growth of our online sales channel and further expansion of our international distributor network.

At a time of ongoing high usage and strong demand for sanitisers and disinfectants, we are

of the view that there is a potentially major market opportunity for Invisi-Shield® as a personal-use product - and also for applications in other industries.

We currently have a binding Distribution Agreement with Prudential Consultants Pty Ltd for minimum sales of Invisi Shield® of \$2.4 million in the next three years across the eastern states of Australia and have appointed a further two distributors for Western Australia, South Australia and the Northern Territory giving us Australia wide coverage.

In order to achieve our business objectives, we have undertaken a review of the requisite skill sets within the Company. An outcome of this process, is that the Company has appointed Mr John Poulsen to the Board as a Non-Executive Director, and Mr Steven Wood and Ms Kate Sainty as joint Company Secretaries. I welcome each new appointee to the Company, and look forward to their positive contributions in the year ahead.

I would like to thank all shareholders for their support through this challenging year, and reassure you that the business remains focused on its goals for the development, and sale and distribution of its range of natural and organic skin care products.

I look forward to sharing news of our progress in the year ahead.



Yours sincerely  
Peter Malone  
**Executive Chairman and CEO**  
**Skin Elements Ltd**



## Board of Director's



**Mr Phil Giglia**  
**Independent**  
**Non-Executive Director**

Mr Giglia is a Chartered Accountant with more than 25 years' experience in senior roles, with a strong depth of expertise in the small to medium enterprise sector. Mr Giglia worked for leading global accountancy firm Price Waterhouse Coopers from 1985 to 1991. He is principal of Perth accountancy practice, Giglia & Associates, is also a director of Global Marine Enclosures P.L. has a Bachelor of Business (with Distinction) from the Western Australian Institute of Technology, a Member of the Institute of Chartered Accountants in Australia/NZ.

**Mr Peter Malone**  
**Executive Chairman**

Mr Malone has over 30 years' experience in global financial markets and has been responsible for raising AUD\$100m+ for technology development companies. He has a proven track record in developing and managing technology development programs, from idea stage to reality. Previous CEO to listed companies, he has a Masters degree from UWA and has taught and consulted in Australia, USA, Europe and Asia in business and management. Mr Malone is responsible for the strategic direction of the Company and is its Managing Director and Chief Executive Officer of the Company.

**Mr John Poulsen**  
**Independent**  
**Non-Executive Director**

Mr Poulsen joined the Skin Elements Board in October 2020. Mr Poulsen has over 37 years' experience in finance, commercial and public policy law in Australia. He was formerly the Managing Partner and CEO of Squire Patton Boggs (previously Minter Ellison) a top 10 Global Law Firm which is one of the fastest growing law firms in Australia, with offices in Perth, Sydney and Darwin. people,

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**Directors' report**

Your directors present their report on the Group, consisting of Skin Elements Limited (**Skin Elements or the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 30 June 2020.

Skin Elements is listed on the Australian Securities Exchange (ASX: SKN).

**1. Directors**

The names of Directors in office at any time during or since the end of the year are:

⼿ Peter Malone	Executive Chairman and Chief Executive Officer
⼿ Phil Giglia	Independent Non-Executive Director
⼿ John Poulsen	Independent Non-Executive Director ( <i>Appointed on 29 October 2020</i> )
⼿ Craig Piercy	Executive Director ( <i>Appointed on 29 November 2019, Resigned on 29 October 2020</i> )
⼿ Luke Martino	Independent Non-Executive Director ( <i>Resigned on 10 October 2019</i> )
⼿ Zeling Li	Independent Non-Executive Director ( <i>Resigned on 29 November 2019</i> )
⼿ Jialin Li	Independent Non-Executive Director ( <i>Resigned on 29 November 2019</i> )

**(the Directors or the Board)**

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 6 Information relating to the Directors of this Directors Report.

**2. Company secretary**

The following person held the position of Company Secretary at the end of the financial year:

⼿ Craig Piercy	Please refer to paragraph 6 Information relating to the Directors of this Directors Report.
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The following persons were appointed Joint Company Secretaries subsequent to the end of the financial year:

**Steven Wood**

Qualifications	■ B.Com, CA
Experience	■ Mr Wood is a Chartered Accountant who specialises in corporate advisory, company secretarial and financial management services to both ASX and unlisted public and private companies. He has been involved in various successful ASX listings and is currently Company Secretary for a number of ASX listed entities.

**Kate Sainty**

Qualifications	■ B.Com, CA
Experience	■ Ms Sainty is a Chartered Accountant who specialises in financial management and company secretarial services. She has a Diploma in Applied Corporate Governance and was previously an Audit Manager at a leading international audit, tax and advisory firm.

**3. Dividends paid or recommended**

There were no dividends paid or recommended during the financial year ended 30 June 2020.

**Directors' report****4. Significant changes in the state of affairs**

## 4.1. Issue of shares, options, and notes

During the year, Skin Elements Limited had the following changes in its capital structure:

- a. Placement of 4,059,838 ordinary fully paid shares and 3,535,706 free attaching options (exercisable at \$0.10 each on or before 31 December 2020) in July and August raising \$113,675.
- b. Issue of 761,538 ordinary fully paid shares for services rendered during the period with the fair value per share of \$0.026 each for value of \$19,800.
- c. Issue of 2,734,892 ordinary fully paid shares for services rendered during the period with the fair value per share of \$0.026 each for value of \$55,551.
- d. Issue of 3,001,326 ordinary fully paid shares and 3,001,326 free attaching options (exercisable at \$0.10 each on or before 31 December 2020) pursuant to convertible notes issued 2018 as approved by shareholders at the 2019 Annual General Meeting at a fair value per share of \$0.15 for a total value of \$450,199.
- e. Issue of 12,500,000 ordinary fully paid shares and 9,375,000 free attaching options (exercisable at \$0.10 each on or before 31 December 2020) pursuant to a convertible note issued during the period at a fair value per share of \$0.016 for a total value of \$200,000.
- f. On 29 November 2019, the Company obtained shareholder approval to issue 27,000,000 performance rights to Mr Peter Malone – Executive Chairman and 20,000,000 performance rights to Palmer Wilson Associates Ltd a UK based specialist business development consultancy. These performance rights will convert into shares upon performance milestones of sales revenue of \$20,000,000 being achieved over a four-year period to 31 December 2023. The fair value per right is \$0.004 which is determined using Black Scholes options pricing model. The rights are expensed over the vesting period which is up to 49 months from the date of issue.
- g. In February 2020, the Company completed a fully underwritten non-renounceable pro-rata entitlement issue of 100,479,601 ordinary fully paid shares and 33,493,200 free attaching unlisted options exercisable at \$0.03 on or before 31 December 2020, raising \$1,004,796.
- h. In March 2020, the Company completed a placement issuing 29,800,000 shares, raising \$350,000, and issued 4,500,000 shares in settlement of underwriter and lead manager fees.
- i. In March and May 2020, the Company issued 2,300,000 shares in settlement of facility fees.
- j. In June 2020, the Company issued 250,000 as part of the acquisition of intellectual property, and issued 4,492,881 on conversion of options.
- k. The Company settled all convertible notes during the year.

There have been no other significant changes in the state of affairs of the Group during the financial year ended 30 June 2020 other than disclosed elsewhere in this Annual Report.

**5. Operating and financial review**

## 5.1. Nature of Operations and Principal Activities

Skin Elements Limited is a developer, manufacturer, distributor, and retailer of its leading proprietary all-natural skincare SE Formula™. The SE Formula™ 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.

## 5.2. Operations Review

a. *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](http://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 were made during the financial year.

## Directors' report

### b. *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 several 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 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.

### c. *SKNLife Product and Branding Platform Established*

Skin Elements completed the strategic re-branding, expansion, and refinement across its entire natural skincare and suncare 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.

### d. *Global Opportunity*

Skin Elements continues to maintain its focus on developing sales in Australia and 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.

### e. *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 – \$10,000,000 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.
- ⌚ Research and Development rebate – received funds amounting to \$668,418 subsequent to year end.

### f. *Manufacturing Underway*

Skin Elements continues to use approved contract production laboratories in Australia to produce its SE Formula product ranges in accordance with Good Manufacturing Practices and TGA requirements. Notwithstanding that these manufacturers have production capacity to meet the Company's requirements for the foreseeable future, the restrictions caused by COVID-19 have delayed production and the delivery of inventories from its contract manufacturers. These products are available through distributors and for sale through the Company's online store [www.sknlife.com.au](http://www.sknlife.com.au).

#### 5.3. Financial Review

As at 30 June 2020, the Group's cash and cash equivalents increased from 30 June 2019 by \$89,709 to \$205,947 at 30 June 2020 (2019: \$116,238) and had working capital of \$365,627 (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 \$1,518,940 for 2020 (2019: \$1,576,967 loss).

The net tangible assets of the Group have increased from 30 June 2019 by \$358,500 to \$558,529 at 30 June 2020 (2019: \$200,029). The net assets of the Group have increased from 30 June 2019 by \$17,207 to \$9,212,353 at 30 June 2020 (2019: \$9,195,146).

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. The Group incurred a loss for the year of \$1,910,234 (2019: \$1,967,761 loss).

**Directors' report****5.4. 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 revenue 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.

**5.5. Events Subsequent to Reporting Date**

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in Note 13 Events subsequent to reporting date on page 51.

**5.6. Future Developments, Prospects, and Business Strategies**

Likely developments in the operations, business strategies and prospects of the Group include:

- The Company will undertake future capital raising through the exercise of listed and unlisted options, and the consideration of other equity and debt proposals
- The Company will continue to focus on development and commercialisation of its natural skin care technology as set out in its review of operations.

Other 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.

**5.7. Environmental Regulations**

The Group's operations are not subject to significant environmental regulations in the jurisdictions it operates in, namely Australia.

The Directors have considered the enacted *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

**6. Information relating to the Directors**

 <b>Peter Malone</b>	<ul style="list-style-type: none"><li>■ Executive Chairman and Chief Executive Officer (<i>Appointed 4 September 2015</i>) Non-independent</li></ul>
Qualifications	<ul style="list-style-type: none"><li>■ B.Arch. MBA</li></ul>
Experience	<ul style="list-style-type: none"><li>■ Mr Malone has over 30 years' experience in global financial markets and has been responsible for raising AUD\$100m+ for technology development companies. He has a proven track record in developing and managing technology development programs, from idea stage to reality. Previous CEO to listed companies, he has a master's degree from UWA and has taught and consulted in Australia, USA, Europe and Asia in business and management. Mr Malone is responsible for the strategic direction of the Group and is its Managing Director and Chief Executive Officer of the Company.</li></ul>
Interest in Shares and Options	<ul style="list-style-type: none"><li>■ 23,638,490 Ordinary Shares</li><li>■ 11,397,128 Listed Options (exercisable at \$0.10 on or before 31 Dec 2020)</li><li>■ 2,814,106 Unlisted Options (exercisable at \$0.03 on or before 31 Dec 2020)</li><li>■ 27,000,000 Performance rights</li></ul>
Directorships held in other listed entities during the three years prior to the current year	<ul style="list-style-type: none"><li>■ None</li></ul>

## Directors' report

 **Phil Giglia**

Qualifications	■ B.Bus, CA, Registered Company Auditor, Registered Tax Agent
Experience	■ Mr Giglia joined the Skin Elements' Board in November 2017. Mr Giglia is a Chartered Accountant with more than 25 years' experience in senior roles, with a strong depth of expertise in the small to medium enterprise sector. Mr Giglia worked for leading global accountancy firm Price Waterhouse Coopers from 1985 to 1991. He is the founder and principal of Perth accountancy practice, Giglia & Associates, and is also a director of Global Marine Enclosures Pty Ltd. Mr Giglia has a Bachelor of Business (with Distinction) from Curtin University, and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.
Interest in Shares and Options	■ 3,535,409 Ordinary Shares 378,690 Listed Options (exercisable at \$0.10 on or before 31 Dec 2020) 420,882 Unlisted Options (exercisable at \$0.03 on or before 31 Dec 2020)
Directorships held in other listed entities during the three years prior to the current year	■ None

 **John Poulsen**

Qualifications	■ B.Law (Hons), B.Jurisprudence
Experience	■ Mr Poulsen joined the Skin Elements Board in October 2020. Mr Poulsen has over 37 years' experience in finance, commercial and public policy law in Australia. He was formerly the Managing Partner and CEO of Squire Patton Boggs (previously Minter Ellison) a top 10 Global Law Firm.
Interest in Shares and Options	■ Nil
Directorships held in other listed entities during the three years prior to the current year	■ None

**Former Directors** **Craig Piercy**

Qualifications	■ B.Bus, CA
Experience	■ Mr Piercy has over 25 years' experience in corporate, accounting and finance. He has worked extensively in development of technology ventures into successful commercial businesses. Mr Piercy is a member of the Institute of Chartered Accountants, and he has been previously responsible for listing and ongoing management of public companies in Australia and the US
Interest in Shares and Options	■ 18,906,425 Ordinary Shares 8,118,822 Listed Options (exercisable at \$0.10 on or before 31 Dec 2020) 2,250,766 Unlisted Options (exercisable at \$0.03 on or before 31 Dec 2020)
Directorships held in other listed entities during the three years prior to the current year	■ None

Directors' report

 **Luke Martino**

Qualifications

- Non-Executive Director (*Appointed 4 September 2015, resigned 10 October 2019*)  
Member of the Audit Committee, Remuneration Committee and Nomination Committee  
Independent
- B.Com, FCA, FAICD
- Mr Martino has over 20 years senior leadership experience in major Australian accounting firms.
- 3,050,000 Ordinary Shares  
1,468,750 Listed Options (exercisable at \$0.10 on or before 31 Dec 2020)
- Former non-executive director of Pan Asia Corporation Limited (ASX: PZC); current non-executive chairman of Jador Lithium Limited (JDR). Company Secretary for South East Asia Resources Limited (ASX: SXI).

Interest in Shares and Options  
(*at date of resignation*)

Directorships held in other listed entities during the three years prior to the current year

 **Zeling Li**

Experience

Interest in Shares and Options  
(*at date of resignation*)

Directorships held in other listed entities during the three years prior to the current year

 **Jialin Li**

Experience

Interest in Shares and Options  
(*at date of resignation*)

Directorships held in other listed entities during the three years prior to the current year

- Non-Executive Director (*Appointed 3 May 2019, resigned 29 November 2019*)  
Independent
- Mr Li is a qualified lawyer in the People's Republic of China. In 2006 he established the Beijing Yishoujin Biotechnology Development Co Ltd specialising in the research and development and sales in the health products sector.
- Nil
- None

- Non-Executive Director (*Appointed 3 May 2019, resigned 29 November 2019*)  
Independent
- Ms Li is a graduate of the Henan University of Economics and Law in 1999 with a career as a journalist and editor in the media sector in China. She has recently founded Henan Zhibai Biotechnology Co Ltd which focuses on the research and development and production of cosmetics skincare products.
- Nil
- None

**Directors' report****7. Meetings of directors and committees**

During the financial year, 15 meetings of Directors (including committees of Directors) were held.

	DIRECTORS' MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE		FINANCE AND OPERATIONS COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Peter Malone	15	15	1	1	2	2	<i>At the date of this report, the Finance and Operations Committee comprise the full Board. The Board believes the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate committee. Accordingly, all matters capable of delegation to such committees are considered by the full Board.</i>	
Phil Giglia	15	15	1	1	2	2		
John Poulsen	-	-	-	-	-	-		
Craig Piercy	7	7	-	-	1	1		
Luke Martino	5	4	-	-	-	-		
Zeling Li	7	-	-	-	-	-		
Jialin Li	7	-	-	-	-	-		

**7.1. Risk management**

The Board takes a pro-active approach to risk management. The Board is ultimately responsible for ensuring that risks and also opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has established an Audit and Risk Committee that operates under a charter approved by the Board. The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance, oversight, risk management and compliance practices responsibilities.

**8. Indemnifying officers or auditor****8.1. Indemnification**

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such directors and officers to the extent permitted by the Corporations Act 2001. The Company has not otherwise during or since the end of the year, indemnified, or agreed to indemnify an officer or an auditor of the Company, or of any related body corporate, against a liability incurred by such an officer or auditor.

**8.2. Insurance premiums**

During the year, the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. In accordance with the policy, the amount of premium cannot be disclosed.

**9. Options****9.1. Unissued shares under option**

At the date of this report, the unissued ordinary shares of the Company under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price \$	Number under Option
18 Aug 2018	31 Dec 2020	0.10	95,688,641
15 Feb 2020	31 Dec 2020	0.03	31,517,060
			127,205,701

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of the Company or any other body corporate.

## **Directors' report**

### 9.2. Shares issued on exercise of options

4,492,881 ordinary shares have been issued by the Company during the financial year as a result of the exercise of options (2019: Nil).

## **10. Auditor's independence and Non-audit services**

### 10.1. Auditor independence

The Company's auditor's, BDO Audit (WA) Pty Ltd's (**BDO**), independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2020 has been received and can be found on page 18 and forms part of this Directors' report for the year ended 30 June 2020.

### 10.2. Non-audit services

During the year, BDO provided no services in addition to their statutory audits. No non-audit fees were paid during the period (2019: \$48,815). Details of remuneration paid to the auditor can be found within the financial statements at Note 17 Auditor's Remuneration on page 53.

In the event that non-audit services are provided by BDO, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth). These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

## **11. Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

## DIRECTORS' REPORT

## 12. Remuneration report (audited)

This report outlines the remuneration arrangements in place for the key management personnel of Skin Elements Limited (the **Company** or **Group** or individually **Skin Elements**) for the financial year ended 30 June 2020 and comparatives for the year ended 30 June 2019. The information in this remuneration report has been audited as required by s308(3C) of the *Corporations Act 2001* (Cth).

12.1. Key management personnel covered in this report (**KMP**)

For the purposes of this report key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company and all KMP. KMP comprise the Directors of the Company and key executive personnel:

## a. Directors

 Peter Malone	Executive Chairman and Chief Executive Officer
 Phil Giglia	Independent Non-Executive Director
 Craig Piercy	Executive Director ( <i>Appointed on 29 November 2019, Resigned on 29 October 2020</i> )
 Luke Martino	Independent Non-Executive Director ( <i>Resigned on 10 October 2019</i> )
 Zeling Li	Independent Non-Executive Director ( <i>Resigned on 29 November 2019</i> )
 Jialin Li	Independent Non-Executive Director ( <i>Resigned on 29 November 2019</i> )

## b. Other key management

 Leo Fung	Chief Technical Advisor
--	-------------------------

## c. Changes since the end of the reporting period

Subsequent to the end of the reporting period Mr Craig Piercy resigned as a Director of the Company and Mr John Poulsen was appointed as a Director on 29 October 2020. There are no other changes since the end of the reporting period.

## 12.2. Principles used to determine the nature and amount of remuneration

## a. Remuneration Policy

The Board has established a Nomination and Remuneration Committee. The Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities, however, ultimate responsibility for the Company's nomination and remuneration practices remains with the Board. The main functions and responsibilities of the Committee include the following:

-  assisting the Board in examining the selection and appointment practices of the Company.
-  ensuring remuneration arrangements are equitable and transparent and enable the Company to attract and retain executives and directors (executive and non-executive) who will create sustainable value for members and other stakeholders.
-  ensuring the Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
-  reviewing Board succession plans and Board renewal.
-  reviewing the processes for evaluating the performance of the Board, its committees and individual directors and ensuring that a fair and responsible reward is provided to executives and directors having regard to their performance evaluation.
-  reviewing levels of diversity within the Company and Board and reporting on achievements pursuant to any diversity policy developed by the Board.
-  reviewing the Company's remuneration, recruitment, retention and termination policies for the Board and senior executives; and
-  complying with all relevant legislation and regulations including ASX Listing Rules and *Corporations Act 2001* (Cth).

## b. Remuneration structure

The Group's policy for determining the nature and amount of remuneration of board members and senior executives is as follows:

## DIRECTORS' REPORT

## 12. Remuneration report (audited)

## (1) Non-Executive Directors

The remuneration of non-executive Directors will be determined by the Board having regard to the Remuneration Committee's recommendations and evaluation of each individual Director's contribution to the Board.

The maximum aggregate annual remuneration of non-executive directors is subject to approval by the shareholders in general meeting in accordance with the Company's Constitution, the ASX Listing Rules and the *Corporations Act 2001* (Cth). The current maximum aggregate remuneration amount to non-executive directors approved by shareholders under the Constitution is \$500,000 per year. The Directors have resolved that fees payable to non-executive directors for Board activities are \$24,000 per year with an additional fee of \$2,000 per year payable to the Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee.

## (2) Executive Directors and other Senior Executives

The Company's remuneration policy reflects the Company's obligation to align executive remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the Company. In particular, reward should reflect the competitive global market in which the Company operates, individual reward should be linked to performance criteria, and should reward both financial and non-financial performance of the Director.

The Board and the Nomination & Remuneration Committee are in the process of assessing and implementing the Company's executive reward framework to ensure reward for performance is competitive and appropriate for the results delivered.

## c. Performance Based Remuneration – Short-term and long-term incentive structure

The Board will review short-term and long-term incentive structures from time to time. Any incentive structure will be aligned with shareholders' interests.

## Short-term incentives

No short-term incentives in the form of cash bonuses were granted during the year.

## Long-term incentives

The Company has in place an Equity Incentive Plan to provide Performance Rights, Options, or Restricted Shares to Directors, Employees, or contractor of the Company. For the year ended 30 June 2020 other than as set out in the Share-based Compensation – Employee Incentive Plan all executive remuneration is set at base level fixed amounts at commensurate market rates or lower. The Equity Incentive Plan aligns shareholder and stakeholder values with executives as the hurdles embedded in the incentive plans include target share price milestones which are typically set at prices above the current share price at the date of issue and expire within a defined timeframe.

The executive Directors will be eligible to participate in any short term and long-term incentive arrangements operated or introduced by the Company (or any subsidiary) from time to time.

The relative proportions of executive remuneration that is fixed or at risk is outlined below:

Group KMP	Contract Commencement / Termination Date	Proportions of Elements of Remuneration		Proportions of Elements of Remuneration	
		2020 %	2019 %	2020 %	2019 %
Peter Malone	Appt 4.9.2015 <sup>(1)</sup>	85	73	15	27
Phil Giglia	Appt 22.11.2017	100	100	-	-
Craig Piercy	Appt 29.11.2019 <sup>(1)</sup>	100	100	-	-
Luke Martino	Ceased 10.10.2019	71	75	29	25
Zeling Li	Ceased 29.11.2019	-	-	-	-
Jialin Li	Ceased 29.11.2019	-	-	-	-
Leo Fung	Appt 18.02.2019 <sup>(1)</sup>	100	100	-	-

<sup>(1)</sup> These appointment dates are for the ultimate holding company Skin Elements Limited. Mr Malone, Mr Piercy, and Mr Fung were appointed as executives of wholly owned subsidiary SE Operations Pty Ltd on 1 March 2005.

## DIRECTORS' REPORT

## 12. Remuneration report (audited)

## d. Service agreements

Remuneration and terms of employment for other key management personnel are formalised in consultancy and employment agreements. The major provisions relating to remuneration to existing directors are set out below.

## (1) Executive Agreement

(A) **Peter Malone** *Executive Chairman*

The Company has entered into a consultancy agreement with Boston Technology Management Pty Ltd (**Boston Consultancy Agreement**) to provide services to the Group. Mr Peter Malone is engaged by Boston Technology Management Pty Ltd to act as the Executive Chairman and Chief Executive Officer of the Group. Boston Technology Management Pty Ltd is paid a consulting fee of A\$20,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Boston Consultancy Agreement is on a continuing basis unless terminated by either party. The Boston Consultancy Agreement contains standard termination provisions under which the Company must give 3 months' written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to - Boston Technology Management Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Boston Technology Management Pty Ltd over the 3-month period if the engagement had not been terminated.

(B) **Craig Piercy** *Former Executive Director, Company Secretary and Chief Financial Officer*

The Company has entered into a consultancy agreement with Boston Technology Management Pty Ltd (Boston Consultancy Agreement) to provide services to the Group. Mr Craig Piercy is engaged by Boston Technology Management Pty Ltd to act as the Company Secretary and Chief Financial Officer of the Group. Boston Technology Management Pty Ltd is paid a consulting fee of A\$13,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Boston Consultancy Agreement is on a continuing basis unless terminated by either party. The Boston Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Boston Technology Management Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Boston Technology Management Pty Ltd over the 3-month period if the engagement had not been terminated. These amounts have been included in the remuneration report below.

(C) **Leo Fung** *Chief Technical Advisor*

The Company has entered into a consultancy agreement with Blackridge Group Pty Ltd (Blackridge Consultancy Agreement) to provide services to the Group. Mr Leo Fung is engaged by Blackridge Group Pty Ltd to act as the Chief Technical Advisor of the Group. Blackridge Group Pty Ltd is paid a consulting fee of A\$13,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Blackridge Consultancy Agreement is on a continuing basis unless terminated by either party. The Blackridge Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Blackridge Group Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Blackridge Group Pty Ltd over the 3-month period if the engagement had not been terminated.

## (2) Non-executive Director Agreement

(A) **Phil Giglia** *Non-executive Director*

The Company has entered into an agreement with Colosseum Securities Pty Ltd (**Giglia Agreement**). Mr Giglia is engaged by Colosseum Securities Pty Ltd to provide non-executive director services to the Company. Colosseum Securities Pty Ltd will be paid a fee of A\$24,000 (plus GST) per annum and \$2,000 (plus GST) per annum as chairman of the audit committee. Mr Giglia will also be reimbursed for reasonable expenses incurred in the performance of his duties as a non-executive Director of the Company.

**DIRECTORS' REPORT****12. Remuneration report (audited)***Former directors***(B) Luke Martino Non-executive Director (Resigned on 10 October 2019)**

The Company previously entered into an agreement with LJM Capital Corporation Pty Ltd (Martino Agreement). Mr Martino is engaged by LJM Capital Corporation Pty Ltd to provide non-executive director services to the Company. LJM Capital Corporation Pty Ltd was paid a fee of A\$24,000 (plus GST) per annum. Mr Martino was reimbursed for reasonable expenses incurred in the performance of his duties as a non-executive Director of the Company.

**(C) Zeling Li Non-executive Director (Resigned on 29 November 2019)**

The Company appointed Mr Li to the Board on 3 May 2019 pursuant to the Term Sheet with HHHM dated 25 March 2019. Mr Li resigned on 29 November 2019; no fees were paid in connection to this appointment.

**(D) Jialin Li Non-executive Director (Resigned on 29 November 2019)**

The Company appointed Ms Li to the Board on 3 May 2019 pursuant to the Term Sheet with HHHM dated 25 March 2019. Ms Li resigned on 29 November 2019; no fees were paid in connection to this appointment.

## e. Engagement of Remuneration Consultants

During the financial year, the Company did not engage any remuneration consultants.

## f. Relationship between Remuneration of KMP and Earnings

In considering the Group's performance and benefits for shareholders wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years (where applicable):

As at 30 June	2020	2019	2018
Revenue (\$)	425,167	798,107	838,292
Net loss before tax (\$)	(1,910,234)	(1,967,761)	2,728,114
Share price (cents per share)	8.00 <sup>#</sup>	2.50	2.70

<sup>#</sup> At last trade date, 8 May 2020. Company was suspended until reinstatement on 16 October 2020.

**12.3. Directors and KMP remuneration**

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

**Directors' report**

**12. Remuneration report (audited)**

Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other				Equity	Performance Rights	
	\$	\$	\$	\$				\$	\$	
Peter Malone <sup>(1)</sup>	240,000	-	-	-	-	-	-	-	41,559	281,559
Filippo (Phil) Giglia <sup>(3)</sup>	26,000	-	-	-	-	-	-	-	-	26,000
Craig Piercy <sup>(6)</sup>	156,000	-	-	-	-	-	-	-	-	156,000
Luke Martino <sup>(2)</sup>	6,000	-	-	-	-	-	-	-	2,477	8,477
Zeling Li <sup>(4)</sup>	-	-	-	-	-	-	-	-	-	-
Jialin Li <sup>(5)</sup>	-	-	-	-	-	-	-	-	-	-
Leo Fung <sup>(7)</sup>	156,000	-	-	-	-	-	-	-	-	156,000
	584,000	-	-	-	-	-	-	-	44,036	628,036

<sup>(1)</sup> Peter Malone, fees paid to Boston Technology Management Pty Ltd.

<sup>(2)</sup> Filippo (Phil) Giglia, fees paid to Colosseum Securities Pty Ltd, agreement commenced on 22 November 2017.

<sup>(3)</sup> Craig Piercy, appointed on 29 November 2019, fees paid to Boston Technology Management Pty Ltd.

<sup>(4)</sup> Luke Martino resigned on 10 October 2019.

<sup>(5)</sup> Zeling Li resigned on 29 November 2019.

<sup>(6)</sup> Jialin Li resigned on 29 November 2019.

<sup>(7)</sup> Leo Fung, fees paid to Blackridge Group Pty Ltd who engage Leo Fung.

Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other				Equity	Performance Rights	
	\$	\$	\$	\$				\$	\$	
Peter Malone <sup>(1)</sup>	240,000	-	-	-	-	-	-	-	88,030	328,030
Luke Martino <sup>(2)</sup>	27,000	-	-	-	-	-	-	-	8,803	35,803
Filippo (Phil) Giglia <sup>(3)</sup>	29,000	-	-	-	-	-	-	-	-	29,000
Zeling Li <sup>(4)</sup>	-	-	-	-	-	-	-	-	-	-
Jialin Li <sup>(5)</sup>	-	-	-	-	-	-	-	-	-	-
Craig Piercy <sup>(6)</sup>	156,000	-	-	-	-	-	-	-	-	156,000
Leo Fung <sup>(7)</sup>	156,000	-	-	-	-	-	-	-	-	156,000
	608,000	-	-	-	-	-	-	-	96,833	704,833

<sup>(1)</sup> Peter Malone, fees paid to Boston Technology Management Pty Ltd.

<sup>(2)</sup> Luke Martino, fees paid to LJM Capital Corporation Pty Ltd, agreement commenced on 1 January 2017.

<sup>(3)</sup> Filippo (Phil) Giglia, fees paid to Colosseum Securities Pty Ltd, agreement commenced on 22 November 2017.

<sup>(4)</sup> Zeling Li was appointed on 3 May 2019.

<sup>(5)</sup> Jialin Li was appointed on 3 May 2019.

<sup>(6)</sup> Craig Piercy, fees paid to Boston Technology Management Pty Ltd.

<sup>(7)</sup> Leo Fung, fees paid to Blackridge Group Pty Ltd who engage Leo Fung, refer to the service agreement section for details of the changes for the period.

**Directors' report**

**12. Remuneration report (audited)**

12.4. Share-based compensation

a. As at the date of this report the Company had the following securities on issue/lapse in connection with KMP share-based payments:

2020 – Group		Number of rights at the start of the year	Value of rights at grant date <sup>(1)</sup>	Number of Rights vested during the year	Value of rights at vesting date <sup>(1)</sup>	Number of Rights lapsed during the year	Value at lapse date
Group KMP	Type of rights	No.	\$	No.	\$	No.	\$
Peter Malone	2017 Tranche B	2,000,000	100,000	-	-	2,000,000	64,000
	2019 Tranche A	2,700,000	11,664	-	-	-	-
	2019 Tranche B	5,400,000	23,328	-	-	-	-
	2019 Tranche C	8,100,000	34,992	-	-	-	-
	2019 Tranche D	10,800,000	46,656	-	-	-	-
Luke Martino	2017 Tranche B	200,000	10,000	-	-	200,000	6,400
		29,200,000	226,640	-	-	2,200,000	70,400

<sup>(1)</sup> The value at grant date calculated in accordance with AASB2 *Share-based payments* of rights granted during the year as part of remuneration. These have been valued at fair value determined using Black Scholes option pricing model. No adjustment has been made for the value of rights which lapsed during the year.

b. Employee Incentive Plan

The Company has established an Equity Incentive Plan (EIP) to assist in the motivation, retention and reward of senior management and other employees. The EIP is designed to align the interest of senior management and other employees with the interest of Shareholders by providing an opportunity for the participants to receive an equity interest in the Company.

12.5. KMP equity holdings

a. Fully paid ordinary shares of Skin Elements Limited held by each KMP

The number of ordinary shares in the Company held during the financial year by each Director of Skin Elements Limited and any other KMP of the Company, including their personally related parties, are as follows.

2020 – Group		Balance at start of year or date of appointment	Received during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at end of year or date of resignation
Group KMP	No.	No.	No.	No.	No.	No.
Peter Malone	15,196,172	-	-	-	8,442,318	23,638,490
Filippo (Phil) Giglia	2,217,469	-	-	-	1,317,940	3,535,409
Craig Piercy	11,498,345	-	-	-	7,408,080	18,906,425
Luke Martino <sup>(1)</sup>	3,050,000	-	-	-	-	3,050,000
Zeling Li <sup>(2)</sup>	-	-	-	-	-	-
Jialin Li <sup>(2)(3)</sup>	-	-	-	-	-	-
Leo Fung	-	-	-	-	-	-
	31,961,986	-	-	-	17,168,338	49,130,324

<sup>(1)</sup> Luke Martino resigned on 10 October 2019.

<sup>(2)</sup> Zeling Li resigned on 29 November 2019.

<sup>(3)</sup> Jialin Li was resigned on 29 November 2019.

## Directors' report

## 12. Remuneration report (audited)

## b. Options in Skin Elements Limited held by each KMP

The number of options over ordinary shares in the Company held during the financial year by each Director of Skin Elements Limited and any other KMP of the Group, including their personally related parties, are as follows:

Group KMP	Balance at start of year or date of appointment		Granted as Remuneration during the year			Balance at end of year or date of resignation		
	No.	No.	No.	Exercised during the year	Other changes during the year	No.	Vested and Exercisable	Not Vested
							No.	No.
Peter Malone	11,397,128	-	-	-	2,814,106	14,211,234	14,211,234	-
Filippo (Phil) Giglia	323,397	-	-	-	476,175	799,572	799,572	-
Craig Piercy	7,463,037	-	-	-	2,906,551	10,369,588	10,369,588	-
Luke Martino <sup>(1)</sup>	1,468,750	-	-	-	-	1,468,750	1,468,750	-
Zeling Li <sup>(2)</sup>	-	-	-	-	-	-	-	-
Jialin Li <sup>(3)</sup>	-	-	-	-	-	-	-	-
Leo Fung	-	-	-	-	-	-	-	-
	20,652,312	-	-	-	6,196,832	26,849,144	26,849,144	-

<sup>(1)</sup> Luke Martino resigned on 10 October 2019.

<sup>(2)</sup> Zeling Li resigned on 29 November 2019.

<sup>(3)</sup> Jialin Li was resigned on 29 November 2019.

## c. Convertible Notes in Skin Elements Limited held by each KMP

The number of Convertible Notes which may convert into ordinary shares in the Company held during the financial year by each Director of Skin Elements Limited and any other KMP of the Group, including their personally related parties, are as follows:

Group KMP	Balance at start of year		Granted as Remuneration during the year			Balance at end of year or date of resignation		
	No.	No.	No.	Converted during the year	Other changes during the year	No.		
							No.	
Peter Malone	66,351	-	-	(66,351)	-	-	-	-
Filippo (Phil) Giglia	7,150	-	-	(7,150)	-	-	-	-
Craig Piercy	39,811	-	-	(39,811)	-	-	-	-
Luke Martino <sup>(1)</sup>	128,425	-	-	(128,425)	-	-	-	-
Zeling Li <sup>(2)</sup>	-	-	-	-	-	-	-	-
Jialin Li <sup>(3)</sup>	-	-	-	-	-	-	-	-
Leo Fung	-	-	-	-	-	-	-	-
	241,737	-	-	(241,737)	-	-	-	-

<sup>(1)</sup> Luke Martino resigned on 10 October 2019.

<sup>(2)</sup> Zeling Li resigned on 29 November 2019.

<sup>(3)</sup> Jialin Li was resigned on 29 November 2019.

**Directors' report**

**12. Remuneration report (audited)**

d. Performance Rights of Skin Elements Limited held by each KMP

The number of Performance Shares in Skin Elements Limited held, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2020 is as follows

2020 – Group Group KMP	Balance at start of year No.	Received during the year as compensation No.	Other changes during the year No.	Balance at end of year or date of resignation No.	Maximum value yet to vest \$
Peter Malone	2,000,000	27,000,000	(2,000,000)	27,000,000	116,640
Filippo (Phil) Giglia	-	-	-	-	-
Craig Piercy	-	-	-	-	-
Luke Martino	200,000	-	(200,000)	-	-
Zeling Li	-	-	-	-	-
Jialin Li	-	-	-	-	-
	2,200,000	27,000,000	(2,200,000)	27,000,000	116,640

These performance rights are issued to Peter Malone, Executive Chairman have been valued and issued on terms as detailed below and as detailed below and in Note 19.4:

Class of Performance Right	Performance Condition	Performance rights No.	Milestone Date	Expiry Date	Performance Condition Satisfied
A	The Company receiving revenue from the sale of its products to an aggregate value of \$2,000,000	2,700,000	31 Dec 2023	4 years from the date of issue	No
B	The Company receiving revenue from the sale of its products to an aggregate value of \$6,000,000	5,400,000	31 Dec 2023	4 years from the date of issue	No
C	The Company receiving revenue from the sale of its products to an aggregate value of \$12,000,000	8,100,000	31 Dec 2023	4 years from the date of issue	No
D	The Company receiving revenue from the sale of its products to an aggregate value of \$20,000,000	10,800,000	31 Dec 2023	4 years from the date of issue	No

12.6. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights, and shareholdings.

12.7. Other transactions with KMP and or their Related Parties

a. Other Transactions with Key Management Personnel

Indian Ocean Advisory Group (a company associated with Mr Martino, up to the date he ceased being a Director of the Company), provided professional accounting and corporate advisory services. The services are at commercial arms-length hourly rates.

2020 \$	2019 \$
19,682	79,038
19,682	79,038

**Directors' report**

**12. Remuneration report (audited)**

There have been no other transactions in addition to those described in the tables or as detailed in Note 16 Related party transactions.

**12.8. Voting of shareholders at last year's annual general meeting (AGM)**

The Company received 96.2% of "yes" votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**END OF REMUNERATION REPORT**

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).



**PETER MALONE**

Executive Chairman

Dated this Monday, 2 November 2020



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**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF SKIN ELEMENTS LIMITED**

As lead auditor of Skin Elements Limited for the year ended 30 June 2020, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Glyn O'Brien'.

Glyn O'Brien  
Director

BDO Audit (WA) Pty Ltd

Perth, 2 November 2020

**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		(216,270)	(440,851)
<b>Gross profit</b>		<b>208,897</b>	<b>357,256</b>
Other income	1.2	812,982	689,976
Administration expenses	2.1	(740,985)	(643,257)
Advertising and marketing expenses		(192,877)	(92,293)
Amortisation		(391,294)	(390,794)
Corporate expenses	2.2	(320,145)	(297,175)
Consultants fees	2.3	(277,044)	(587,534)
Occupancy costs		(123,669)	(104,268)
Research and development expenses		(886,099)	(899,672)
Loss before tax		(1,910,234)	(1,967,761)
Income tax expense	4.1	-	-
<b>Net loss for the year</b>		<b>(1,910,234)</b>	<b>(1,967,761)</b>
<i>Other comprehensive income, net of income tax</i>			
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(1,910,234)</b>	<b>(1,967,761)</b>
<i>Earnings per share:</i>			
Basic and diluted loss per share (cents per share)	18.4	(0.850)	(1.440)

*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	5.1	205,947	116,238
Trade and other receivables	5.2.1	764,153	675,142
Inventories	6.1	155,705	17,721
Other current assets	5.3.1	441,865	97,136
<b>Total current assets</b>		<b>1,567,670</b>	<b>906,237</b>
<i>Non-current assets</i>			
Intangible assets	6.1	8,653,824	8,995,117
Deferred tax asset	4.6	-	-
<b>Total non-current assets</b>		<b>8,653,824</b>	<b>8,995,117</b>
<b>Total assets</b>		<b>10,221,494</b>	<b>9,901,354</b>
<i>Current liabilities</i>			
Trade and other payables	5.4.1	509,141	506,208
Borrowings	5.5.1	500,000	200,000
Current tax liabilities	4.5	-	-
<b>Total current liabilities</b>		<b>1,009,141</b>	<b>706,208</b>
<b>Total liabilities</b>		<b>1,009,141</b>	<b>706,208</b>
<b>Net liabilities</b>		<b>9,212,353</b>	<b>9,195,146</b>
<i>Equity</i>			
Issued capital	7.1.1	17,607,998	15,286,784
Reserves	7.5	29,103	804,743
Accumulated losses		(8,424,748)	(6,896,381)
<b>Total equity</b>		<b>9,212,353</b>	<b>9,195,146</b>

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

## 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
	\$	\$		\$	\$
Balance at 1 July 2018	13,679,321	(4,928,620)	522,835	215,505	9,489,041
Loss for the year attributable to the owners of the parent	-	(1,967,761)	-	-	(1,967,761)
Other comprehensive income for the year attributable to the owners of the parent	-	-	-	-	-
Total comprehensive income for the year attributable to the 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)	7.1.1	1,569,269	-	-	1,569,269
Options granted during the year	7.2	-	-	96,833	96,833
Shares issued during the year to consultants	7.1.1	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
Balance at 1 July 2019	15,286,784	(6,896,381)	492,405	312,338	9,195,146
Loss for the year attributable to the owners of the parent	-	(1,910,234)	-	-	(1,910,234)
Adjustment to fair value of convertible note		42,206	(42,206)	-	-
Other comprehensive income for the year attributable to the owners of the parent	-	-	-	-	-
Total comprehensive income for the year attributable to the owners of the parent	-	(1,868,028)	(42,206)	-	(1,910,234)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the year (net of costs)	7.1.1	1,475,664	-	-	1,475,664
Share based payments during the year	7.2	195,351	-	56,426	251,777
Converting note funds received and conversion	7.1.1	650,199	-	(450,199)	200,000
Transfer to / from reserves: performance shares expired		222,845	-	(222,845)	-
Transfer to / from reserves: options expired		116,816	-	(116,816)	-
Balance at 30 June 2020	17,607,998	(8,424,748)	-	29,103	9,212,353

*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		419,695	798,166
Payments to suppliers and employees		(3,085,726)	(3,096,304)
Receipt of research and development tax incentive		689,016	490,630
Interest paid and facility fees		(25,953)	(11,010)
Interest received		-	75
JobKeeper payment scheme and ATO cash flow boost		105,000	-
<b>Net cash used in operating activities</b>	5.1.2	<b>(1,897,968)</b>	<b>(1,818,443)</b>
<i>Cash flows from investing activities</i>			
Purchase of intangibles		(30,000)	(6,148)
<b>Net cash used in investing activities</b>		<b>(30,000)</b>	<b>(6,148)</b>
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares		1,805,532	1,744,963
Share issue costs		(87,855)	(199,795)
Proceeds from convertible notes		-	200,000
Proceeds of borrowings		1,000,000	-
Repayments of borrowings		(700,000)	-
<b>Net cash provided by financing activities</b>		<b>2,017,677</b>	<b>1,745,168</b>
<b>Net increase in cash and cash equivalents held</b>		<b>89,709</b>	<b>(79,423)</b>
Cash and cash equivalents at the beginning of the year		116,238	195,661
<b>Cash and cash equivalents at the end of the year</b>	5.1	<b>205,947</b>	<b>116,238</b>

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

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

In preparing the 2020 financial statements, Skin Elements Limited has grouped notes into sections under five key categories:

👉 Section A: How the numbers are calculated .....	24
👉 Section B: Risk .....	44
👉 Section C: Group structure .....	49
👉 Section D: Unrecognised items .....	51
👉 Section E: Other Information .....	52

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The presentation of the notes to the financial statements has changed from the prior year and is supported by the IASB's Disclosure Initiative. As part of this project, the AASB made amendments to AASB 101 *Presentation of Financial Statements* which have provided preparers with more flexibility in presenting the information in their financial reports.

The financial report is presented in Australian dollars, except where otherwise stated.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**SECTION A. HOW THE NUMBERS ARE CALCULATED**

*This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including:*

- (a) *accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.*
- (b) *analysis and sub-totals.*
- (c) *information about estimates and judgements made in relation to particular items.*

Note	1	Revenue and other income	2020	2019
			\$	\$
<b>1.1</b>	<b>Revenue</b>			
	Sales to customers		425,167	798,107
			425,167	798,107
<b>1.2</b>	<b>Other Income</b>			
	Interest income		57	-
	<i>Research and development tax incentives</i> grant income		707,925	689,976
	<i>JobKeeper Payment scheme</i> grant income		30,000	-
	<i>ATO Cash flow boost</i> grant income		75,000	-
			812,982	689,976
<b>1.3</b>	<b>Accounting policies</b>			

1.3.1 *Revenue from contracts with customers*a. *Recognition*

The Group generates revenue from the delivery of goods as follows:

- The Group sells products to external customers using several mediums which include internet sales, employees direct selling, and the use of wholesalers and businesses who purchase the product and are then responsible for their own selling processes.
- The internet sales are driven by the Skin Element's website which sets out pricing for the product and delivery. Each wholesaler and business customer order is specific to the client's requirements; however, for each category of customer the performance obligations cease when the Group has delivered the goods to the customers. As at 30 June 2020 the Company did not have any material customer contracts at the reporting date.

b. *Revenue from selling goods*

Revenue for sale of sun care 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.

1.3.2 *Government Grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The Group received the following government grants:

- a. *Research and development tax incentives* received or receivable are recognised at fair value where there is a reasonable assurance that the amount will be received and the Group will comply with all attached conditions. The value of the research and development tax incentive received or receivable income is presented as part of profit or loss as other income.
- b. *JobKeeper Payment scheme* and *ATO Cash flow boost* received have no unfulfilled conditions or other contingencies attaching to these grants. Grants related to income are presented as part of profit or loss as other income.

The Group did not benefit directly from any other forms of government assistance.

1.3.3 *Interest income*

Interest revenue is recognised in accordance with Note 3.2 Finance expenses.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

Note 2 Loss before income tax	2020 \$	2019 \$
The following significant revenue and expense items are relevant in explaining the financial performance:		
<b>2.1 Administration expenses</b>		
⌚ Accounting expenses	146,591	144,308
⌚ Wages and salaries	367,324	331,794
⌚ Travel expenses	11,566	28,998
⌚ Interest expenses and finance facility costs	90,394	3,865
⌚ Other expenses	125,110	134,292
	740,985	643,257
<b>2.2 Corporate expenses</b>		
⌚ 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
<b>2.3 Contract and consulting fees</b>		
⌚ Executive services contracts	78,655	420,804
⌚ Share-based performance rights	2.3.1	56,426
⌚ External consulting fees	141,963	69,897
	277,044	587,534

2.3.1 The Company has issued performance rights to Directors and Consultants which will convert into fully paid shares on achieving certain performance hurdles. These performance rights are recorded at fair value which is amortised over the vesting period (up to four years from date of issue), as detailed in Note 19.2.1b and c.

**Note 3 Other Significant Accounting Policies related to items of profit and loss****3.1 Employee benefits****3.1.1 Short-term benefits**

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 3 Other Significant Accounting Policies related to items of profit and loss (cont.)****3.1.2 Other long-term benefits**

The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise. However due to the infancy of the Group, no long service leave has been accrued.

**3.1.3 Equity-settled compensation**

The grant by the Company of options over its equity instruments to contractors or to its employees is measured at the fair value of contractor's services (where the services can be valued) or at the fair value of the equity instruments provided (which includes employee services received) during the period. The measurement date is the grant date and the cost is recognised over the vesting period for the services received by the Company with an increase to the expense (or asset if it directly relates to the development of an asset) with a corresponding increase to equity or reserves. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

**3.2 Finance expenses**

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method and include:

- ⌚ interest on the bank overdraft;
- ⌚ interest on short-term and long-term borrowings;
- ⌚ interest on finance leases; and
- ⌚ unwinding of the discount on provisions.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

**Notes to the consolidated financial statements**  
for the year ended 30 June 2020

Note	4 Income tax	2020 \$	2019 \$
<b>4.1</b>	<b>Income tax expense</b>		
	Current tax	-	-
	Deferred tax	-	-
		-	-
	Deferred income tax expense included in income tax expense comprises:		
	■ Increase / (decrease) in deferred tax assets	4.6	-
	■ (Increase) / decrease in deferred tax liabilities		-
		-	-
<b>4.2</b>	<b>Reconciliation of income tax expense to prima facie tax payable</b>		
	The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
	Accounting loss before tax	(1,910,234)	(1,967,761)
	Prima facie tax on operating loss at 27.5% (2019: 27.5%)	(525,314)	(541,134)
	Add / (Less) tax effect of:		
	□ Other non-deductible expenses / (non-assessable income)	388,327	(107,468)
	□ Other temporary differences not recognised	136,987	648,602
	Income tax expense/(benefit) attributable to operating loss	-	-
		%	%
<b>4.3</b>	The applicable weighted average effective tax rates attributable to operating profit are as follows:		
a.	The tax rates used in the above reconciliations is the corporate tax rate of 27.5% payable by the Australian corporate entity on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting year.		
<b>4.4</b>	Balance of franking account at year end of the parent	nil	nil
<b>4.5</b>	<b>Current tax liabilities</b>		
	Foreign Income tax payable	-	-
		-	-

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

Note	4 Income tax (cont.)	2020	2019
		\$	\$
<b>4.6</b>	<b>Deferred tax assets</b>		
	Tax losses	1,447,591	1,250,867
	Capital raising costs	107,571	108,377
		1,555,162	1,359,244
	Set-off deferred tax liabilities	-	-
	Net deferred tax assets	1,555,162	1,359,244
	Less deferred tax assets not recognised	(1,555,162)	(1,359,244)
	Net deferred tax assets	-	-
<b>4.7</b>	<b>Tax losses and deductible temporary differences</b>		
	Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		
	■ Tax losses	1,447,591	1,250,867
		1,447,591	1,250,867

Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2020 because the Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- ii. the Company continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates consider both the financial performance and position of the Company as they pertain to current income taxation legislation, and the Directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions.

The parent company has accumulated tax losses of \$5,263,967 (2019: \$4,548,607) which are expected to be available indefinitely for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 4 Income tax (cont.)****4.8 Accounting policy**

The income tax expense or benefit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

• when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

• when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return.

## Notes to the consolidated financial statements

for the year ended 30 June 2020

## Note 5 Financial assets and financial liabilities

## 5.1 Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank	205,947	116,238
	205,947	116,238

5.1.1 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 8 Financial risk management.

## 5.1.2 Cash Flow Information

## a. Reconciliation of cash flow from operations to loss after income tax

	2020 \$	2019 \$
Loss after income tax	(1,910,234)	(1,967,761)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in (loss)/profit from ordinary activities:		
Depreciation and amortisation	391,294	390,794
Net share-based payments expensed	181,777	135,027
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in receivables	(433,742)	56,933
(Increase)/decrease in inventories	(137,984)	76,397
Increase/(decrease) in payables	10,921	(310,562)
(Increase)/decrease in tax receivable	-	(199,271)
Cash flow (used in) from operations	(1,897,968)	(1,818,443)

## b. Reconciliation of liabilities arising from financing activities

	2018 \$	Cash flows \$	Acquisitions \$	Non-cash changes			2019 \$
				Foreign Exchange \$	Other Changes \$	Changes due to AASB 16 \$	
Short-term borrowings	-	200,000	-	-	-	-	200,000
Total liabilities from financing activities	-	200,000	-	-	-	-	200,000

	2019 \$	Cash flows \$	Acquisitions \$	Non-cash changes			2020 \$
				Foreign Exchange \$	Other Changes <sup>(i)</sup> \$	Changes due to AASB 16 \$	
Short-term borrowings	200,000	300,000	-	-	-	-	500,000
Total liabilities from financing activities	200,000	300,000	-	-	-	-	500,000

<sup>(i)</sup> Other changes related to non-cash movements related to the conversion of convertible notes to ordinary shares.

## Notes to the consolidated financial statements

for the year ended 30 June 2020

### Note 5 Financial assets and financial liabilities (cont.)

#### 5.1 Cash and cash equivalents (cont.)

##### c. Credit and loan standby arrangement with banks

The Group has no credit standby facilities. The Group has a pre-factoring financing facility as detailed in Note 5.5.2.

##### d. Non-cash investing and financing activities

#### 2020

During the year, and as detailed in Note 7.1.1 and 7.2:

- 15,501,326 shares and 12,376,326 options issued to settle \$650,199 in convertible notes (debt and equity)
- 250,000 ordinary shares issued in connection with the acquisition of *Invisi® Shield* Hand Sanitiser (\$20,000).
- 2,300,000 ordinary shares issued as facility fees amounting to \$50,000.
- 4,500,000 ordinary shares issued in connection with lead manager (\$25,000) and underwriting fees (\$25,000).

#### 2019 None.

##### 5.1.3 Accounting policy

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

5.2	Trade and other receivables	Note	2020		2019	
				\$		\$
5.2.1	<i>Current</i>					
	Trade receivables	5.2.3		21,625		16,154
	Goods and Services Tax receivable			73,733		9,159
	Research and Development Grant receivable	5.2.4		668,418		649,452
	Other receivables			377		377
				764,153		675,142

5.2.2 The Group's exposure to credit rate risk is disclosed in Note 8 Financial risk management.

5.2.3 Trade receivables 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 expected credit loss in respect to their receivables as at 30 June 2020 (30 June 2019: Nil). Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value. The trade receivable's balance does not currently have any amounts that are past due but not impaired.

5.2.4 The Group continued its development program during the year ended 30 June 2020 resulting in a claim for research and development tax incentive which has been included as a receivable at year end and received subsequent to year end.

##### 5.2.5 Accounting policy

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from prepaid or cash on delivery to 60 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. (see also Note 5.6.1).

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## SKIN ELEMENTS LIMITED

AND CONTROLLED ENTITIES

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The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements  
for the year ended 30 June 2020

## Note 5 Financial assets and financial liabilities (cont.)

5.3	Other assets	Note	2020	2019
			\$	\$
5.3.1	<i>Current</i>			
	Prepayments – Raw materials		192,902	97,136
	Other deposits	5.3.1a	248,963	-
			441,865	97,136

a. Other deposits relate to inventory and will be recovered within 12 months.

5.4	Trade and other payables	Note	2020	2019
			\$	\$
5.4.1	<i>Current</i>			
	<i>Unsecured</i>			
	Trade payables		300,377	184,880
	Sundry payables and accrued expenses		208,764	321,328
			509,141	506,208

5.4.2 Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 60 days.

5.4.3 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note.

## 5.4.4 Accounting policy

a. *Trade and other payables*

Trade other payables are recognised initially at fair value and subsequently at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Amounts are unsecured, non-interest bearing, and usually settled within the lower of terms of trade or 60 days.

5.5	Borrowings	Note	2020	2019
			\$	\$
5.5.1	<i>Current</i>			
	Pre-factoring financing facility	5.5.2	500,000	-
	Convertible notes	5.5.3	-	200,000
			500,000	200,000

5.5.2 *Terms and conditions: Pre-factoring financing facility*

During the year pre-factoring financing facility with Custodian Australia Pty Ltd, with the following key terms:

- *Total facility* \$10,000,000
- *Drawdown* \$500,000
- *Interest rate* 15%
- *Maturity* 9 November 2020
- *Security* The drawdown can also be secured against the inventory produced

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 5 Financial assets and financial liabilities (cont.)****5.5 Borrowings (cont.)****5.5.3 Terms and conditions: Convertible notes**

During the 2019 year the Group entered into a convertible note arrangement with Henan Huatuo Health Management Co, Ltd (HHHM) with the following key terms:

■ <i>Principal</i>	\$200,000
■ <i>Interest rate</i>	0%
■ <i>Maturity</i>	31 December 2019
■ <i>Conversion</i>	\$0.016 per share

The Company settled the \$200,000 convertible notes under the term sheet through the issue of the convertible note to third parties on similar terms.

**5.5.4 Accounting policy****a. Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**b. Convertible notes**

The component parts of convertible notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguishment upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in the profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

**Notes to the consolidated financial statements**  
for the year ended 30 June 2020**Note 5 Financial assets and financial liabilities (cont.)****5.6 Other Significant Accounting Policies related to Financial Assets and Liabilities****5.6.1 Investments and other financial assets****a. Classification**

The Group classifies its financial assets in the following measurement categories:

- ⌚ those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- ⌚ those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**b. Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**c. Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**i. Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

⌚ **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

⌚ **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

⌚ **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 5 Financial assets and financial liabilities (cont.)****5.6 Other Significant Accounting Policies related to Financial Assets and Liabilities**ii. *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d. *Impairment*

From 1 January 2019, the Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Note 6 Non-financial assets and financial liabilities****6.1 Inventories**

Finished goods

	2020	2019
	\$	\$
	155,705	17,721
	155,705	17,721

**6.1.1 Accounting policy**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity. Costs are assigned to individual items of inventory based on weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale inventories are valued at the lower of cost and net realisable value.

**6.1 Intangible assets**

Skin Elements formula and technology

Accumulated amortisation

Website development costs

Accumulated amortisation

Total intangibles

	2020	2019
	\$	\$
	9,859,296	9,809,296
	(1,212,476)	(824,986)
	8,646,820	8,984,310
	19,000	19,000
	(11,996)	(8,193)
	7,004	10,807
	8,653,824	8,995,117

**Notes to the consolidated financial statements**  
for the year ended 30 June 2020

**Note 6 Non-financial assets and financial liabilities (cont.)**

**6.1 Intangible assets (cont.)**

**6.1.1 Movements in Carrying Amounts**

	<i>Skin Elements</i> formula and technology \$	Website development costs \$	Total \$
<i>Carrying amount at 1 July 2018</i>	9,365,156	14,607	9,379,763
Additions	6,147	-	6,147
Amortisation expense	(386,993)	(3,800)	(390,793)
<i>Carrying amount at 30 June 2019</i>	8,984,310	10,807	8,995,117
<i>Carrying amount at 1 July 2019</i>	8,984,310	10,807	8,995,117
Acquisition of subsidiary	-	-	-
Additions	50,000	-	50,000
Impairment	-	-	-
Amortisation expense	(387,490)	(3,803)	(391,293)
<i>Carrying amount at 30 June 2020</i>	8,646,820	7,004	8,653,824

**6.1.2 Accounting policies**

a. *Intangible assets acquired separately*

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

i. *Formula and technology*

Separately acquired formula and technology are shown at historical cost. *Skin Elements* formula and technology (**SE Formula™**), comprises the following, which utilise the same proprietary formula in their ingredients:

- Soléo Organics formula and technology
- McArthur Skincare formula and technology
- Elizabeth Jane Natural Cosmetics formula and technology
- Invisi® Shield Hand Sanitiser

Formula and technology acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

ii. *Software*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Costs that are directly attributable to the improvement of identifiable and unique software products controlled by the Group are recognised as intangible assets when the Company meets the capitalisation criteria to recognise the asset list in development costs above.

b. *Capitalising development costs of formula and technology and software*

Development costs of *formula and technology* and *software* which meet the criteria below are capitalised to the asset to which they relate in the year the costs were incurred. Research expenditure and development expenditure that do not meet the criteria are recognised as an expense as incurred.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 6 Non-financial assets and financial liabilities (cont.)****6.1 Intangible assets (cont.)**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- ⌚ the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ⌚ the intention to complete the intangible asset and use or sell it;
- ⌚ the ability to use or sell the intangible asset;
- ⌚ how the intangible asset will generate probable future economic benefits;
- ⌚ the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- ⌚ the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditures in relation to the development of identifiable and unique products, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their estimated useful lives. Any expenditure related to research is expensed as incurred.

c. *Intangible assets acquired in a business combination*

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

d. *Subsequent measurement*

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 *Skin Elements* formula 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 the effective life of each asset. The following useful lives are used in the calculation of amortisation:

	2020	2019
	Years	Years
⌚ Skin Elements formula and technology	25	25
⌚ Website development costs	5	5

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 6 Non-financial assets and financial liabilities (cont.)****6.1 Intangible assets (cont.)****6.1.3 Key estimates****a. Impairment**

The Group assesses the impairment of assets at each reporting date by evaluating conditions specific to the asset that may lead to impairment of the assets recoverable amount. 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.

To assist the Group with the impairment assessment of the intangible assets, Moore Australia Corporate Finance (WA) Pty Ltd were engaged to undertake an independent expert report of the indicative fair market value of the intangible assets of the Group. The preferred valuation of the assets did not result in a requirement to impair the carrying value of the intangible assets. The Independent Expert used a range of valuation methodologies to assess fair market value.

Directors are satisfied with the qualification and objectivity of the expert and the reasonableness of the key assumptions in the valuation.

**b. Amortisation rates**

The Group has assessed the effective life of its *Skin Elements* formula and technology intangible assets (comprising *Soléo Organics* formula and technology; *McArthur Skincare* formula and technology; *Elizabeth Jane Natural Cosmetics* formula and technology; and *Invisi® Shield* Hand Sanitiser) taking into account sector practices, the expected product life cycle and its own internal knowledge of the underlying markets to determine an appropriate amortisation rate. This rate is an estimate of what the Group anticipates the intangible will be able to generate future benefits from the commercialisation formula and technology and this may differ from the future results. The Directors will continue to assess the effective life at each reporting date

**6.2 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities****6.2.1 Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy at Note 4.8) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 6 Non-financial assets and financial liabilities (cont.)****6.2 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities****6.2.2 Leases****a. Recognition and measurement**

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. The Company has identified one contract that would be classified as leases under the new standard being the lease of office premises. Due to the short term and low value nature of this lease, the Company will apply the exemption and elected to recognise the lease payments in profit and loss on a straight-line basis instead of applying the recognition and measurement requirements in AASB 16. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

**i. Right of Use Asset**

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Subsequent to initial measurement, the right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life.

Right of use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

**ii. Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payment to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Notes to the consolidated financial statements

for the year ended 30 June 2020

## Note 7 Equity

7.1 Issued capital	Note	2020	2019	2020	2019
		No.	No.	\$	\$
Fully paid ordinary shares at no par value		323,284,299	158,404,002	17,607,998	15,286,784
7.1.1 Ordinary shares		2020	2019	2020	2019
At the beginning of the year		No.	No.	\$	\$
Shares issued during the year:					
8.08.18 Non-renounceable rights issue		-	43,026,519	-	1,075,664
4.10.18 Placement		-	13,954,717	-	363,800
4.10.18 Pursuant to consultant contract		-	873,353	-	29,694
20.12.18 Pursuant to consultant contract		-	425,000	-	8,500
02.05.19 Placement		-	7,000,000	-	140,000
14.06.19 Placement	7.1.1a	-	7,071,412	-	198,000
31.07.19 Placement	7.1.1a	4,059,838	-	113,675	-
29.11.19 Convertible note	7.4	3,001,326	-	450,199	-
31.12.19 Corporate advisory	19.2.1a	761,538	-	19,800	-
31.12.19 Project management services	19.2.1a	2,734,892	-	55,551	-
31.12.19 Convertible note		12,500,000	-	200,000	-
01.02.20 Placement		100,479,822	-	1,004,798	-
20.03.20 Placement		29,800,000	-	350,000	-
20.03.20 Lead Manager fee	19.2.1a	2,500,000	-	25,000	-
20.03.20 Underwriting fee	19.2.1a	2,000,000	-	25,000	-
20.03.20 Facility fee	19.2.1a	2,000,000	-	25,000	-
14.05.20 Facility fee	19.2.1a	300,000	-	25,000	-
22.06.20 Acquisition of IP	19.2.1a	250,000	-	20,000	-
30.06.20 Options conversion	7.2	4,492,881	-	134,786	-
Transaction costs relating to share issues			-	(127,595)	(208,195)
At reporting date		323,284,299	158,404,002	17,607,998	15,286,784

a. Total share placement was 11,131,250 shares. The remaining shares were issued subsequent to 30 June 2019 following the receipt of funds.

7.1.2 Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

## 7.1.3 Accounting policy

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

**Notes to the consolidated financial statements**  
for the year ended 30 June 2020

**Note 7 Equity (cont.)**

7.2 Options	2020	2019	2020	2019
	No.	No.	\$	\$
Options	126,004,034	81,965,315	-	116,816
At the beginning of the year	81,965,315	66,628,000	116,816	116,816
Options movement during the year:				
08.08.18 Non-renounceable rights issue	-	10,756,630	-	-
04.10.18 Placement	-	3,488,679	-	-
30.11.18 Expiry of options	-	(66,275,000)	-	-
31.12.18 Loyalty options	-	61,801,381	-	-
14.06.19 Placement	-	5,565,625	-	-
31.12.19 Convertible note	3,001,326	-	-	-
31.12.19 Convertible note	9,375,000	-	-	-
06.03.20 Expiry of options	(338,000)	-	-	-
17.03.20 Placement	33,493,274	-	-	-
20.03.20 Placement	3,000,000	-	-	-
30.06.20 Conversion	(4,492,881)	-	-	-
Previously expired options	-	-	(116,816)	-
At reporting date	126,004,034	81,965,315	-	116,816
<i>Comprising the following options:</i>				
Listed, ex. price \$0.10 exp. date 31.12.20	97,003,641	81,627,315	-	-
Unlisted, ex. price \$0.03 exp. date 31.12.20	29,000,393	338,000	-	-
At reporting date	126,004,034	81,965,315	-	-
7.3 Performance rights	Note	2020	2019	2020
		No.	No.	\$
Performance rights		47,000,000	2,200,000	29,103
At the beginning of the year		2,200,000	4,400,000	195,522
Performance rights movement during the year:				
Issued	19.2.1b,c	47,000,000	-	29,103
Fair value adjustments	19.2.1c	-	-	27,323
Lapsed	19.2.1c	(2,200,000)	(2,200,000)	(222,845)
Converted to ordinary shares		-	-	-
At reporting date		47,000,000	2,200,000	29,103
				195,522

**Notes to the consolidated financial statements**  
for the year ended 30 June 2020

**Note 7 Equity (cont.)**

7.4	Convertible notes (equity)	2020	2019	2020	2019
		No.	No.	\$	\$
	Convertible Note	-	378,842	-	492,405
	At the beginning of the year	378,842	409,272	492,405	522,835
	Convertible notes movement during the year:				
	Fair value adjustments	-	(2,430)	(42,206)	(2,430)
	Repayment	-	(28,000)	-	(28,000)
	Conversion to ordinary shares	(378,842)	-	(450,199)	-
	At reporting date	-	378,842	-	492,405
7.5	Reserves	2020	2019		
		\$	\$		
	Share-based payment reserve	29,103	312,338		
	Convertible note reserve	-	492,405		
		29,103	804,743		

**7.5.1 Share-based payment reserve**

The share-based payment reserve records the value of options and performance rights issued the Company to its employees or consultants.

**7.5.2 Convertible note reserve**

The share-based payment reserve records the value of options and performance rights issued the Company to its employees or consultants.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**SECTION B. RISK**

*This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.*

**Note 8 Financial risk management**

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts payable and receivable, borrowings (including convertible instruments), and leases.

The Group does not speculate in the trading of financial instruments or derivative instruments.

A summary of the Group's financial assets and liabilities, measured in accordance with AASB9 Financial Instruments as detailed in the accounting policies, is shown below:

	Floating Interest Rate	Fixed Interest Rate	Non- interest Bearing	2020 Total	Floating Interest Rate	Fixed Interest Rate	Non- interest Bearing	2019 Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>								
□ Cash and cash equivalents	205,947	-	-	205,947	116,238	-	-	116,238
□ Trade and other receivables	-	-	764,153	764,153	-	-	675,142	675,142
<b>Total Financial Assets</b>	<b>205,947</b>	<b>-</b>	<b>764,153</b>	<b>970,100</b>	<b>116,238</b>	<b>-</b>	<b>675,142</b>	<b>791,380</b>
<b>Financial Liabilities</b>								
Financial liabilities at amortised cost								
□ Trade and other payables	-	-	509,141	509,141	-	-	506,208	506,208
□ Borrowings	-	500,000	-	500,000	-	-	200,000	200,000
<b>Total Financial Liabilities</b>	<b>-</b>	<b>500,000</b>	<b>509,141</b>	<b>1,009,141</b>	<b>-</b>	<b>-</b>	<b>706,208</b>	<b>706,208</b>
<b>Net Financial Assets / (Liabilities)</b>	<b>205,947</b>	<b>(500,000)</b>	<b>255,012</b>	<b>(39,041)</b>	<b>116,238</b>	<b>-</b>	<b>(31,066)</b>	<b>85,172</b>

**8.1 Financial Risk Management Policies**

The Boards overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements. Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance.

**8.2 Specific Financial Risk Exposures and Management**

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate and equity price risk.

## Notes to the consolidated financial statements

for the year ended 30 June 2020

## Note 8 Financial risk management (cont.)

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring, and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations, and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

8.2.1 *Credit risk*

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group's exposure to credit risk is primarily in relation to its cash at bank, short-term deposits, and receivables. The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables. Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal sales income are generally 30 days from the day of invoice. For sales with longer settlements, terms are specified in the individual client contracts.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

📍 *Credit risk exposures*

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with reputable financial institutions residing in Australia, wherever possible. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

📍 *Impairment losses*

Impairment losses are recorded against receivables unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. The ageing of the Group's trade and other receivables at reporting date was as follows:

	Gross 2020 \$	Impaired 2020 \$	Net 2020 \$	Past due but not impaired 2020 \$
<b>Trade receivables</b>				
Not past due to 30 days	19,065	-	19,065	-
Past due 31 days to 90 days	2,700	-	2,700	2,700
	21,765	-	21,765	2,700
<b>Other receivables</b>				
Not past due	742,388	-	742,388	-
<b>Total</b>	<b>764,153</b>	<b>-</b>	<b>764,153</b>	<b>2,700</b>

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 8 Financial risk management (cont.)****8.2.2 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by:

- ⌚ preparing forward looking cash flow analysis in relation to its operating, investing and financing activities;
- ⌚ maintaining a reputable credit profile;
- ⌚ managing credit risk related to financial assets;
- ⌚ only investing surplus cash with major financial institutions; and
- ⌚ comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group include trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

**⌚ Contractual Maturities**

The following are the contractual maturities of financial assets and liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Financial liabilities due for payment						
Trade and other payables	509,141	506,208	-	-	509,141	506,208
Borrowings	500,000	200,000	-	-	500,000	200,000
<b>Total contractual outflows</b>	<b>1,009,141</b>	<b>706,208</b>	<b>-</b>	<b>-</b>	<b>1,009,141</b>	<b>706,208</b>
Financial assets						
Cash and cash equivalents	205,947	116,238	-	-	205,947	116,238
Trade and other receivables	764,153	675,142	-	-	764,153	675,142
<b>Total anticipated inflows</b>	<b>970,100</b>	<b>791,380</b>	<b>-</b>	<b>-</b>	<b>970,100</b>	<b>791,380</b>
Net (outflow) / inflow on financial instruments	(39,041)	85,172	-	-	(39,041)	85,172

Cash flows realised from financial instruments reflect management's expectation as to the timing of realisation timing may therefore differ from that disclosed. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 8 Financial risk management (cont.)****8.2.3 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities minimally expose it to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group does not enter into derivative financial instruments including foreign exchange forward contracts to hedge against financial risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

**a. Interest rate risk**

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Group's exposures to interest rate in financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**b. Foreign exchange risk**

The Group is not exposed to any material foreign exchange risk.

**c. Price risk**

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

**8.2.4 Sensitivity Analyses**

The Group is not subject to material market risk sensitivities.

**8.2.5 Net Fair Values****a. Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the table in Note 8.1 and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- ⌚ Cash and cash equivalents;
- ⌚ Trade and other receivables; and
- ⌚ Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 9 Capital Management****9.1.1 Capital**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's objectives when managing capital are to:

- a. Safeguard their ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- b. Maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (loans and convertible instruments), cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings. Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

**9.1.2 Working Capital**

*The working capital position of the Group was as follows:*

	Note	2020 \$	2019 \$
Cash and cash equivalents	5.1	205,947	116,238
Trade and other receivables	5.2	764,153	675,142
Inventories	6.1	155,705	17,721
Other current assets (excluding prepayments)	5.3	248,963	-
Trade and other payables	5.4	(509,141)	(506,208)
Borrowings	5.5	(500,000)	(200,000)
Current tax liabilities	4.5	-	-
Working capital position		365,627	102,893

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**SECTION C. GROUP STRUCTURE**

*This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:*

- (a) *changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation*
- (b) *transactions with non-controlling interests, and*
- (c) *interests in joint operations.*

*A list of significant subsidiaries is provided in Note 10. This note also discloses details about the Group's equity accounted investments.*

**Note 10 Interest in subsidiaries****10.1 Information about subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the Group. Investments in subsidiaries are accounted for at cost. Each subsidiaries country of incorporation is also its principal place of business:

	Place of incorporation and operation	Percentage Owned	
		2020	2019
SE Operations Pty Ltd	Western Australia	100%	100%

**Note 11 Other Significant Accounting Policies related to Group Structure****11.1 Basis of consolidation**

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

**11.1.1 Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 11 Other Significant Accounting Policies related to Group Structure**

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

**11.1.2 Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 10 Interest In Subsidiaries of the financial statements.

**11.1.3 Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interests are measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**11.1.4 Transactions eliminated on consolidation**

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**Notes to the consolidated financial statements**  
for the year ended 30 June 2020**SECTION D. UNRECOGNISED ITEMS**

*This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.*

**Note 12 Commitments****12.1 Capital commitments**

At balance date, the Group had \$157,072 in commitments to Holista CollTech Limited (**Holista**). On 15 October 2020, the Group received a termination notice from Holista, consequently, the Group no longer has any commitments to Holista after settling the remaining balance of \$36,371.

**Note 13 Events subsequent to reporting date****13.1.1 Binding Distribution Agreement**

On 7 August 2020, the Group announced it had entered into a binding distribution agreement with Sydney-based Prudential Consultants for the distribution of the *Invisi® Shield* Hand Sanitiser. The Agreement is for the exclusive distribution of *Invisi® Shield* in New South Wales and Tasmania, and the distribution of *Invisi® Shield* outside of these territories on a nonexclusive basis.

The Agreement is for an initial term of three years. Prudential Consultants has agreed to a minimum sales commitment of 40,500 litres or approximately \$2.4 million of *Invisi® Shield* in this initial three-year period, commencing from 7 August 2020 as follows:

- Year 1: 12,000 litres (an average of 1,000 litres per month);
- Year 2: 13,500 litres (an average of 1,125 litres per month); and
- Year 3: 15,000 litres (an average of 1,250 litres per month).

**13.1.2 Equity Issues**

**26.8.2020** 2,000,000 fully paid ordinary shares issued at \$0.06 (raising \$120,000) and 200,000 free attaching listed options exercisable at \$0.10 and expiring 31 December 2020, issued in connection with a placement.

**26.8.2020** 816,667 fully paid ordinary shares issued at \$0.03 (raising \$24,500) issued on exercise of options.

**13.1.3 Termination of Holista Agreement**

On 1 April 2020 with Holista Colltech (**Holista**) for Holista to supply the Company an ingredient for the Company's Invisi Shield formula. On 15 October 2020 the Company received a notice of termination from Holista in regard to the term sheet. The Company confirms it did not believe it was in default of the term sheet at the time of receipt of the termination notice received by the Company from Holista. However, in any event, the termination of the term sheet is not expected to have a material impact on the operations and production of the Company3

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

**Note 14 Contingent liabilities**

There are no other contingent liabilities as at 30 June 2020 (30 June 2019: Nil).

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**SECTION E. OTHER INFORMATION**

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

**Note 15 Key Management Personnel compensation (KMP)**

The names and positions of KMP are as follows:

*Directors*

 Peter Malone	Executive Chairman
 Phil Giglia	Independent Non-Executive Director
 Craig Piercy	Executive Director ( <i>Appointed on 29 November 2019</i> )
 Luke Martino	Independent Non-Executive Director ( <i>Resigned on 10 October 2019</i> )
 Zeling Li	Independent Non-Executive Director ( <i>Resigned on 29 November 2019</i> )
 Jialin Li	Independent Non-Executive Director ( <i>Resigned on 29 November 2019</i> )

*Other key management*

 Leo Fung	Chief Technical Advisor
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Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 13.

	2020 \$	2019 \$
Short-term employee benefits	584,000	608,000
Post-employment benefits	-	-
Share-based payments	44,036	96,833
Other long-term benefits	-	-
Termination benefits	-	-
<b>Total</b>	<b>628,036</b>	<b>704,833</b>

**Note 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 year.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Entity	Nature of transactions	KMP	Total Transactions		Payable Balance	
			2020 \$	2019 \$	2020 \$	2019 \$
Indian Ocean Advisory Group	Transaction corporate advisory services	Luke Martino	19,682	79,038	12,643	11,437
Henan Huatuo Health Management Co, Ltd	Convertible Note (refer Note 5.5.3)	Zeling Li, Jialin Li	-	200,000	-	200,000

**Notes to the consolidated financial statements**  
for the year ended 30 June 2020

<b>Note 17 Auditor's remuneration</b>		2020	2019
		\$	\$
Remuneration of the auditor, BDO Audit (WA) Pty Ltd, for:			
Assurance services:			
■ Auditing or reviewing the financial reports		57,052	54,841
Non-Assurance Services:			
■ Independent expert report		-	48,815
		57,052	103,656

<b>Note 18 Earnings per share (EPS)</b>	<b>Note</b>	2020	2019
		\$	\$
<b>18.1 Reconciliation of earnings to profit or loss</b>			
Loss for the year		(1,910,234)	(1,967,761)
Loss used in the calculation of basic and diluted EPS		(1,910,234)	(1,967,761)
		2020	2019
		No.	No.
<b>18.2 Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS</b>		223,746,949	136,771,476
Weighted average number of dilutive equity instruments outstanding	18.5	N/A	N/A
<b>18.3 Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS</b>		223,746,949	136,771,476
		2020	2019
		¢	¢
Basic EPS (cents per share)	18.5	(0.85)	(1.44)
Diluted EPS (cents per share)	18.5	N/A	N/A
<b>18.5</b>	As at 30 June 2020 the Group has 126,004,034 unissued shares under options (2019: 81,965,315) and 47,000,000 performance shares on issue (2019: 2,200,000). The Group does not report diluted earnings per share on losses generated by the Group. During the year, the Group's unissued shares under option and performance shares were anti-dilutive.		
<b>18.6 Accounting policy</b>	<p>Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.</p> <p>Diluted EPS is calculated as net profit attributable to the Group, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.</p>		

## Notes to the consolidated financial statements

for the year ended 30 June 2020

Note	19 Share-based payments	Note	2020	2019
			\$	\$
<b>19.1</b>	<b>Share-based payments:</b>			
	<b>Recognised in profit and loss (expenses)</b>	19.2.1a.i,b,c	181,777	135,027
	<b>Recognised in equity (transaction costs)</b>	19.2.1a.ii	50,000	-
	<b>Recognised in net assets (intangible assets)</b>	19.2.1a.iii	20,000	-
	<b>Gross share-based payments</b>		<b>251,777</b>	<b>135,027</b>

**19.2 Share-based payment arrangements in effect during the year****19.2.1 Share-based payments recognised in profit or loss****a. Equity-settled Payments**

During the year settled the following transactions were settled by way of equity, in lieu of cash:

**i. Recognised in profit and loss:**

- 761,538 shares with total fair value of \$19,800, were issued to third party consultants for consulting services.**
- 2,734,892 shares with total fair value of \$55,551, were issued to third party consultants for consulting services.**
- 2,300,000 shares with total fair value of \$50,000 were issued to third party consultants as facility fees.**

**ii. Recognised in equity**

- 2,500,000 shares with total fair value of \$25,000 were issued to third party consultants for lead manager services performed.**
- 2,000,000 shares with total fair value of \$25,000 were issued to third party consultants as an underwriting fee.**

**iii. Recognised in net assets**

- 250,000 shares with total fair value of \$20,000 were issued as consideration for an intangible asset and recognised in net assets.**

**b. Director and Consultants Performance Rights (2019)**

At the Company's 2019 AGM, shareholder approval was obtained to issue performance rights that will convert into shares upon Performance Milestones being achieved, to incentivise the development of existing Australian and international distribution and online sales channels, and negotiations with major international customers including a major UK retail chemist chain and the development of a major online retailer in the USA, for the sale and delivery of its proprietary expanded natural skincare and suncare product ranges.

These performance rights are issued to Peter Malone, Executive Chairman, and to Palmer Wilson Associates Ltd (PWA), a United Kingdom based specialist business development consultancy and have been valued and issued on terms as detailed below and as detailed below in Note 19.4:

Class of Performance Right	Performance Condition	Performance rights No.		Milestone Date	Expiry Date	Performance Condition Satisfied
		Peter Malone	PWA			
A	The Company receiving revenue from the sale of its products to an aggregate value of \$2,000,000	2,700,000	2,000,000	31 Dec 2023	4 years from the date of issue	No
B	The Company receiving revenue from the sale of its products to an aggregate value of \$6,000,000	5,400,000	4,000,000	31 Dec 2023	4 years from the date of issue	No
C	The Company receiving revenue from the sale of its products to an aggregate value of \$12,000,000	8,100,000	6,000,000	31 Dec 2023	4 years from the date of issue	No
D	The Company receiving revenue from the sale of its products to an aggregate value of \$20,000,000	10,800,000	8,000,000	31 Dec 2023	4 years from the date of issue	No

**Notes to the consolidated financial statements**  
for the year ended 30 June 2020

**Note 19 Share-based payments (cont.)**

c. *Director and Consultants Performance Rights (2017)*

The Company has previously issued performance rights to Directors which convert into ordinary fully paid shares on achieving certain share market price hurdles. The fair value of the rights has been valued at \$0.032 to \$0.050 per right. The rights are subject to performance conditions and are amortised over the vesting period which is up to 20 months from the date of issue. On 30 June 2019, 2,200,000 of these performance rights expired without achieving the performance hurdle. On 30 June 2020, the remaining 2,200,000 of these performance rights expired without achieving the performance hurdles. The relevant expenses were recognised up to expiry date in accordance with accounting standard AASB 2 *Share-based payments*.

Class of Performance Right	Performance Condition	Performance rights		Milestone Date	Expiry Date	Performance Condition Satisfied
		No.	Peter Malone Luke Martino			
A	The Company attaining a 5-day VWAP of more than \$0.34 per share	2,200,000	2,000,000	30 Jun 2019	Expired	No
B	The Company attaining a 5-day VWAP of more than \$0.51 per share	2,200,000	4,000,000	30 Jun 2020	Expired	No

**19.3 Fair value of options granted during the year**

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

No options were granted during the year.

**19.4 Fair value of performance rights granted during the year**

	Tranche A	Tranche B	Tranche C	Tranche D
Grant / valuation date	29.11.2019	29.11.2019	29.11.2019	29.11.2019
Expiry date	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Vesting date	N/A	N/A	N/A	N/A
Grant date share price	\$0.0108	\$0.0108	\$0.0108	\$0.0108
Exercise price:	Nil	Nil	Nil	Nil
Probability	40%	40%	40%	40%
Value per right	\$0.004	\$0.004	\$0.004	\$0.004
Number of rights issued:	4,700,000	9,400,000	14,100,000	18,800,000
Value per tranche	\$20,304	\$40,608	\$60,912	\$81,216
Expense for the period	\$2,910	\$5,821	\$8,731	\$11,641

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 19 Share-based payments (cont.)****19.5 Accounting policy**

The Group may provide benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares (**equity-settled transactions**).

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied

during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification

**19.6 Key estimate**

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19.4 above.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 20 Operating segments****20.1 Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily based on business category and geographical areas. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

**20.2 Basis of accounting for purposes of reporting by operating segments****20.2.1 Accounting policies adopted**

AASB 8 *Operating Segments* 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 Board.

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 segment 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.

Unless stated otherwise, all amounts reported to the Board, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

**20.2.2 Inter-segment transactions**

All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

**20.2.3 Segment assets**

Where an asset is used across multiple segments, the asset is allocated proportionately to the applicable segments based on its use. Typically segment assets are clearly identifiable based on their nature and physical location.

Unless indicated otherwise in the segment financial position note, deferred tax assets and intangible assets have not been allocated to operating segments.

**20.2.4 Segment liabilities**

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board in assessing performance and determining the allocation of resources.

**20.2.5 Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

 Income tax expense

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 20 Operating segments (cont.)****20.3 Types of products and services by segment**20.3.1 *Operations*

This operating segment is involved in the designing and formulating natural, organic, health and wellness products.

**20.4 Segment Financial Performance**

	Operations	Corporate and administration	Total
	\$	\$	\$
<b>Year ended 30 June 2020</b>			
Revenue and other income			
■ External sales	425,167	-	425,167
■ Other income	812,982	-	812,982
<b>Total segment revenue and other income</b>	<b>1,238,149</b>	<b>-</b>	<b>1,238,149</b>
Total group revenue and other income			1,238,149
Segment profit/(loss) before income tax			
■ Cost of sales	(216,270)	-	(216,270)
■ Administration expenses	(678,533)	(62,452)	(740,985)
■ Advertising and marketing expenses	(149,795)	(43,082)	(192,877)
■ Amortisation	(391,294)	-	(391,294)
■ Corporate expenses	(5,949)	(314,196)	(320,145)
■ Consultants fees	9,982	(230,600)	(220,618)
■ Share-based payments	-	(56,426)	(56,426)
■ Occupancy costs	(84,504)	(39,165)	(123,669)
■ Research and development expenses	(886,099)	-	(886,099)
Segment profit/(loss) from continuing operations before tax	(1,164,313)	(745,921)	(1,910,234)
<b>Group loss before income tax</b>			<b>(1,910,234)</b>
<b>Year ended 30 June 2019</b>			
Revenue and other income			
■ External sales	798,107	-	798,107
■ Other income	689,902	74	689,976
<b>Total segment revenue and other income</b>	<b>1,488,009</b>	<b>74</b>	<b>1,488,083</b>
Total group revenue and other income			1,488,083
Segment profit/(loss) before income tax			
■ Cost of sales	(401,629)	(39,222)	(440,851)
■ Administration expenses	(574,644)	(68,613)	(643,257)
■ Advertising and marketing expenses	(72,422)	(19,871)	(92,293)
■ Amortisation	(390,794)	-	(390,794)
■ Corporate expenses	(24,728)	(272,447)	(297,175)
■ Consultants fees	(278,604)	(212,097)	(490,701)
■ Share-based payments	-	(96,833)	(96,833)
■ Occupancy costs	(78,144)	(26,124)	(104,268)
■ Research and development expenses	(899,672)	-	(899,672)
Segment profit/(loss) from continuing operations before tax	(1,232,628)	(735,133)	(1,967,761)
<b>Group loss before income tax</b>			<b>(1,967,761)</b>

**Notes to the consolidated financial statements**  
for the year ended 30 June 2020

**Note 20 Operating segments (cont.)**

**20.5 Segment Financial Position**

**At as 30 June 2020**

Segment Assets

*Reconciliation of segment assets to group assets:*

■ Intra-segment eliminations

Total assets

	Operations \$	Corporate and administration \$	Total \$
Segment Assets	9,999,376	5,327,787	15,327,163
■ Intra-segment eliminations	(5,105,669)	(5,105,669)	
Total assets			10,221,494
Segment Liabilities	5,299,048	815,762	6,114,810
■ Intra-segment eliminations	(5,105,669)	(5,105,669)	
Total liabilities			1,009,141

**As at 30 June 2019**

Segment Assets

*Reconciliation of segment assets to group assets:*

■ Intra-segment eliminations

Total assets

Segment Assets	9,653,145	3,919,937	13,573,082
■ Intra-segment eliminations	-	(3,671,728)	(3,671,728)
Total assets			9,901,354
Segment Liabilities	4,079,050	298,886	4,377,936
■ Intra-segment eliminations	(3,671,728)	-	(3,671,728)
Total liabilities			706,208

**20.6 Geographical Segments**

The Group is domiciled in Australia and all revenue from external parties is generated in Australia.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 21 Parent entity disclosures**

Skin Elements Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Skin Elements Limited did not enter into any trading transactions with any related party during the year.

**21.1 Financial Position of Skin Elements Limited**

	2020 \$	2019 \$
Current assets	221,781	134,550
Non-current assets	-	-
<b>Total assets</b>	<b>221,781</b>	<b>134,550</b>
Current liabilities	814,698	299,080
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>814,698</b>	<b>299,080</b>
<b>Net (liabilities)/assets</b>	<b>(592,917)</b>	<b>(164,530)</b>
<i>Equity</i>		
Issued capital	17,607,998	15,286,784
Reserve	29,103	804,743
Accumulated losses	(18,230,018)	(16,256,057)
<b>Total equity</b>	<b>(592,917)</b>	<b>(164,530)</b>

**21.2 Financial performance of Skin Elements Limited**

	2020 \$	2019 \$
Loss for the year	(722,066)	(735,131)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(722,066)</b>	<b>(735,131)</b>

**21.3 Guarantees**

There are no guarantees entered into by Skin Elements Limited for the debts of its subsidiaries as at 2020 (2019: none).

**21.4 Contractual commitments**

The parent company has capital commitments of \$157,072 at 30 June 2020 (2019: \$nil), as disclosed in Note 12.1.

**21.5 Contingent liabilities**

There are no contingent liabilities as 30 June 2020 (2019: none).

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 22 Statement of significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated.

**22.1 Basis of preparation****22.1.1 Reporting Entity**

Skin Elements Limited (Skin Elements or the Company) is a listed public company limited by shares, domiciled and incorporated in Australia. These are the consolidated financial statements and notes of Skin Elements and controlled entities (collectively the Group). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in businesses which deliver accredited and non-accredited vocational education and training solutions throughout Australia and internationally.

The separate financial statements of Skin Elements, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

**22.1.2 Basis of accounting**

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AAS Board) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (AASBs) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

The financial statements were authorised for issue on 2 November 2020 by the Directors of the Company.

**22.1.3 Going Concern**

The financial report has 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.

The Group incurred a loss for the year of \$1,910,234 (2019: \$1,967,761 loss) and a net cash out-flow from operating activities of \$1,897,968 (2019: \$1,818,443 out-flow). As at 30 June 2020, the Group working capital of \$365,627 (2019: \$102,893 working capital), as disclosed in Note 9 of the Capital Management note.

The ability of the Group to continue as a going concern is principally dependent upon the following:

- ⌚ Forecasted profitability of the Group including increased sales from increased marketing activities;
- ⌚ The Group receiving funding from pre-factoring finance facility to fund production;
- ⌚ Funding of approximately \$668,000 through Research and Development tax incentives;
- ⌚ The continued support of the Group's creditors, Directors, and related parties. At the date of the report there were no outstanding statutory demands made against the Group; and
- ⌚ The Group received funding from exercise of options including underwriting.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group'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.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the Directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 22 Statement of significant accounting policies****22.1.4 Comparative figures**

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**22.1.5 New and Amended Standards Adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- AASB 16 *Leases*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015- 2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- Interpretation 23 *Uncertainty over Income Tax Treatments*.

The Group also elected to adopt the following amendments early:

- AASB 2018-1 AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The Group had to change its accounting policies as a result of adopting AASB 16. As at 1 July 2019 and 30 June 2020, the Company has identified one contact that would be classified as leases under the new standard being the lease of its office premises. Due to the short term and low value of this lease, the Company has applied the exemption and elected to recognise the lease payments in profit and loss on a straight-line basis instead of applying the recognition and measurement requirements in AASB 16. As a result, the adoption of the standard has no material impact on the full year financial report. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**22.2 Goods and Services Tax (GST)**

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**22.3 Use of estimates and judgments**

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 22.3.1.

**22.3.1 Critical Accounting Estimates and Judgments**

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 22 Statement of significant accounting policies**

- a. Key estimate – Taxation  
Refer Note 4 Income Tax.
- b. Key estimate – Impairment of intangibles  
Refer Note 6.1 Intangible assets.
- c. Key estimate – Amortisation rates of intangibles  
Refer Note 6.1 Intangible assets.
- d. Key estimate – Share-based payments  
Refer Note 19 Share-based payments.

**22.3.2 Coronavirus (COVID-19) pandemic**

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

**22.4 Fair Value****22.4.1 Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

**22.4.2 Fair value hierarchy**

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 22 Statement of significant accounting policies**

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- ⌚ if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- ⌚ if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

**22.4.3 Valuation techniques**

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- ⌚ Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- ⌚ Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- ⌚ Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**22.5 New Accounting Standards and Interpretations not yet mandatory or early adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**Note 23 Company details**

The registered office of the Company is:

Street + Postal: 1242 Hay Street  
WEST PERTH WA 6005

**Directors' declaration**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 19 to 64, are in accordance with the *Corporations Act 2001* (Cth) and:
  - (a) comply with Accounting Standards;
  - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 22.1 to the financial statements; and
  - (c) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Group.
  - (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**PETER MALONE**

Managing Director

Dated this Monday, 2 November 2020

**Independent auditor's report**

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Australia

**INDEPENDENT AUDITOR'S REPORT**

To the members of Skin Elements Limited

**Report on the Audit of the Financial Report****Qualified opinion**

We have audited the financial report of Skin Elements Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for qualified opinion**

As part of the audit of the prior period financial report, we were unable to obtain sufficient appropriate audit evidence about the carrying value of the Intangible assets as at 30 June 2019 and a qualified opinion was issued on the 30 June 2019 financial report. As a result, we were unable to determine whether any adjustments to the carrying value of the Intangible asset in the statement of financial position were necessary for the year ended 30 June 2019.

Our opinion on the current year's financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Material uncertainty related to going concern

We draw attention to Note 22.1.3 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 opinion is not modified in respect of this matter

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for qualified opinion* and *Material uncertainty related to going concern* sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Carry Value of intangible assets

Key audit matter	How the matter was addressed in our audit
Note 6.1 to the financial report discloses the intangible assets and the assumptions used by the Group in testing these assets for impairment.	Our audit procedures included, but were not limited, to the following: <ul style="list-style-type: none"> <li>Considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standard;</li> <li>Evaluating the independence, competence and objectivity of the valuation expert;</li> <li>Assessing the reasonableness of the valuation methodology and key assumptions used by the Independent Expert using our valuation specialists where necessary; and</li> <li>Assessing the adequacy of the related disclosures in Note 6.1 of the financial report.</li> </ul>
As required by Australian Accounting Standards, the Group performs annual impairment testing for each Cash Generating Unit ("CGU") to which intangible assets have been allocated to determine whether the recoverable amount is below the carrying amount.	
The Group engaged an Independent Expert to assess the fair value of the intangible assets to assist in the determination of an impairment assessment of the intangible assets in accordance with AASB 136 <i>Impairment of assets</i> .	
The determination of the fair value of the assets requires significant judgements and estimates.	
We considered this issue to be a Key Audit Matter, due to the significance of the balance to the reported financial position of the Group, and the judgements and estimates relied upon to determine the fair value.	

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

**Report on the Remuneration Report****Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 17 of the directors' report for the year ended 30 June 2020.



In our opinion, the Remuneration Report of Skin Elements Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien'.

Glyn O'Brien

Director

Perth, 2 November 2020

**Corporate governance statement**

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 4th edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The Company's governance-related documents can be found on its website at [www.skinelementslimited.com/investors.html#cg](http://www.skinelementslimited.com/investors.html#cg).

## Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

## 1 Capital as at 22 October 2020.

## a. Ordinary share capital

325,517,632 ordinary fully paid shares held by 1,512 shareholders.

## b. Unlisted Options over Unissued Shares

Number of Options	Exercise Price \$	Expiry Date
95,688,641	0.10	31 Dec 2020
31,517,060	0.03	31 Dec 2020
<b>127,205,701</b>		

## c. Performance Rights over Unissued Shares

Class of Performance Right	Performance Condition	Performance rights No.	Milestone Date	Expiry Date
A	The Company receiving revenue from the sale of its products to an aggregate value of \$2,000,000	4,700,000	31 Dec 2023	4 years from the date of issue
B	The Company receiving revenue from the sale of its products to an aggregate value of \$6,000,000	9,400,000	31 Dec 2023	4 years from the date of issue
C	The Company receiving revenue from the sale of its products to an aggregate value of \$12,000,000	14,100,000	31 Dec 2023	4 years from the date of issue
D	The Company receiving revenue from the sale of its products to an aggregate value of \$20,000,000	10,800,000	31 Dec 2023	4 years from the date of issue
<b>39,000,000</b>				

## d. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options:** Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.
- **Performance Rights:** A Performance Right does not entitle a Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company. A Performance Right does not entitle a Holder to any dividends. A Performance Right does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up of the Company. A Performance Right is not transferable.

## e. Substantial Shareholders as at 22 October 2020.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Sovereign Empire Pty Ltd	23,638,490	7.26

## Additional Information for Listed Public Companies

## f. Distribution of Shareholders as at 22 October 2020

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
100,001 – and over	369	293,956,516	90.30
10,001 – 100,000	737	28,668,941	8.81
5,001 – 10,000	323	2,638,818	0.81
1,001 – 5,000	61	247,556	0.08
1 – 1,000	22	5,801	0.00
	<b>1,512</b>	<b>325,517,632</b>	<b>100.00</b>

## g. Distribution of Holders of Listed Options as at 22 October 2020

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
100,001 – and over	123	88,330,318	92.40
10,001 – 100,000	142	6,553,876	6.86
5,001 – 10,000	26	207,127	0.22
1,001 – 5,000	110	499,645	0.52
1 – 1,000	13	4,769	0.00
	<b>414</b>	<b>95,595,735</b>	<b>100.00</b>

## h. Distribution of Holders of Unlisted Options as at 22 October 2020

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
100,001 – and over	60	28,433,789	90.21
10,001 – 100,000	68	2,939,026	9.33
5,001 – 10,000	14	119,312	0.38
1,001 – 5,000	7	22,825	0.07
1 – 1,000	4	2,174	0.01
	<b>153</b>	<b>31,517,126</b>	<b>100.00</b>

## i. Unmarketable Parcels as at 22 October 2020

As at 22 October 2020 there were 662 shareholders who held less than a marketable parcel of shares holding 6,667 shares.

## j. On-Market Buy-Back

There is no current on-market buy-back.

## k. Restricted Securities

The Company has no restricted securities

## Additional Information for Listed Public Companies

## I. 20 Largest Shareholders — Ordinary Shares as at 22 October 2020

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Sovereign Empire Pty Ltd	23,638,490	7.26
2.	Mandalup Investments Pty Ltd	15,000,000	4.61
3.	Mgold Pty Ltd	14,175,112	4.35
4.	Lakehouse Enterprises Pty Ltd	11,289,320	3.47
5.	Emirate Investments Pty Ltd	11,080,555	3.40
6.	Sovereign Equities Pty Ltd	10,664,093	3.28
7.	State Securities Pty Ltd	10,000,000	3.07
8.	Equities Services Pty Ltd	7,222,222	2.22
9.	Citicorp Nominees Pty Limited	5,794,057	1.78
10.	Mr Keith William Flynn	5,336,787	1.64
11.	Blackridge Group Pty Ltd	5,014,248	1.54
12.	Bay Road Nominees Pty Ltd	4,800,000	1.47
13.	Top Oceania International Limited	4,475,000	1.37
14.	Platypus Investments Group Pty Ltd	4,000,000	1.23
15.	Clare Malone	3,500,000	1.08
16.	Prudential Consultants Pty Ltd	3,094,600	0.95
17.	Mr Ahamed Rizvi Wahid & Mrs Deepika Keerthimala Wahid	3,048,000	0.94
18.	Tom Mcarthur Pty Ltd	3,000,000	0.92
19.	Colosseum Securities	2,913,811	0.90
20.	Braunii Pty Ltd	2,669,919	0.82
<b>TOTAL</b>		<b>150,716,214</b>	<b>46.30</b>

## Additional Information for Listed Public Companies

## m. 20 Largest Optionholders (SKNOA)— Listed Options as at 22 October 2020

Rank Name	Number of Listed Options Held	% Held of Listed Options
1. Sovereign Empire Pty Ltd	11,397,128	11.92
2. Mgold Pty Ltd	8,334,429	8.72
3. Emirate Investments Pty Ltd	6,831,250	7.15
4. Sovereign Equities Pty Ltd	5,141,608	5.38
5. Lakehouse Enterprises Pty Ltd	2,914,904	3.05
6. Q Services Holdings Limited	2,379,012	2.49
7. Equities Services Pty Ltd	2,321,429	2.43
8. Top Oceania International Limited	2,237,500	2.34
9. Mr Derek Declan Bruton	2,000,000	2.09
10. Mr Simon Francis Hayes & Mrs Ann-Marie Hayes	1,787,000	1.87
11. Clare Malone	1,687,500	1.77
12. Braunii Pty Ltd	1,515,357	1.59
13. Mr Paris Magdalinos	1,050,000	1.10
14. Platypus Investments Group Pty Ltd	1,000,000	1.05
15. Blackridge Group Pty Ltd	973,445	1.02
16. Mr Alexander Naum & Mrs Albina Abayeva	900,000	0.94
17. Calibre Capital Inc.	875,000	0.92
18. Hekima Pty Ltd	830,000	0.87
19. Ljm Capital Corporation Pty Ltd	781,017	0.82
20. Mr Robin Gerald Armstrong	750,000	0.78
<b>TOTAL</b>	<b>55,706,579</b>	<b>58.30</b>
<b>TOTAL LISTED OPTIONS (SKNOA)</b>		<b>95,595,735</b>

2 The Joint Company Secretaries are Steven Wood and Kate Sainty.

3 **Principal registered office and contact details**

As disclosed in the Corporate directory on page i and in Note 23 Company details on page 64 of this Annual Report.

4 **Registers of securities**

As disclosed in the Corporate directory on page i of this Annual Report.

5 **Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate directory on page i of this Annual Report.

6 **Use of funds**

The Company has used its funds in accordance with its initial business objectives.



**Skin Elements Limited (ASX:SKN)**

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SCIENCE



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