

ANAGENICS LIMITED

ABN 69 111 304 119

Anagenics Limited

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Financial Report

For the Year Ended 30 June 2023

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DIRECTORS' REPORT

The Directors present their report, together with the financial statements of the Group, being Anagenics Limited ("the Company") and the entities it controlled, for the financial year ended 30 June 2023 ("F23").

1. GENERAL INFORMATION

Information on Directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report, unless stated otherwise, are:

Mr Alexander (Sandy) Beard	Chairman (Non-executive)
Qualifications	B.Com, FCA, MAICD (Chair)
Experience	Sandy is a seasoned Company Director, Investor and Investment professional focussed on driving value from small cap ASX listed companies and private equity and early-stage investments. He is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors. He is Chairman and substantial holder in ASX listed Hancock and Gore Limited, a diversified investment company. Previously Sandy was CEO and MD of CVC Limited (2001 to 2019) where he oversaw investment returns in excess of 15% per annum over that period.
Interest in shares and options	Nil
Special responsibilities	Chairman of the Board of Directors
Other directorships in listed entities held in the previous three years	Chairman of Hancock & Gore Limited (ASX:HNG), appointed 29 October 2020; Chairman of FOS Capital Limited (ASX:FOS), appointed 23 November 2020; Director of Centrepoint Alliance Limited (ASX:CAF), appointed 1 January 2020. In prior years – Tas Foods Limited (ASX: TFL), resigned 30 September 2020; Pure Foods Limited (ASX: PFT), resigned 1 May 2022; Probiotec Limited (ASX: PBP), resigned 30 June 2021 and CVC Limited (ASX: CVC), resigned 1 August 2019.
Mr Scott Greasley	Managing Director (Chief Executive Officer) – appointed 8 July 2022
Qualifications	INSEAD - Executive Education, Advanced Diploma Business Management (Marketing)
Experience	Scott has over 15 years experience across retail, ecommerce and wholesale within the branded consumer segment. He has led successful teams transforming underperforming markets across APAC, Asia and the Middle East into highly profitable regions. Scott's key offering is identifying and building market-leading consumer businesses that deliver significant EBITDA growth, with minimal investment. Scott has experience working in both private equity and ASX-listed environments. As Executive Director of Anagenics, Scott is leading the growth and expansion of the business via M&A activity whilst supporting day to day operations with the management team. Prior to this appointment, Scott was Head of Greater China & Emerging Markets for Boardriders Inc based in Hong Kong, where he led the transformation of the China marketplace developing a strategic plan for the group across the region. He's also spent time with the Billabong Group in Singapore and Australia, operating across all verticals of the business.

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Interest in shares and options	Shares: 1,549,255 indirectly held Rights: 10,000,000 performance rights (directly held) convertible into ordinary shares subject to vesting conditions.
Special responsibilities	Managing Director and Chief Executive Officer (CEO). Scott was appointed to the position of CEO of Anagenics Limited on 1 April 2023.
Other directorships in listed entities held in the previous three years	None
Dr Martin Cross	Director (Non-executive)
Qualifications	PhD Microbiology, Aberdeen University Scotland. Fellow of the Australian Institute of Company Directors.
Experience	Over 35 years' experience working in the pharmaceutical and biotech industries primarily in all aspects of marketing, selling and business management. This included global roles at international headquarters of AstraZeneca and Novartis. Former Country President for Novartis Australia/NZ, Managing Director for Alphapharm (Mylan) Australia/NZ with extensive retail experience in pharmacies and Chairman of the Generics Industry Association and Medicines Australia.
Interest in shares and options	Shares: 785,957 indirectly held
Special responsibilities	None
Other directorships in listed entities held in the previous three years	Director Oncosil Ltd (OSL) ; resigned 30 October 2022.
Mr Dennis Eck	Director (Non-executive) - resigned 29 November 2022
Qualifications	BSc, The University of Montana
Experience	40 years senior management experience in the retail sector, providing significant strategic and operational expertise. Mr Eck, a professional investor, has extensive retail experience in fashion, groceries cosmetics, and hair salons. As a senior strategist, Mr Eck has helped reshape the operations of several retail businesses delivering outstanding shareholder returns.
Interest in shares and options	No longer a Director
Special responsibilities	None
Other directorships in listed entities held in the previous three years	None

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Mr Phillip Christopher **Director (Non-executive)**

Qualifications	Bachelor of Economics and Commerce - University of Western Australia
Experience	Investment Director of Hancock and Gore Limited, responsible for advising and guiding private investments including BLC Cosmetics prior to its acquisition by Anagenics Limited. Phillip also spent 6 years at Alceon Group where he was a director in the private equity team which made significant investments in e-commerce and proprietary brand-based businesses. Prior to that he was a member of the investment banking division of Goldman Sachs.
Interest in shares and options	Nil
Special responsibilities	None
Other directorships in listed entities held in the previous three years	None

Ms Karen Matthews **Director (Non-executive) – appointed 14 February 2023**

Qualifications	Bachelor of Commerce (Marketing), GAICD (Company Directors, AICD)
Experience	Karen is a business mentor and advisor with over 25 years' experience leading strategic change and growth, built on brand led focus, function and accountability. Karen brings dynamic experience from the Beauty & Retail, Wholesale and Franchise industry working with some of Australia's most iconic retail businesses; her results being recognised with industry awards, including NSW Telstra Business Woman of the Year.
Interest in shares and options	Nil
Special responsibilities	None
Other directorships in listed entities held in the previous three years	None

Principal activities of the Group

Anagenics is a full health and beauty tech business servicing wholesale and retail customers omni channel - traditionally and directly online offering premium branded products. The Group is on the pathway to profitability, growing revenue organically and efficiently, investing in brands and expanding scale under a clear merger and acquisition strategy.

The Group operates through its holding entity, Anagenics Limited (corporate head entity) and its two main operating subsidiary companies, Advangen Pty Limited (product development and investment in IP) and BLC Cosmetics Pty Limited being an exclusive distributor of prestige beauty cosmetics (and beauty equipment).

Outside the disposal of Advangen Japan in early F23, there were no other substantial changes in the activities of the Group during the reporting period.

Anagenics Limited

The holding entity, Anagenics Limited ("Anagenics") being a publicly listed entity, is primarily responsible for the corporate and secretarial functions of the Group including also finance, legal, administrative and other matters common and benefiting all its subsidiaries.

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Advangen Pty Limited (Advangen)

Advangen is a health and beauty technology business responsible for the development and sale of over-the-counter (OTC) and cosmetic antiaging and longevity targeting products. Advangen's hair loss and antiaging hair care brands marketed during the reporting period continued to feature the Group's proprietary FGF5 inhibitor formulations. In October 2022, Advangen acquired the rights to USPA, a premium Australian skincare brand.

The key distribution channels of the Group's consumer brands are primarily wholesale pharmacy and spa/salons, online ecommerce (B2B and B2C) and cross border export markets (China). The Group continued its strategy around research, development and product innovation during the reporting period particularly by enhancing existing formulations and modifying ingredients designed to improve performance for customer needs.

BLC Cosmetics Pty Limited (BLC)

BLC is a leading importer and distributor of prestige international and local skin care and wellbeing brands namely - Thalgo, Hydro Peptide, Comfort Zone, Priori and Inika Organic. Operating under long term and exclusive distribution agreements, BLC services over 1,000 spas, clinics, salons, retail stores and online in Australia, New Zealand and the Pacific Islands. Since acquisition in October 2021 the integration of BLC has significantly increased the Group's distribution footprint and strengthened it by investing in ecommerce sales capabilities as well as process improvements designed to ensure efficiency. BLC is now a leading health and beauty company offering premium brands across both hair and skin care to wholesale and retail customers.

2. OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

Results

Revenue and other income of the Group from continuing operations was up 26% in F23 to \$9,703K (2022: \$7,705K). This improvement was driven primarily by BLC Cosmetics which has annualised a full 12 months of business activity in the period (2022: 9 months). Revenue and other income from discontinued operations decreased by 91% to \$207K (2022: \$2,297K) with the disposal of Advangen Japan in July 2022. Combined, total revenue and other income in F23 was \$9,909K (2022: \$10,004K). Overall, this performance is a strong result given the loss of revenue of \$2,297K with the disposal of Advangen Japan at the commencement of the year and the general tightening in consumer activity and deterioration of macroeconomic conditions generally (particularly in the second half of the financial year).

Total operating loss after tax of the Group in F23 was \$2,668K (2022: \$3,649K, reducing by 27% on the prior year). The improvement in financial performance over F23 was driven primarily by the avoidance of losses from discontinued operations, corporate cost saving measures and a stronger sales performance from the BLC business. The EBITDA¹ loss for the year was \$2,747K (2022: \$3,757K). Excluding the abnormal loss arising from the disposal of Advangen Japan (\$895K) and other one-off revenue and costs associated with business transformation, the "underlying EBITDA^{2"} loss for the Group was \$1,661K in F23 (2022: \$2,899K), representing an improvement of 41% on the prior year.

Total net cash used in operating activities reduced on the prior year by 30% to \$1,759K (2022: \$2,526K), again supporting the underlying improvement in the performance and transformation of the business that had commenced in the prior year.

Review of operations

In F23 the Group continued its focus on driving revenue growth, expanding its brand portfolio by acquiring USPA and adding Inika Organic to its existing product offering. At the same time, the business further invested resources into ecommerce channels, both direct to consumer (D2C) and third-party retail partners. Along with the avoidance of losses with the disposal of Advangen Japan (\$895K), the additional cost saving benefits derived from business transformational strategies that had commenced in mid-2022 are estimated to be \$550K in F23 (\$850K annualised). These savings were mainly in the form of restructure of Advangen USA (\$250K), headcount reductions (\$150K) and other corporate cost-out initiatives (\$150K).

Some of the specific milestones of note in the year were as follows:

¹ EBITDA – earnings before interest tax, depreciation and amortisation. This measure also excludes net foreign exchange gains and losses.

² EBITDA underlying – defined as "EBITDA" further adjusted by removing individually material revenue and expenses in the period that are considered abnormal, non-recurring and typically non-cash in nature. Underlying EBITDA represents the true performance of the business.

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i. Consumer & Health

Business restructure and loss avoidance

As part of major cost saving strategies designed to improve Group profitability, overseas Advangen entities identified as loss making were significantly restructured, otherwise disposed.

- Advangen USA - In September 2023 Advangen US business was successfully restructured and moved to an ecommerce distribution partner specialising in servicing large ecommerce retailers such as Amazon, Dermstore and Macys whilst also offering evolus products in USA through a B2C channel. Total estimated cost savings over F23 of \$250K.
- Advangen Japan - On 31 July 2022 Anagenics successfully completed the sale of Advangen Japan. Under the agreed terms of sale, the Group received cash consideration of JPY 20.0M (\$211,877) on completion with an additional 10% of net profit (before tax) receivable in the first three years post completion (minimum payment of JPY 5.0M per annum). Also, as part of a deferred consideration entitlement, for financial years 2026 to 2037 inclusive Anagenics will be entitled to receive an additional 3.0% of Advangen Japan net revenue (or a minimum payment of JPY 5M per annum). Under this arrangement, Anagenics shareholders will continue to retain exposure to Advangen Japan's future performance across all of Japan's sales territories (including China).

Total estimated consideration (including a minimum deferred component to be received under the earnout arrangement) has resulted in net loss on disposal in the period of \$437,781 (after income tax but before foreign currency translation adjustments). Refer Note 7: "Business Combinations" for further details of the disposal.

Building Brands

- USPA acquisition – as noted, in October 2022, Advangen Pty Limited acquired the ownership and full rights to USPA, being a premium skincare brand. BLC Cosmetics was previously the distributor of USPA however by acquiring this brand outright the full benefits of ownership to Group will be an increase in revenue and improvement in vertical margin. USPA generated total revenue of \$337K in the year (2022: \$241K - 9 mths).
- Inika Organic – in late 2022, BLC signed an exclusive master distribution agreement with Total Beauty Network Pty Ltd for its Inika Organic range of natural certified skincare products to the Australian salon & spa market. This partnership commenced in F23 contributing an additional \$1,211K net revenue in the period.
- New Product Development - The Group continued with product innovation activities leveraging from its existing asset technology. This included research and development into novel targets in antiaging hair care, in addition to new formulations and planning around relaunching of new and existing brands (USPA and evolus).

eCommerce

- The Group continued to prioritise and invest in direct-to-consumer ecommerce as a key revenue growth strategy across all business units. Sales volumes to individual customers (D2C), including third party online retailers and wholesalers (B2B) totalled \$2,000K (2022: \$1,952K), up 3%

Total revenue and other income for the Consumer & Health business segment (continuing operations), was up 26% to \$9,680K (2022: \$7,695K). Operating profit for Consumer Health business segment (excluding loss on sale of Japan of \$895K) was \$383K profit (2022: \$811K loss).

ii. Anagenics Limited (Corporate)

The Corporate business function main responsibilities for the Group continued to be to provide corporate, operational, and administrative functions for Anagenics Limited (and its subsidiaries) as publicly listed company on the Australian Stock Exchange (ASX).

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The cost saving benefits from business transformation strategies implemented in the Corporate business segment in the prior year needed to support operating cashflow annualised over F23. These were mainly in reduced spend for professional consultancy, public relations activities, and overall staff costs and headcount (including a temporary freeze in Director fees). Total net cost savings achieved for the Corporate business segment were approximately \$150K in F23.

Also, throughout the year, the Company has continued to actively pursue acquisition and merger strategies. The main purposes of which is to identify and ultimately acquire profitable revenue needed to successfully scale the Consumer Health segment so as to achieve Group break even and drive profitability in F24.

The Company's intellectual property portfolio continues to include its ownership of midkine patents and one midkine patent application. These assets are the subject to a license agreement which continues between Anagenics and Lyramid (a former owned business subsequently acquired by Roquefort Therapeutics Plc in December 2021). The license arrangement provides Anagenics a royalty payment of 4.0% payable on every sale of products developed and sold with an additional 8.0% payable on any revenue sub licensed to another party. Once successfully commercialised the benefits under the license agreement should provide Anagenics with an ongoing royalty income stream based on sales made.

Other granted patents relating to the Group's consumer health business include midkine for hair loss and FGF5 and monoterpenoid claims. Along with these assets and ownership of key brands, Anagenics continues to have a strong and differentiating position in the market enabling it to share in these benefits as they realise in the future.

3. FINANCIAL REVIEW

Financial position

The net assets of the Group as at 30 June 2023 were \$8,895K (2022: \$8,290K) represented by the net movement in working capital positions and elimination of external loans and borrowings (2022: \$1,330K) with the disposal of Advangen Japan business. The Group's cash and cash equivalents at balance date totalled \$2,567K (2022: \$3,285K) benefiting from net cash proceeds received (\$2,905K) after a successful share capital raise which was completed in mid F23. As noted, net cash out used from operating activities continued to improve - down 30% year on year. This improvement underscores the continued focus on managing working capital, in particular excess inventory holdings and benefits from cost saving initiatives throughout the year.

4. OTHER

Significant changes in the state of affairs

Other than the sale of Advangen Japan in July 2022 (as noted), there have been no other significant changes in the state of affairs of the entities in the Group during F23.

Dividends paid or recommended

The Company has not paid or declared any dividends during the financial year (2022: \$Nil).

Matters subsequent to the end of the financial year

On 22 August 2023 the Group announced its intention to acquire the Australian professional skincare and beauty retailer - Face MediGroup (FMG). This transaction, being a purchase of certain business assets and liabilities, is expected to be completed in the beginning of September 2023 (subject to certain conditional precedents being fulfilled pursuant signed contract of sale). As part of this purchase FMG's original co-founders (Mr Matthew and Ms Sarah Perry) will also officially join BLC Cosmetics in a senior executive capacity working with Anagenics on the merger and integration of the two businesses and pursuing profitability growth.

The merger of FMG with BLC Cosmetics will significantly increase the Group's revenue and once properly merged is expected be EBTIDA accretive. It will enhance and make the Group a leading provider of accredited skin care products for consumers delivering solutions in both physical presence through its professional spa and salons (including Face Mediskin retail store in Bella Vista) as well as a digital presence through various digital platform, including [facemediskin.com.au](https://www.facemediskin.com.au) and

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prodermal.com.au. The key synergy will be in BLC's existing exclusive brand distribution arrangements and improved margin outcomes in both its ecommerce and retail channels.

The consideration payable by Anagenics to acquire FMG is \$750,000, of which \$250,000 will be payable in ordinary shares (escrowed for 12 months). The cash component will be settled by 31 March 2024 and will be funded from existing cash reserves. An additional deferred consideration component of up to \$600,000 will be payable to the seller subject to agreed performance criteria being achieved over F24 and F25, respectively. The official transfer of legal title of FMG to Anagenics is subject to key condition precedents being met by both parties on or before completion date. Until such time, any additional disclosures on the value of FMG net assets expected to be acquired by Anagenics cannot be reported in precise detail at the time of this report. This information will be announced at a future date.

For more specific information and other details on this business acquisition refer also to Anagenic's ASX investor announcement - "*Acquisition of Facemedi Group*" (22 August 2023).

Likely developments and expected results of operations

The Group is committed to building a global consumer health and beauty technology business focused on products that counter aging and contribute to the healthy longevity of the population through a sustainable and natural product offering. The key business risks are primarily in the form of increased competition and a dynamic market, specifically with the evolution of more environmentally sustainable product packaging and growing demand for all natural product ingredients. To meet customer needs the Group intends to continue to expand its range of products and distribution channels, ensure appropriate supply whilst growing revenues in a cost-efficient manner to achieve profitability in the near term.

Concurrently, the Group continues to actively pursue an opportunistic business acquisition and merger strategy ("M&A") designed to accelerate revenue growth and drive efficiencies through economic scale. This strategy (which commenced in prior years) has to date resulted in the Group acquiring BLC Cosmetics in F22 and new brands (USPA) and most recently FMG. To minimise acquisition risk the Group routinely engages reputable service providers to undertake detailed due diligence on potential targets needed to ensure acquisitions are ultimately completed at the best possible price (multiple) and result in the lowest possible goodwill on purchase. To date this strategy has proven to be revenue positive, reducing the Group's operating losses and improving the Group's earnings per share.

Environmental, social and governance matters

The Group is committed to its corporate responsibilities and published its environmental, social and governance statement as follows.

Environmental

The Group undertakes to act responsibly and commit to continually reduce the environmental impact resulting from the business as follows:

- Distribute brands which support and drive environmentally sustainable practices and ethos
- Minimise contribution to landfill by using recyclable materials in our packaging
- Participate in industry funded recycling schemes, such as The Grune Punkt program
- Evaluate new distribution partners for environmental impact, ensuring alignment with the Company's environmental principles
- When introducing new products, and when updating existing products, use innovative materials with improved recyclability and biodegradability.
- At an ingredients level aim to source those with minimal environmental footprint or those that are produced through organic and/or sustainable farming practices.

Social

The Group operates with the core values of diversity and respect of all genders, cultures, religions, and races and acts to live up these values and contribute to society:

- Encouraging support and respect for employees and endeavour to work with suppliers and vendors that respect internationally accepted labour and human rights.
- Provide an inclusive and supportive culture that is fair and responsible.

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- Being committed to providing solutions for the problems faced by an aging population and develop products and services that contribute to healthy longevity.

Governance

The Group is committed to the delivery of the highest levels of honesty, integrity, and transparency in a way its business is conducted. The Group will:

- work against fraud, corruption and any action that would undermine the business.
- comply with the regulatory requirements in the jurisdictions we operate in, conducting our business with customers and suppliers according to local laws.
- maintain true and correct financial records of our business and undertake regular independent audits.

Given its size, the Group's operations are not regulated by any significant environmental law of the Commonwealth or of a State or Territory of Australia nor overseas.

Proceedings on behalf of the Group

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

Indemnification and insurance of officers and auditors

During the financial year, the Group paid a premium to insure the Directors and Officers of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Officers of the Group, and any other payments arising from liabilities incurred by the Officers in connection with such proceedings. This does not include such liabilities (other than legal costs) that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

During or since the end of the financial year, the Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in favour of its Directors as follows:

- a right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends;
- subject to the *Corporations Act 2001*, an indemnity in respect of liability to persons other than the Group and its related bodies corporate, that they may incur while acting in their capacity as an officer of the Company or a related body corporate, except for specified liabilities where that liability involves a lack of good faith or is for legal costs for defending certain legal proceedings; and
- the requirement that the Group maintain appropriate directors' and officers' insurance for the officer.

No liability has arisen under these indemnities as at the date of the report. There is no indemnity cover in favour of the auditor of the Group during the financial year.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important and relevant and where the nature of the services provided does not compromise the general principles relating to the auditor's independence in accordance with APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* set by the Accounting Professional and Ethical Standards Board.

There were no additional non-audit services provided by the auditor during the relevant financial year.

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Meetings of Directors

Nine meetings of the Directors were held during the financial year. In 2022, the Board resolved to absorb the functions of the Audit Committee and Nomination and Remuneration Committee into the remit of the full Board of directors. This decision was taken in recognition that with the size of the company, and the number of Board of directors, it was less effective to have this extra layer of governance for the Group. As part of this governance restructure, the Board is retaining the Committee's Charter as guidance to the Board on audit, remuneration and nomination matters.

Attendances by each Director during the year were as follows:

	Directors' Meetings		Audit Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Alexander Beard	9	9	2	2
Mr Scott Greasley	9	9	2	2
Dr Martin Cross	9	9	2	2
Mr Dennis Eck (1)	2	2	1	1
Mr Phillip Christopher	9	8	2	2
Ms Karen Matthews (2)	4	4	-	-

(1) *Dennis Eck – Resigned 29 November 2022*

(2) *Karen Matthews – Appointed 14 February 2023*

Shares under option

Unissued ordinary shares of the Company under share options at the date of this report are as follows:

	Expiry date	Exercise Price	Number under option
Unlisted options	30-Jul-24	\$0.23	2,935,000
Unlisted options	8-Nov-24	\$0.24	100,000
Unlisted options	20-Nov-24	\$0.24	1,600,000
Unlisted options	28-Feb-25	\$0.20	200,000
Unlisted options	31-Mar-25	\$0.23	300,000
Unlisted options	31-Mar-25	\$0.27	500,000
			5,635,000

32,621,668 share options lapsed during the financial year ended 30 June 2023 (2022: 3,800,000 options). There were no new options granted in the current year (2022: nil).

Scott Greasley, Managing Director / CEO, was issued with 10,000,000 rights to ordinary shares on appointment to the Board on 8 July 2022. Under the terms of his employment agreement, these rights are convertible to ordinary shares upon achieving specific EBITDA and share price performance milestones whilst being employed with Anagenics Limited. Total value of share based compensation recognised as an expense in the period in relation to these instruments was \$1,259.

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5. REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration agreements for the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations.

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*. The key management personnel of the Group for and during the year consisted of the following Directors and management of Anagenics Limited:

Officer	Position	Date Appointed	Date Ceased
Mr Alexander Beard	Non-executive Chairman	15 February 2022	Current
Mr Scott Greasley	Managing Director / CEO (1)	8 July 2022	Current
Dr Martin Cross	Non-executive Director	16 October 2017	Current
Mr Dennis Eck	Non-executive Director	26 March 2018	29 November 2022
Mr Matthew Dudek	Acting CEO / CFO (2)	28 February 2022	31 March 2023
Ms Teruko Fujii	Managing Director – Adv. Japan	1 April 2021	31 July 2022
Ms Karen Matthews	Non-executive Director	14 February 2023	Current
Mr Phillip Christopher	Non-executive Director	5 November 2021	Current

(1) Scott Greasley was subsequently appointing to position of permanent CEO on 1 April 2023

(2) Matthew Dudek was acting CEO of Anagenics Limited up to 31 March 2023. On appointment of Scott Greasley to permanent CEO, Matthew Dudek was appointed to the position of Chief Financial Officer of Anagenics Limited on 1 April 2023.

Principles used to determine the nature and amount of remuneration

The performance of the Group depends on the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives; and
- if and when appropriate, establish performance hurdles in relation to variable executive remuneration.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers of the Group on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

Group performance and link to remuneration

No performance-based cash bonus or incentive payments have been made during the reporting period. The table below details the last five years earnings and total shareholders return.

	\$	\$	\$	\$	\$
	2023	2022	2021	2020	2019
Revenue and Other Income	9,909,454	10,003,660	6,819,839	8,547,715	8,347,184
Operating Profit / (Loss)	(1,733,824)	(1,643,316)	(3,221,986)	(4,108,789)	(3,042,031)
Loss after income tax	(2,667,150)	(3,648,787)	(3,386,632)	(4,907,296)	(5,909,557)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

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	\$	\$	\$	\$	\$
	2023	2022	2021	2020	2019
Share price at financial year end	0.02	0.02	0.06	0.1	0.17
Total dividends declared	-	-	-	-	-
Basic earnings per share	(1.00)	(1.74)	(2.40)	(5.04)	(7.77)

Remuneration structure

In accordance with best practice corporate governance the structure of non-executive director and senior executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, while incurring costs that are acceptable to shareholders.

Structure

Each non-executive director receives a fixed fee for being a Director of the Group.

The Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. On 8 November 2018, at the annual general meeting of shareholders, the aggregate remuneration was approved to the value of \$400,000, to ensure that the Group can compensate all of its non-executive directors. In F23, the Group paid non-executive directors a total of \$125,999 (2022: \$172,438).

The amount of aggregate remuneration sought to be approved by shareholders and the fixed fees paid to directors are reviewed annually.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

A policy of the Board is the establishment of employment or consulting contracts with the Chief Executive Officer and other senior executives. Remuneration consists of fixed remuneration under an employment or consultancy agreement and may include bonus or short term and long-term equity-based incentives that are subject to satisfaction of performance conditions. Details of these performance conditions are outlined in the equity-based payments section of this remuneration report. The equity-based incentives are intended to retain key executives and reward performance against agreed performance objectives.

Fixed remuneration

The level of fixed remuneration is set to provide a base level of remuneration that is both appropriate to the position and

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competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review of Group-wide and individual performance, relevant comparative remuneration in the market, internally and (where appropriate) external advice on policies and practices. Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and expense payment plans, such that the manner of payment chosen is optimal for the recipient without creating additional cost for the Group.

Remuneration details

Details of the remuneration of the directors and key management personnel (“KMP”) of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

2023	Short-term		Long-term	Post-	Shares based	Total \$
	Cash salary / fees \$	Employee entitlements \$	Employee entitlements \$	employment benefits	Equity & Options \$	
Directors						
<i>Non-executive directors</i>						
Alexander Beard	35,000	-	-	-	-	35,000
Martin Cross	33,333	-	-	3,500	-	36,833
Dennis Eck (1)	-	-	-	-	8,333	8,333
Phillip Christopher	25,398	-	-	1,267	-	26,665
Karen Matthews	19,168	-	-	-	-	19,168
Total non-executive directors	112,899	-	-	4,767	8,333	125,999
KMP						
Scott Greasley (2)	277,692	7,820	4,083	27,258	1,259	318,112
Matthew Dudek (3)	250,000	1,642	4,167	26,860	-	282,669
Total KMP	527,692	9,462	8,250	54,118	1,259	600,781
TOTAL	640,591	9,462	8,250	58,885	9,592	726,780

(1) Dennis Eck resigned as non-executive director on 29 November 2022. Mr Eck was remunerated for his services with the issue of ordinary shares as approved by shareholders.

(2) Scott Greasley was appointed to position of Managing Director / CEO on 1 April 2023

(3) Matthew Dudek was Acting CEO up to 31 March 2023 and was subsequently appointed to position of Chief Financial Officer from 1 April 2023.

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2022	Short-term benefits		Long-term benefits	Post-employment benefits	Shares based payments	Total \$
	Cash salary fees \$	Employee entitlements \$	Employee entitlements \$	Superannuation \$	Equity & Options \$	
Directors						
<i>Non-executive directors</i>						
Alexander Beard	10,000	-	-	-	-	10,000
Bruce Gordon (5)	46,667	-	-	-	-	46,667
Martin Cross	41,667	-	-	4,104	-	45,771
Dennis Eck	-	-	-	-	50,000	50,000
Phillip Christopher	20,000	-	-	-	-	20,000
Total non-executive directors	118,334	-	-	4,104	50,000	172,438
KMP						
Maria Halasz (6)	567,222	21,363	3,198	18,548	37,618	647,949
Matthew Dudek	200,000	14,350	1,923	20,000	10,560	246,833
Teruko Fujii	183,199	-	-	19,115	-	202,314
Total KMP	950,421	35,713	5,121	57,663	48,178	1,097,096
TOTAL	1,068,755	35,713	5,121	61,767	98,178	1,269,534

(5) Bruce Gordon resigned as Director (Chairman) of Anagenics on 22 February 2022.

(6) Maria Halasz resigned from the position of CEO / Managing Director of Anagenics on 28 February 2022. Her remuneration included consulting fees paid to Direct Capital Group Pty Ltd ("DCG"), being a consulting company of which Ms Halasz was also a Director thereof. A payment on termination in lieu of notice period totalled \$257,291, including superannuation.

In F22, as part of cost saving strategies, the Board agreed to temporarily forgo directors' fees for 6 months (effective from 1 May 2022 to 31 October 2022, inclusive).

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Directors' and Key Management Personnel (KMP) shareholdings

The number of shares held in the Group during the financial year by each Director and KMP of Anagenics Limited, including their related parties, are set out below:

	Balance at beginning of year	Received as part of remuneration	Other Changes	Balance at end of year
2023				
Alexander Beard	-	-	-	-
Martin Cross (1)	455,000	-	330,957	785,957
Dennis Eck (2)	18,951,483	245,098	(19,196,581)	-
Phillip Christopher	-	-	-	-
Karen Matthews	-	-	-	-
Scott Greasley (3)	-	-	1,549,255	1,549,255
Matthew Dudek	-	-	-	-
				-
2022				
Alexander Beard	-	-	-	-
Maria Halasz (4)	4,637,639	-	(4,637,639)	-
Bruce Gordon (5)	364,000	-	(364,000)	-
Matthew Dudek	-	-	-	-
Martin Cross	455,000	-	-	455,000
Dennis Eck	18,147,625	803,858	-	18,951,483
Teruko Fujii	-	-	-	-
Phillip Christopher	-	-	-	-

(1) Martin Cross holds ordinary shares indirectly which he acquired on market in during the year and prior years.

(2) Dennis Eck resigned as non-executive director on 29 November 2022. He continues to retain a shareholding in Anagenics Limited.

(3) Scott Greasley holds ordinary shares indirectly acquired on market in the year through AG & SG Pty Ltd, a discretionary trust of which he is a joint trustee Director.

(4) Maria Halasz resigned from the position of CEO / Managing Director of Anagenics on 28 February 2022.

(5) Bruce Gordon resigned as Director (Chairman) of Anagenics on 22 February 2022.

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Directors' and KMP option holdings

The number of options held in the company during the financial year by each director and member of key management personnel of Anagenics Limited, including their personally related parties, are set out below.

	Balance at beginning of year	Acquired by subscription	Disposed/ Expired	Received as part of remuneration	Other	Balance at end of year	Vested at end of year
2023							
Alexander Beard	-	-	-	-	-	-	-
Scott Greasley	-	-	-	-	-	-	-
Matthew Dudek	200,000	-	-	-	-	200,000	200,000
Martin Cross	65,000	-	(65,000)	-	-	-	-
Dennis Eck (1)	2,592,518	-	-	-	(2,592,518)	-	-
Phillip Christopher	-	-	-	-	-	-	-
Karen Matthews	-	-	-	-	-	-	-
2022							
Alexander Beard	-	-	-	-	-	-	-
Maria Halasz (2)	3,713,819	-	(1,400,000)	-	(2,313,819)	-	-
Bruce Gordon (3)	52,000	-	-	-	(52,000)	-	-
Matthew Dudek	-	-	-	-	200,000	200,000	200,000
Martin Cross	65,000	-	-	-	-	65,000	-
Dennis Eck	2,592,518	-	-	-	-	2,592,518	-
Teruko Fujii	-	-	-	-	-	-	-
Phillip Christopher	-	-	-	-	-	-	-

(1) Dennis Eck resigned as non-executive director on 29 November 2022.

(2) Maria Halasz resigned as CEO/Managing Director of Anagenics on 28 February 2022

(3) Bruce Gordon resigned as Director (Chairman) of Anagenics on 22 February 2022. He continues to retain a shareholding in Anagenics Limited.

Director's performance rights

On 29 December 2022 Scott Greasley, was issued 10 million performance rights as part of his appointment to Executive director of Anagenics Limited. These instruments, once vested, convert equally to fully paid ordinary shares.

For more information on these rights (including vesting terms and conditions) please refer to "Service Agreement" section of this directors' report.

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Relationship between remuneration policy and company performance

The proportion of remuneration linked to performance and the proportion that is fixed is as follows:

	Fixed remuneration		At risk STI		At risk LTI	
	2023	2022	2023	2022	2023	2022
	%	%	%	%	%	%
Alexander Beard	100	100	-	-	-	-
Scott Greasley	99.5	-	0.5	-	-	-
Martin Cross	100	100	-	-	-	-
Karen Matthews	100	-	-	-	-	-
Phillip Christopher	100	100	-	-	-	-
Matthew Dudek	100	95.7	-	-	-	4.3
Maria Halasz	-	94.2	-	-	-	5.8
Bruce Gordon	-	100	-	-	-	-
Dennis Eck	-	100	-	-	-	-
Teruko Fujii	-	100	-	-	-	-

Service agreements

Scott Greasley – CEO / Managing Director (appointed 1 April 2023)

The remuneration of Scott Greasley is relation to fulfilling responsibilities and duties whilst acting in the position and of Managing Director and CEO of Anagenics Group. Under the terms of the signed employment contract, Scott is entitled to minimum fixed salary (including leave entitlements and normal superannuation) pursuant to the national employment laws of NSW. In addition to fixed remuneration benefits, Scott has been incentivised with a total 10 million performance rights (variable consideration) which once vested convert equally to fully paid ordinary shares.

The key vesting conditions on the variable consideration is dependent on achieving the following financial targets and market conditions by 30 June 2024.

- (1) Performance shares (tranche 1) – Being 5 million ordinary shares upon achievement of consolidated EBITDA breakeven (\$nil) for the 12 months ending 30 June 2023, and a 3 month VWAP share price of no less than \$0.06 whilst remaining in the employ of Anagenics Limited at 30 June 2023;
- (2) Performance shares (tranche 2) – Being an additional 5 million ordinary shares upon achievement of consolidated EBITDA of \$1M for the 12 months ending 30 June 2024, and 3 month VWAP share price of no less than \$0.10 whilst remaining in the employ of Anagenics Limited at 30 June 2024.

Mr Greasley's employment contract, including both fixed and variable remuneration, was approved at the annual shareholders general meeting held on 29 November 2022.

Matthew Dudek – CFO (appointed 1 April 2023)

Matthew Dudek was appointed to CFO of Anagenics Limited Group on 1 April 2023 on the following terms:

- Remuneration is fixed, however, at the discretion of the Board he may receive performance-based incentives.
- Either party may terminate the service agreement at any time with 2 months (8 weeks) notice.

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- Mr Dudek holds 200,000 unissued options (exercise price: \$0.22) convertible to ordinary shares. These entitlements became fully vested in F22.

Share based compensation

Issue of Shares

On 29 December 2022, Dennis Eck (Non-executive Director) was issued 245,098 shares (2022: 803,858 shares) in lieu of cash for directors fees to the value of \$8,333 (2022: \$50,000). As noted, Mr Eck resigned from the position of non-executive director on 29 November 2022.

Issue of Options

In November 2018 shareholders approved Anagenics' Employee Incentive Plan (Plan) which outlined the terms and conditions on how employees may be incentivised by the issuing of shares and options. The Board resolved in June 2019 to issue a series of unlisted options to executives under the approved Plan.

Under the Plan, participants are granted options which may only vest if certain performance conditions are met. The terms and conditions contain short and long term targets (KPI's) and vary by employee depending on their function and level of responsibility.

There were no new options over ordinary shares, granted nor exercised for Directors and KMP as part of compensation during the year ended 30 June 2023 (2022: nil).

Issue of Performance Rights

On 29 November 2022, Scott Greasley (Managing Director / CEO) was approved up to 10,000,000 performance rights under an employment contract. These instruments once vested convert equally into fully paid ordinary shares (subject to performance criteria as outlined). The value of this benefit relating to F23 was estimated to be \$1,259 (expense) and was reflected in the share based payment reserve at 30 June 2023.

Loans to directors and other members of key management personnel

There were no loans to directors or other members of key management personnel during or since the end of the financial year.

This concludes the remuneration report.

Rounding of amounts

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in the Directors report have been rounded off in accordance with that Corporations Instrument to the nearest whole dollar, except for "Operating Results and Review of Operations for the Year" where amounts are presented in thousands.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2023 has been received and can be found on page 69 of the financial report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Director:

Alexander (Sandy) Beard

Dated: 15th September 2023

Corporate Governance

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Anagenics Limited and its Controlled Entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations – 4th edition ('the ASX Principles') are applicable for financial years commencing on or after 1 July 2014, consequently for the Group's 30 June 2023 year end. As a result, the Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report.

The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company's website at www.anagenics.com.

The Group's Corporate Governance Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of the practices, unless otherwise stated, were in place for the full reporting period.

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**Consolidated Statement of Financial Performance and Other Comprehensive Income
For the Year Ended 30 June 2023**

	Note	2023	2022
		\$	\$
Revenue from continuing operations	3	9,113,414	6,945,381
Cost of goods sold		(4,701,911)	(3,148,826)
Gross profit		4,411,503	3,796,555
Other income	4	589,226	760,044
Net fair value gain on deferred consideration liability		44,521	1,000,000
Selling and distribution expenses		(1,258,168)	(1,406,822)
Research and development expenses		(21,193)	(26,175)
Administrative and employment expenses		(4,124,262)	(4,521,350)
Impairment of receivables		(80,509)	(41,659)
Distribution, freight, and postage expenses		(493,700)	(769,656)
Legal fees		(166,351)	(118,937)
Depreciation and amortisation	5	(359,825)	(380,203)
Other operating expenses		(243,222)	109,494
Operating loss from continuing operations before finance costs		(1,701,980)	(1,598,709)
Finance costs		(31,844)	(44,607)
Loss before income tax expense from continuing operations		(1,733,824)	(1,643,316)
Income tax expense	6	(7,870)	(152)
Loss after income tax from continuing operations		(1,741,694)	(1,643,468)
Loss after income tax from discontinued operations	7	(925,456)	(2,005,319)
Loss after income tax for the year		(2,667,150)	(3,648,787)
Other comprehensive income / (loss), net of income tax			
Exchange differences on translating foreign controlled entities		(107,978)	(595,938)
Reclassification adjustment of foreign currency translation reserve		457,425	(123,367)
Total comprehensive income / (loss) for the year		(2,317,703)	(4,368,092)
Total comprehensive income / (loss) for the year attributable to:			
Continuing operations		(1,392,247)	(2,362,773)
Discontinued operations	7	(925,456)	(2,005,319)
Owners of Anagenics Limited		(2,317,703)	(4,368,092)
Earnings per share for profit / (loss) from continuing operations attributable to the owners of Anagenics Limited:			
Basic earnings per share (cents)	10	(0.65)	(0.78)
Diluted earnings per share (cents)	10	(0.65)	(0.78)
Earnings per share for profit / (loss) from discontinued operations attributable to the owners of Anagenics Limited:			
Basic earnings per share (cents)	10	(0.35)	(0.96)
Diluted earnings per share (cents)	10	(0.35)	(0.96)
Earnings per share for profit / (loss) attributable to the owners of Anagenics Limited:			
Basic earnings per share (cents)		(1.00)	(1.74)
Diluted earnings per share (cents)		(1.00)	(1.74)

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**Consolidated Statement of Financial Position
As at 30 June 2023**

	Note	2023	2022
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	2,567,061	3,284,852
Trade and other receivables	12	1,044,791	921,283
Inventories	13	2,395,666	4,448,079
Contingent consideration receivable	18	48,145	-
Other assets	14	191,744	116,349
TOTAL CURRENT ASSETS		6,247,407	8,770,563
NON-CURRENT ASSETS			
Plant and equipment	15	179,250	280,619
Right of use assets	16	657,075	410,835
Intangibles	17	3,448,446	3,462,727
Contingent consideration receivable	18	579,945	-
TOTAL NON-CURRENT ASSETS		4,864,716	4,154,181
TOTAL ASSETS		11,112,123	12,924,744
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	1,230,413	1,291,893
Loans and borrowings	20	-	562,048
Lease liabilities	21	194,360	340,614
Provisions	22	288,522	363,778
Contingent consideration payable		-	1,100,000
TOTAL CURRENT LIABILITIES		1,713,295	3,658,333
NON-CURRENT LIABILITIES			
Loans and borrowings	20	-	767,547
Lease liabilities	21	459,971	86,899
Provisions	22	43,423	122,365
TOTAL NON-CURRENT LIABILITIES		503,394	976,811
TOTAL LIABILITIES		2,216,689	4,635,144
NET ASSETS		8,895,434	8,289,600
EQUITY			
Issued capital	23	65,357,145	62,435,064
Reserves	24	106,827	(244,076)
Accumulated losses		(56,568,538)	(53,901,388)
TOTAL EQUITY		8,895,434	8,289,600

**Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2023**

	Note	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$	\$
Balance at 1 July 2022		62,435,064	267,761	(511,837)	(53,901,388)	8,289,600
Loss for the year after tax		-	-	-	(2,667,150)	(2,667,150)
Exchange differences on translating foreign controlled entities		-	-	(107,978)	-	(107,978)
Reclassification adjustment of foreign currency translation reserve		-	-	457,425	-	457,425
Total comprehensive income / (loss) for the year		-	-	349,447	(2,667,150)	(2,317,703)
Transactions with equity holders						
Share-based compensation		8,750	1,456		-	10,206
Contributions of equity, net of transaction costs		2,913,331	-	-	-	2,913,331
Balance at 30 June 2023	23 / 24	65,357,145	269,217	(162,390)	(56,568,538)	8,895,434

**Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2022**

	Note	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$	\$
Balance at 1 July 2021		60,280,064	696,620	235,155	(50,777,455)	10,434,384
Reclassification of reserves to accumulated losses		-	(497,167)	(27,687)	524,854	-
		60,280,064	199,453	207,468	(50,252,601)	10,434,384
Loss for the year after tax		-	-	-	(3,648,787)	(3,648,787)
Exchange differences on translating foreign controlled entities		-	-	(595,938)	-	(595,938)
Reclassification adjustment of foreign currency translation reserve		-	-	(123,367)	-	(123,367)
Total comprehensive income / (loss) for the year		-	-	(719,305)	(3,648,787)	(4,368,092)
Transactions with equity holders						
Share-based compensation		105,000	68,308	-	-	173,308
Shares issued – net of transaction costs		2,050,000	-	-	-	2,050,000
Balance at 30 June 2022	23 / 24	62,435,064	267,761	(511,837)	(53,901,388)	8,289,600

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2023

	Note	2023	2022
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of GST)		10,299,129	11,724,202
Payments to suppliers and employees (inclusive of GST)		(12,418,685)	(14,872,775)
Interest received		22,268	28,341
Income taxes paid		(7,788)	(28,312)
Grant income and other benefits from government		346,162	622,948
Net cash used in operating activities	25	(1,758,914)	(2,525,596)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of plant and equipment		(45,373)	(35,947)
Proceeds from sale of businesses	7	211,876	-
Payments for the purchase of business (net of cash acquired)	7	(1,055,470)	(932,255)
Payments made to other entities		(619,784)	-
Net cash used in investing activities		(1,508,751)	(968,202)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		3,176,424	-
Share issue costs		(271,426)	-
Proceeds from borrowings		-	978,626
Repayment of borrowings		(20,338)	(559,825)
Repayment of leasing liabilities		(322,455)	(321,744)
Finance costs		(21,572)	(23,747)
Net cash provided by financing activities		2,540,633	73,310
Net decrease in cash and cash equivalents held		(727,032)	(3,420,488)
Cash and cash equivalents at beginning of financial year		3,284,852	6,727,764
Effect of exchange rate changes		9,241	(22,424)
Cash and cash equivalents at end of financial year	11	2,567,061	3,284,852

Non-cash investment activities in the prior year included the issue of 32,786,885 shares (\$2,000,000) in connection to the purchase of BLC Cosmetics.

Non-cash financing activities in the current year included the issue of 245,098 ordinary shares (\$8,333) in lieu of director fees to former Non-executive Director Dennis Eck (2022: 803,858 shares, \$50,000) and other contractor consulting services to the value of \$8,750 (2022: \$105,000) and recognition of right of use assets of \$460,098 (2022: \$173,486).

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

Anagenics Limited is a public company, listed on the Australian Securities Exchange, limited by shares and incorporated and domiciled in Australia.

The financial statements cover Anagenics Limited as a Group, consisting of Anagenics Limited and the entities it controlled at the end of, or during the year.

The financial statements were authorised for issue by the Directors on 15th September 2023.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. Anagenics Limited is a for-profit entity for the purpose of preparing the financial statements.

These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for certain non-current assets and financial instruments that are measured at re-valued amounts or fair values. All amounts are presented in Australian dollars, unless otherwise noted.

New and Amended Standards and Interpretations Adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001 that are mandatory for the current reporting period, with no material impact. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not expected to have any material impact if they had been applied.

Critical Accounting Estimates and Judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are further discussed below and in the relevant notes to the financial statements.

Cashflow Projections

Management estimates its cashflow projections by considering the conditions specific to the Group such as the growth in sales, including but not limited to the performance of existing (and new) brands and distribution channels, as well as the wider economic and environmental conditions such as changes to interest rates and inflation. This is based on information available to management at that time and projections are revised on a rolling basis to ensure these are relevant and realistic.

Forward looking estimates on revenue have been calculated specific to each business unit and revenue channel in the Group, taking into account historical run rates and new business opportunities which are expected to realise in the near term. Similarly, expenses are estimated by provisioning for price and volume changes consistent with the forecasted revenue volumes as well as the costs (or savings thereon) associated with the implementation of new business strategies designed to drive the revenue growth.

Cashflow projections require the use of assumptions on the timing of the payments of forward estimates. These take into account cash outlay required to achieve revenue targets such as investment in new staff, equipment and other resourcing needs. The actual performance of the business may be materially different to that projected due to factors which were not foreseeable or controllable by management at the time the original estimates were prepared.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law however significant judgement is required in determining the provision for income tax. Where the final tax outcome of these matters is different from the estimated amounts, such differences will impact the current and, where recognised, deferred tax provisions in the period in which such determination is made.

Allowance for Expected Credit Losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the historical expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, prevailing general macro-economic conditions and forward-looking information that is available. The allowance for expected credit losses, as calculated in Note 12, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Impairment of non-financial assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate several key estimates and assumptions principally around growth in sale prices, customer volumes, margin development, total investment (capex spend) and changes to discount rate.

Provision for impairment of inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

The provision for obsolete inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory recoverability and useful life.

R&D Tax Incentives

From 1 July 2011 the Australian Government has provided a tax incentive, in the form of a refundable tax offset of 43.5%, for eligible research and development expenditure. Management has assessed its research and development activities and expenditure to determine which are likely to be eligible under the scheme. The Group has recorded an item in other income based on tax refund received in cash relating to the prior year and includes also an income accrual for R&D activities performed in the current period. This accrual for the current period is an estimate prepared by management based on historical and other information available at the time of this report and may differ from the actual incentive that the Group expects to receive in the following year.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of other instruments such as options (including performance rights) is determined by using the appropriate Black-Scholes valuation method considering the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments do not have any impact on the carrying amounts of assets and liabilities within the subsequent annual reporting period but may impact expenses and equity.

Goodwill and other indefinite life intangible assets

Goodwill arises on the acquisition of a business. Goodwill is not amortised, instead it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. In

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accordance with AASB 136 - Impairment of Assets ("AASB 136") an asset is impaired when its carrying amount exceeds its recoverable amount.

The recoverable amount is calculated as the higher of the assets value in use and its fair value less cost of disposal. As part of annual impairment testing, management estimates future revenue growth (by brand), gross margins and EBITDA discounted by the weighted average cost of capital (CAPM).

The discounted cashflow methodology assumes the latest business strategy and other information available to management at that time. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Any impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. Goodwill is carried on the balance sheet at cost less accumulated impairment losses.

Leases

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

An incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Where the interest rate implicit in a lease cannot be readily determined this rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security, and economic environment.

Where required under the lease agreement, each lease includes a make good provision reflecting the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises based on information available and assumptions made at balance date.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through inflation have been taken into account.

Sale returns

In determining the level of provision required for certain key customers the Group has made judgements in respect of the expected performance of the products and actual sales made, pursuant to the relevant customer individual contract terms and conditions. The provision is based on estimates made from historical sales return data and stock held for key customers and revenue channels. Where relevant it includes forward looking assumptions.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any contingent consideration payable on a business combination is estimated in accordance with the terms and conditions of the agreed purchase agreement. This liability is calculated by considering likely probabilities and making assumptions based on latest information available.

Contingent consideration receivable

Contingent consideration receivable relating to the disposal of assets are recognised based on expected discounted cashflows. These values are estimated based on the underlying terms of the business contract, the Group's knowledge of the business and how the current economic environment is likely to impact it. Changes in fair values are analysed at the end of each reporting period and recorded in the profit and loss in accordance with Australian Accounting Standard AASB 13 'Fair Value Measurement'.

Comparatives

Certain comparative in the consolidated statement of financial performance and other comprehensive income and consolidated statement of financial position have been reclassified, where necessary, to be consistent with current year presentation.

Parent Entity Information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is included in Note 32.

Going concern

Based on its current commitments, the Group has sufficient funds to meet its debts as and when they fall due. Accordingly, the Directors have determined that the going concern basis of accounting is appropriate in preparing the financial report. The assessment of going concern is based on most recent cash flow projections. The preparation of these projections incorporate a number of assumptions and judgements to which the Directors have concluded that the range of possible outcomes and collectively do not give rise to a material uncertainty or casting significant doubt on the Group's ability to continue as a going concern (refer also to *Critical Accounting Estimates and Judgements*).

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Anagenics Limited ("the Company") as at balance date 30 June 2023 and the results of all subsidiaries for the year then ended. Anagenics Limited and its subsidiaries together are referred to in these financial statements as "the Group".

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including any goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the profit or loss.

Intercompany transactions, balances and unrealised gains and losses on transactions between entities in the Group are eliminated unless the transaction provides evidence of the impairment of the asset being transferred.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of financial performance and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

Revenue recognition

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

The Group's contracts with customers for the sale of goods generally include one performance obligation. For each contract with a customer, the Group:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale returns or the right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

Other income

Grants and other benefits received from the government are recognised in the consolidated statement of financial performance and other comprehensive income at the fair value of the cash received when there is reasonable assurance that the grant will be received and all conditions have been complied with. Government grants are research and development tax incentives and export market incentives. Research and development incentive represents a refundable tax offset that is available on eligible research and development expenditure incurred by the Group. Interest revenue is recognised as it is received.

Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes attributable to temporary differences, unused tax losses and adjustments recognised for prior periods where applicable. Anagenics Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Australian tax consolidation regime.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Earnings per share

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to owners of Anagenics Limited, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and any bank overdrafts.

Trade receivables and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less expected credit losses (ECL). Collectability of receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. Prevailing economic conditions such as inflation and interest rates may affect a small proportion of customers purchasing goods on credit. The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, and where necessary, is adjusted for forward-looking factors specific to the debtors and the latest economic environment. The actual credit losses in future years may be higher or lower.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Inventories are in the form of finished goods, work in progress and raw materials. These are measured at the lower of cost and net realisable value on “first in first out” flow basis at moving average cost. The cost of manufactured products includes direct materials and direct labour with any variable and fixed overheads expensed in a period cost. Costs of purchased inventory are determined after deducting rebates and realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to complete the sale.

Plant and equipment

Plant and equipment is measured at historical cost less accumulated depreciation and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of financial performance and other comprehensive income during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation

Depreciation is calculated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used to write off the net cost of each class of assets over their expected useful life are:

Class of asset	Depreciation Rate
Property, Plant and Equipment	20.0% – 50.0%
Computer Software and Hardware	30%

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation charges for its plant and equipment. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangible assets

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 the 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.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life. The valuation of these assets is further reduced by any impairment losses.

Goodwill

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill arises on the acquisition of a business. Goodwill is not amortised, instead it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with AASB 136 - Impairment of Assets ("AASB 136") an asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is calculated as the higher of the assets value in use and its fair value less cost of disposal. As part of annual impairment testing, management estimates future revenue growth (by brand), gross margins and EBITDA discounted by the weighted average cost of capital (CAPM). The discounted cashflow methodology assumes the latest business strategy and other information available to management at that time. Any impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. Goodwill is carried on the balance sheet at cost less accumulated impairment losses.

Research and development

Research expenditure and development expenditure are recognised as an expense as incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets carried on the balance sheet, such as patents and trademarks, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. This leased asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring (make good) the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these particular assets are expensed to profit or loss as incurred.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition or agreed terms. Due to their short-term nature they are measured at historical cost and are not discounted.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Loans and 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.

Borrowings are removed from the balance sheet 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 noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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, 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 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.

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

Short term obligations

Liability for wages and salaries, annual leave and long service leave that are expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date. These are measured at the amounts expected to be paid when the liabilities are settled and includes statutory on costs and where entitled non-monetary benefits.

Other long-term employee benefit obligations

Liability for annual leave and long service leave not expecting to be settled within 12 months from the reporting date is recognised in the provision for employee benefits as a non-current liability. This is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account and include relevant on costs.

Retirement benefit obligations

Contributions for retirement benefit obligations are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. Contributions are paid into the fund nominated by the employee.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Share-based compensation benefits are provided to employees and directors via an employee option plan and the executive incentive scheme. Certain directors and other service providers may also be remunerated in the form of shares or other equity for services rendered.

The fair value of options granted is recognised as a benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted including:

- any market performance conditions (e.g. the entity's share price)
- the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

The fair value at grant date is typically determined using the Black-Scholes option pricing model which takes into account the exercise price, the term of 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.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, and are allocated to share capital. Any balances relating to forfeited and / or expired options are subsequently transferred directly into retained earnings.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. External valuers may be used to determine fair value when internal expertise is either not available, required under law or when the valuation is deemed to be significant.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are accounted for in equity as a deduction from the proceeds. Where any Group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value based on estimates using information available at that time. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Rounding of amounts

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in the financial report have been rounded off in accordance with that Corporations Instrument to the nearest whole dollars.

2. SEGMENT INFORMATION

The Consolidated entity is organised into two main segments based principally on differences in products or services provided. "Anagenics Corporate" is the Group's head office and support function and "Consumer & Health" comprised of two subsidiary companies, Advangen Pty Limited (research and product development) and BLC Cosmetics Pty Limited (consumer sales and distribution).

These two operating segments are reported and reviewed by the Board of Directors (identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources from a product perspective. The CODM primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA" or "Operating Profit/(Loss)") to assess the performance of operating segments. However, the CODM also receive information about segments revenue and assets on a monthly basis.

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2. SEGMENT INFORMATION (CONTINUED)

Operating Profit / Loss

Operating profit / loss excludes certain corporate expense categories such as finance costs, employee benefits (including equity-settled share-based payments), depreciation and amortisation. Historically given the inherent nature of these costs has meant it is not practical to allocate to any specific business segment since it relates to the Head Office (corporate function) whilst necessarily incurred to help derive revenue, thereby benefiting the Group indirectly.

2023	Anagenics Corporate	Consumer & Health	Group Total
	\$	\$	\$
Sales to external customers – Continuing operations	-	9,113,414	9,113,414
Sales to external customers – Discontinued operations	-	206,814	206,814
Other income	-	566,957	566,957
Interest revenue	22,269	-	22,269
Cost of goods sold	-	(4,811,153)	(4,811,153)
Selling and distribution expenses	(46,041)	(1,239,961)	(1,286,002)
Research and development expenses	(7,096)	(14,291)	(21,387)
Administrative expenses	(463,882)	(2,824,582)	(3,288,464)
Loss on disposal of subsidiary	-	(895,207)	(895,207)
Other operating expenses	(365,460)	(614,452)	(979,912)
Segment operating profit/(loss)	(860,210)	(512,461)	(1,372,671)
Corporate costs and unallocated items			
Consultancy expense			(56,895)
Subscription expense			(59,740)
Share-based payment compensation			(1,455)
Directors' remuneration			(434,700)
Employee benefits expense			(385,020)
Depreciation and amortisation			(359,825)
Gain on deferred consideration liability			44,349
Finance costs			(33,323)
Profit / (loss) before income tax expense			(2,659,280)
Income tax expense			(7,870)
Profit / (loss) after income tax expense			(2,667,150)
Total assets	3,194,961	7,917,162	11,112,123
Total liabilities	769,188	1,447,501	2,216,689
Total intercompany assets / (liabilities)	28,347,324	(28,347,324)	-

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2. SEGMENT INFORMATION (CONTINUED)

2022	Anagenics Corporate	Consumer & Health	Group Total
	\$	\$	\$
Sales to external customers – Continuing operations	-	6,945,381	6,945,381
Sales to external customers – Discontinued operations	-	2,289,494	2,289,494
Other income	63,629	685,558	749,187
Interest revenue	19,598	-	19,598
Cost of goods sold	-	(4,169,631)	(4,169,631)
Selling and distribution expenses	(94,051)	(1,518,856)	(1,612,907)
Research and development expenses	(693)	(109,654)	(110,347)
Administrative expenses	(708,770)	(4,178,760)	(4,887,530)
Impairment of plant and equipment	-	(9,452)	(9,452)
Other operating expenses	(295,416)	(744,698)	(1,040,114)
Segment operating profit/(loss)	(1,015,703)	(810,618)	(1,826,321)
Corporate costs and unallocated items			
Consultancy expense			(72,056)
Subscription expense			(73,710)
Share-based payment compensation			(68,308)
Directors' remuneration			(177,854)
Employee benefits expense			(594,225)
Depreciation and amortisation			(495,486)
Impairment of intangible assets			(1,266,184)
Gain on deferred consideration liability			1,000,000
Finance costs			(69,860)
Profit / (loss) before income tax expense			(3,644,004)
Income tax expense			(4,783)
Profit / (loss) after income tax expense			(3,648,787)
Total assets	2,415,432	10,509,312	12,924,744
Total liabilities	1,467,232	3,167,912	4,635,144
Total intercompany assets / (liabilities)	22,827,305	(22,827,305)	-

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3. REVENUE FROM CUSTOMERS

	2023	2022
	\$	\$
From continuing operations		
Sale of goods transferred at a point in time	9,113,414	6,945,381
Total revenue from contracts with customers	9,113,414	6,945,381
The disaggregation of revenue from contracts with customers is as follows:		
Major product lines		
- Skincare and anti-aging cosmetics	7,528,553	5,407,688
- Haircare and ingestible supplements	1,355,080	1,201,413
- Equipment	229,781	336,280
Total revenue from contracts with customers	9,113,414	6,945,381
Geographic regions		
- Australia / New Zealand	8,908,369	6,646,899
- Other	205,045	298,482
	9,113,414	6,945,381

4. OTHER INCOME

- Interest income	22,268	19,598
- Other income	104,340	240,066
- Research and development grant	462,618	500,380
	589,226	760,044

Other income received in the year included Government assistance in the form of an Export Market Development Grant of \$30,000 (2022: \$29,996). In 2022, the Group also received additional Government benefits in the form of Job Saver and the COVID Business Grant totalling \$92,572.

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5. PROFIT OR LOSS ITEMS

The Group has identified several items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

Loss before income tax includes the following specific expenses and income:

	2023	2022
	\$	\$
From continuing operations		
Advertising and marketing expenses	(1,087,533)	(1,272,692)
Consultancy expenses	(136,056)	(484,579)
Employee benefits expense	(2,901,744)	(3,111,014)
Superannuation expense	(275,276)	(292,658)
Provision for obsolescence	(197,198)	(136,856)
Travel expense	(116,264)	(48,982)
Depreciation (right of use assets)	(244,144)	(271,217)
Depreciation (property, plant and equipment)	(115,681)	(108,986)
Share based compensation expense	(1,456)	(68,309)
Net foreign exchange (loss) / gain	(175,040)	281,264

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6. INCOME TAX

	2023	2022
	\$	\$
(a) The major components of income tax expense comprise:		
Income tax expense	(7,870)	(4,783)
- continuing operations	(7,870)	(152)
- discontinued operations	-	(4,631)
	(7,870)	(4,783)
(b) Numerical reconciliation of income tax expense to accounting loss (at statutory rate):		
Loss for the year before income tax expense - continuing operations	(1,733,824)	(1,643,316)
Loss for the year before income tax expense - discontinued operations	(925,456)	(2,000,688)
	(2,659,280)	(3,644,004)
Prima facie tax benefit on loss from ordinary activities before income tax at 25% (2022: 25%)	(664,820)	(911,001)
Add / (less) tax effect of:		
- Adjustment for tax-rate differences in foreign jurisdictions	(108,913)	(47,360)
- Share based payments	364	17,077
- Research and development expenditure	(31,485)	115,101
- Asset impairments	-	316,546
- Gain on deferred consideration liability	(11,088)	(250,000)
- Loss on disposal of subsidiary	322,613	-
- Other sundry items	(35,782)	(115,810)
- Tax losses not brought to account	521,241	870,664
Income tax expense	(7,870)	(4,783)
Current tax	(7,870)	(4,783)
Deferred tax	-	-
	(7,870)	(4,783)

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6. INCOME TAX - CONTINUED

	Australia	NZ	Japan	USA	Total
(c) Movements in unused tax losses	\$	\$	\$	\$	\$
Carried forward unused tax losses at the beginning of the financial year	35,877,094	-	1,302,369	3,844,373	41,023,836
Prior period differences between tax calculation and income tax return	(944,455)	-	-	(593,989)	(1,538,444)
Actual carried forward unused tax losses at the beginning of the financial year	34,932,639	-	1,302,369	3,250,384	39,485,392
Current unused / (used) tax losses for which no deferred tax asset has been recognised	2,250,131	17,244	30,250	(212,601)	2,085,025
Tax losses disposed as part of sale of discontinued operations	-	-	(1,332,620)	-	(1,332,620)
Carried forward unused tax losses at the end of the financial year	37,182,770	17,244	-	3,037,783	40,237,797
Notional tax rate	25.00%	28.00%	30.86%	21.00%	-
Potential future tax benefit	9,295,693	4,828	-	637,934	9,938,456

No income tax benefit was recognised. This income tax benefit arising from tax losses will only be realised if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the Group to benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; maintains the continuity of ownership test and has carried on the same business since the tax loss was incurred; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Under the small business eligibility criteria set by the Australian Taxation Office, the Group is eligible for the small business income tax rate for its Australian entities being 25.0% (2022: 25.0%). The Group has no capital tax losses available.

7. BUSINESS COMBINATIONS

Disposal – Advangen Inc

On 15 June 2022, the Consolidated entity entered a non-binding term sheet to divest its wholly-owned Japanese subsidiary (Advangen Inc – “ADV Japan”) to TK Holdings LLC, an entity related to the former directors of ADV Japan. In recent years, ADV Japan has faced a particularly challenging trading environment due to the COVID-19 pandemic and significant regulatory changes associated with import permits into China. Moreover, revenue from QVC (ADV Japan’s single largest customer) had continued to decline approximately 25% per annum over the past three years. ADV Japan accounted for \$599K of the Group’s \$2,899K financial year 2022 underlying EBITDA loss and losses for this business were forecast to continue into financial year 2023.

Considering these challenges and other potential growth opportunities, Anagenics decided to strategically divest its direct interest in ADV Japan but continue to retain ownership of important patents and trademarks (“IP”) and exposure to ADV Japan’s long-term growth. Post-sale Anagenics remains debt free and in a stronger cash position to pursue profitable growth in a more simplified operating structure.

The sale of ADV Japan was successfully completed on 31 July 2022. Under the agreed terms of the sale, Anagenics Limited received cash consideration on completion of JPY 20.0M (\$211,876) with additional 10% of net profit (before tax) in the first three years post completion (minimum payment of JPY 5.0M per annum). As part of the deferred consideration, for financial years 2026 to 2037 (inclusive), Anagenics Limited will also be entitled to receive an additional 3.0% of ADV Japan net revenue (minimum payment of JPY 5.0M per annum). Under this arrangement Anagenics shareholders will therefore benefit from ADV Japan’s future performance across all of Japan’s sales territories (including China).

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7. BUSINESS COMBINATIONS – CONTINUED

Based on total estimated consideration (including minimum deferred component under the earn-out arrangement estimated to be \$628,090 fair value) has resulted in an underlying loss on disposal of ADV Japan in the period, before income tax and reclassification of foreign currency translation reserve, of \$437,781.

	2023	2022
Financial Performance	\$	\$
Revenue from customers	206,814	2,289,494
Cost of goods sold	(109,242)	(1,020,805)
Gross profit	97,572	1,268,689
Other income	-	8,743
Selling and distribution expenses	(23,527)	(170,291)
Administrative and employment expenses	(64,032)	(1,012,629)
Impairment of intangible assets	-	(1,266,184)
Other operating expenses	(38,784)	(803,763)
Finance costs	(1,479)	(25,253)
Net loss before income tax	(30,250)	(2,000,688)
Income tax expense	-	(4,631)
Net loss after income tax of discontinued operation	(30,250)	(2,005,319)
Loss on sale of subsidiary after income tax (refer below)	(895,206)	-
Loss from discontinued operation	(925,456)	(2,005,319)

	2023	2022
Cashflow	\$	\$
Net cash used in operating activities	(174,332)	(80,532)
Net cash (used) / derived from investing activities	(242,641)	6,566
Net cash (used) / derived from financing activities	(23,221)	547,669
Net decrease in cash from discontinued operations	(440,194)	473,703

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7. BUSINESS COMBINATIONS – CONTINUED

	2023	2022
Carrying amounts of assets and liabilities disposed	\$	\$
Cash and cash equivalents	227,142	-
Trade receivables	355,547	-
Inventories	1,812,733	-
Other current assets	389,466	-
Property, plant and equipment	32,602	-
Other non-current assets	11,803	-
Total Assets	2,829,293	-
Trade payables	105,023	-
Accrued expenses and provisions	126,166	-
External borrowings	1,320,356	-
Total Liabilities	1,551,545	-
Net Assets	1,277,748	-

	2023	2022
Details of the disposal	\$	\$
Consideration received or receivable:		
Cash received on completion	211,877	-
Fair value of contingent consideration*	628,090	-
Total disposal consideration	839,967	-
Carrying amount of net assets sold	(1,277,748)	-
Loss on sale before income tax and reclassification of foreign currency translation reserve	(437,781)	-
Reclassification of foreign currency translation reserve	(457,425)	-
Income tax on sale	-	-
Loss on disposal after income tax	(895,206)	-

As noted above, pursuant to an 'earn out' clause in the sale agreement relating to contingent consideration for the period 1 July 2022 to 30 June 2037 (inclusive), Anagenics Limited will be entitled to additional cash consideration receivable from the buyer. This being 10% of net profit (before tax) in the first three years post completion (minimum payment of JPY 5.0M per annum) with an additional 3.0% of ADV Japan net revenue (minimum payment of JPY 5M per annum) for financial years ending 30 June 2026 to 30 June 2037, inclusive.

At balance date, the fair value of the minimum component of the total potential earn out was estimated to be \$680,090. This receivable was recognised as a financial asset (at fair value) through the profit and loss in the reporting period ended 31 December 2022. For more detail on this valuation and estimates thereon, refer also Note 18: "Contingent Consideration Receivable".

Acquisition - BLC Cosmetics Pty Limited

In F22, Anagenics Limited successfully acquired 100% of the ordinary shares of BLC Cosmetics Pty Limited (BLC) (including its wholly owned subsidiary, BLC Cosmetics NZ Pty Limited) from Hancock and Gore Limited (HNG) for a total estimated purchase value of \$5,100,000. Under the share sale agreement, the purchase consideration was payable under two separate tranches.

The first tranche was comprised of \$1,000,000 cash payment and \$2,000,000 in shares (32,786,885 shares at 6.1 cents), including a working capital adjustment on completion. The second tranche was payable subject to an increase in BLC's EBITDA for the 12 months ending 30 September 2022. This component was calculated as three (3) times the incremental EBITDA growth between FY21 and F22, where the agreed EBITDA for F21 was \$500,000.

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7. BUSINESS COMBINATIONS – CONTINUED

The actual liability in relation to Tranche 2 was determined to be \$1,055,470 and was fully settled in cash paid by Anagenics Limited to HNG in March 2023.

The total goodwill acquired by the Group on purchase of BLC was \$3,447,006. It represents the expected synergies from merging of the two businesses and creating a profitable, market leading anti-aging health and beauty tech company with premium products across hair care, skin care and wellness. Details of BLC's assets, liabilities and goodwill acquired on acquisition are further detailed as follows:

	Fair Value
	\$
Cash and cash equivalents	283,725
Trade and other receivables	614,950
Inventories	2,177,854
Other assets	39,027
Plant and equipment	295,354
Right of use asset	87,148
Trade and other payables	(1,333,736)
Employee benefits	(208,200)
Lease liabilities	(87,148)
Net assets acquired	1,868,974
Goodwill on acquisition	3,447,006
Acquisition-date fair value of the total consideration payable	5,315,980

Represented by:	\$
Cash consideration paid (tranche 1)	1,000,000
Shares issued (tranche 1)	2,000,000
Working capital adjustment (paid in cash)	215,980
Expected cash consideration payable (tranche 2)	700,000
Expected shares to be issued (tranche 2)	1,400,000
	5,315,980
Acquisition costs expensed to profit and loss in the period	81,886
Net cash used to acquire the business:	
Acquisition-date fair value of the total cash consideration transferred in the period	1,215,980
Less: cash and cash equivalents acquired	(283,725)
Net cash used	932,255

8. KEY MANAGEMENT PERSONNEL DISCLOSURES (“KMP”)

Directors and key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2023.

The total of remuneration paid to the Directors and KMP of the Company and the Group during the year are as follows:

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8. KEY MANAGEMENT PERSONNEL DISCLOSURES (“KMP”) - CONTINUED

	2023	2022
	\$	\$
Short-term employment benefits	650,053	1,104,468
Long-term benefits	8,250	5,121
Post-employment benefits	58,885	61,767
Share-based payments	9,592	98,178
	726,780	1,269,534

9. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by Picher Partners Sydney the auditor of the parent entity, and its related practices:

	2023	2022
	\$	\$
Audit or review of the Group Anagenics Limited		
- Australia, NZ and USA	103,786	103,200
- Japan (network firms)	-	15,000
	103,786	118,200

10. EARNINGS PER SHARE

	2023	2022
	\$	\$
Continuing operations		
Basic and diluted earnings per share (in cents)	(0.65)	(0.78)
Reconciliation of earnings to profit or loss from continuing operations		
Loss for the year attributable to the owners of Anagenics Limited	(1,741,694)	(1,643,468)
Basic and diluted earnings per share are identical since outstanding options of 5,635,000 (2022: 38,256,668) are all “out of the money” at 30 June 2023.		
Discontinued operations		
Basic and diluted earnings per share (in cents)	(0.35)	(0.96)
Reconciliation of earnings to profit or loss from discontinued operations		
Loss for the year attributable to the owners of Anagenics Limited	(925,456)	(2,005,319)

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	No.	No.
Weighted average number of ordinary shares used in calculating basic and dilutive earnings per share	265,950,463	209,396,025

11. CASH AND CASH EQUIVALENTS

	2023	2022
	\$	\$
Cash on hand and at bank	2,429,921	3,147,930
Cash on deposit	137,140	136,922
	2,567,061	3,284,852
The effective interest rate on short term bank deposits at 30 June 2023 was 2.10% (2022: 0.76%). These deposits were all at call.		

12. TRADE AND OTHER RECEIVABLES

	2023	2022
	\$	\$
Current		
Trade receivables	845,910	865,496
Less: Allowance for expected credit losses	(97,575)	(37,142)
Other receivables	296,456	92,929
	1,044,791	921,283

Sales on credit are extended to certain customers and vary by individual customer and by distribution channel. Repayment terms are typically 30 days from invoice date.

Impairment of receivables

The Group has recognised a net loss of \$80,509 (2022: \$42,344) in the consolidated statement of financial performance in respect of expected credit losses for the year ended 30 June 2023.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

2023	Expected Credit Loss Rate	Carrying Amount	Allowance for expected credit losses
	%	\$	\$
Not due	1%	653,849	6,275
More than 30 days past due	1%	33,703	338
More than 60 days past due	11%	70,939	7,913
More than 90 days past due	95%	87,419	83,049
		845,910	97,575

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12. TRADE AND OTHER RECEIVABLES (CONTINUED)

2022	Expected Credit Loss Rate	Carrying Amount	Allowance for expected credit losses
	%	\$	\$
Not due	1%	729,153	7,292
More than 30 days past due	1%	62,631	627
More than 60 days past due	4%	44,683	1,645
More than 90 days past due	95%	29,029	27,578
		865,496	37,142

Movements in the allowance for expected credit losses are as follows:	2023	2022
	\$	\$
Opening balance	37,142	54,888
Provisions acquired/(disposed) from sale of businesses	(200)	7,809
Provisions recognised during the year	80,509	42,344
Receivables written off during the year	(20,423)	(70,769)
Foreign exchange movements	547	2,870
Closing balance	97,575	37,142

Effective interest rates and credit risk

The Group does not have a significant concentration of credit risk with respect to any other single counterparty nor Group of counterparties other than those receivables specifically provided for. The class of assets described as 'trade and other receivables' is the main source of credit risk related to the Group.

Certain customers receive specific credit terms which repayment terms vary depending on their volume spend and revenue channel. These are generally repayable between 30 - 60 days end of month.

There is no interest rate risk for the balances of trade and other receivable. There is no material credit risk associated with other receivables.

13. INVENTORIES

	2023	2022
	\$	\$
Raw materials at net realisable value	748,335	706,807
Finished goods at net realisable value	1,647,331	3,741,272
	2,395,666	4,448,079

Provisioning of inventories to net realisable value at balance date amounted to \$336,862 (2022: \$139,314). The write down of inventories was recognised as an expense in the year equalled \$197,198 (2022: \$136,856) and was included in the total cost of goods sold in the statement of financial performance and other comprehensive income.

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14. OTHER ASSETS

	2023	2022
	\$	\$
Prepayments	191,744	116,349

15. PLANT AND EQUIPMENT

	2023	2022
	\$	\$
At cost	577,459	672,968
Accumulated depreciation / amortisation	(398,209)	(392,349)
	179,250	280,619

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15. PLANT AND EQUIPMENT (CONTINUED)

Movements in carrying amounts of plant and equipment - 2023	Computer Software	Computer Hardware, Office Equip.	Furniture and Fittings	Total
	\$	\$	\$	\$
At cost	160,934	362,342	54,183	577,459
Accumulated depreciation	(97,452)	(252,408)	(48,349)	(398,209)
Net book value	63,482	109,934	5,834	179,250
Balance at 1 July 2022	113,164	162,007	5,448	280,619
Additions / (disposals) arising from sale of businesses	(24,900)	(2,679)	(5,023)	(32,602)
Additions of fixed assets	18,445	23,397	5,749	47,591
Depreciation (property, plant and equipment)	(43,494)	(72,808)	(340)	(116,642)
Foreign exchange movements	267	17	-	284
Balance at 30 June 2023	63,482	109,934	5,834	179,250

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15. PLANT AND EQUIPMENT (CONTINUED)

Movements in carrying amounts of plant and equipment - 2022	Computer Software	Computer Hardware, Office Equip.	Furniture and Fittings	Total
	\$	\$	\$	\$
At cost	206,023	377,272	89,673	672,968
Accumulated depreciation	(92,859)	(215,265)	(84,225)	(392,349)
Net book value	113,164	162,007	5,448	280,619
Balance at 1 July 2021	52,616	16,403	17,093	86,112
Additions arising from new business acquisitions	126,298	169,056	-	295,354
Additions / (disposals)	(9,099)	45,384	(338)	35,947
Depreciation (property, plant and equipment)	(66,395)	(68,384)	(10,615)	(145,394)
Foreign exchange movements	9,744	(452)	(692)	8,600
Balance at 30 June 2022	113,164	162,007	5,448	280,619

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16. RIGHT-OF-USE-ASSETS

	2023	2022
	\$	\$
Non-current assets		
Right-of-use assets	1,581,220	1,335,117
Less: accumulated depreciation	(924,145)	(924,282)
	657,075	410,835

Written down values at the beginning and end of the financial year are set out below:

	2023	2022
	\$	\$
Opening balance	410,835	493,787
Lease (disposed from sale of business) / acquired on purchase of business	(17,279)	87,148
Lease additions	460,098	173,486
Depreciation expense	(195,708)	(339,216)
Foreign exchange movements	(871)	(4,370)
Closing balance	657,075	410,835

17. INTANGIBLES

2023	Patents and Trademarks	Goodwill	Total
	\$	\$	\$
At cost	1,440	3,447,006	3,448,446
Accumulated amortisation	-	-	-
	1,440	3,447,006	3,448,446
2022	Patents and Trademarks	Goodwill	Total
	\$	\$	\$
At cost	16,736	3,447,006	3,463,742
Accumulated amortisation	(1,015)	-	(1,015)
	15,721	3,447,006	3,462,727

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17. INTANGIBLES (CONTINUED)

Movements in carrying amounts of intangible assets - 2023	Patents and Trademarks	Goodwill	Total
	\$	\$	\$
Balance at 1 July 2022	15,721	3,447,006	3,462,727
Disposals	(11,802)	-	(11,802)
Amortisation expense	(2,580)	-	(2,580)
Foreign exchange movements	101	-	101
Balance at 30 June 2023	1,440	3,447,006	3,448,446

Movements in carrying amounts of intangible assets - 2022	Patents and Trademarks	Goodwill	Total
	\$	\$	\$
Balance at 1 July 2021	1,425,322	-	1,425,322
Additions	14,955	3,447,006	3,461,961
Amortisation expense	(10,072)	-	(10,072)
Impairment expense	(1,266,184)	-	(1,266,184)
Foreign exchange movements	(148,300)	-	(148,300)
Balance at 30 June 2022	15,721	3,447,006	3,462,727

Patents and Trademarks

Patents and trademarks have finite useful lives (20 years). As part of cost saving measures, scientific research activities conducted by Advangen Japan were discontinued in F22.

Goodwill

Goodwill relates to Anagenics' acquisition of BLC Cosmetics Pty Limited in October 2021. The group regularly tests whether goodwill has any indications of impairment on an annual basis. For the current reporting period, the recoverable amount of the cash-generating unit (being BLC) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts and industry standards in which BLC operates.

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17. INTANGIBLES (CONTINUED)

The following table sets out the key assumptions for BLC to which goodwill is allocated:

	2023	2022
Sales volume (% annual growth rate)	9.9%	4.0%
Sales price (% annual growth rate)	9.9%	4.0%
Budgeted gross margin (%)	53%	48%
Other operating costs (% revenue)	46%	38%
Annual capital expenditure	\$87,500	\$150,000
Long term growth rate (%)	2.5%	2.5%
Pre-tax discount rate (%)	12.5%	10.5%

Management has determined the values assigned to each of the above key assumptions as follows –

Assumption	Approach
Sales volumes	Average annual historic growth rate over the five-year forecast period. Also taking into account new brand acquisitions and other specific market and business developments.
Sales price	Average annual historic growth rate over five-year forecast period based on current industry trends and long term inflation expectations.
Gross margin	Based on past performance and management expectations for the future.
Other operating costs	Includes fixed and variable costs calculated as a historical percentage of revenue.
Annual capital expenditure	Expected minimum cash outlay to maintain and grow existing business.
Long term growth rate	A weighted average sustainable growth rate used to extrapolate cashflow annuity beyond the budget period.
Pre-tax discount rate	Weighted average cost of capital (WACC) under CAPM model.

The recoverable amount of this CGU would equal its carrying value if the key assumptions were to change as follows –

	From	To
Sales price and volume (% annual growth rate)	19.8%	4.0%
Budgeted gross margin (%)	53%	45%
Long term growth rate (%)	2.5%	-1.5%
Pre-tax discount rate (%)	12.5%	15.0%

18. CONTINGENT CONSIDERATION RECEIVABLE

Total assets included a contingent consideration receivable of \$626,090 (2022: \$nil) being deferred consideration owing to Anagenics Limited on the disposal of Advangen Japan in July 2022. At balance date, \$48,145 is receivable in the next 12 months (current portion) and remaining balance of \$579,945 (non-current portion) by 2037. For further detail refer also to Note 7: "Business Combinations".

This instrument was measured at fair value based on judgements and estimates made by the Group. Under AASB 13 Fair Value Measurement, given that one or more of the significant inputs is not based on observable market data this instrument has been classified under "level 3" of the fair value hierarchy.

Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
<ul style="list-style-type: none"> Expected cash inflows 	Yrs 1 – 3: 10% of net profit (before tax) Yrs 4 – 15: 3% of net revenue Yrs 1 – 15: JPY 5m p.a – min. payment	If the annual compounded sales growth from year 1 (after disposal) was 5% p.a it would increase FV by \$798K (assuming minimum payments of JPY 5m in years 1 to 3, inclusive).
<ul style="list-style-type: none"> Risk adjusted discount rate 	5.22%	A change in the discount rate by 100 bps would increase/decrease the FV by approx. \$35K.
<ul style="list-style-type: none"> Foreign exchange rate (AUD/JPY) 	A\$1=JPY85	A change in the foreign exchange rate by 10% would increase/decrease the FV by approx. \$57K.

19. TRADE AND OTHER PAYABLES

	2023	2022
	\$	\$
Trade payables	724,101	502,713
Deferred revenue	176,153	-
Other payables	330,159	789,180
	1,230,413	1,291,893

Trade payables are amounts owing primarily for the purchase of inventory from local and overseas suppliers. These are transacted under typical commercial conditions with credit terms up to 60 days from invoice.

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20. LOANS AND BORROWINGS

	2023	2022
	\$	\$
Current	-	562,048
Non-current	-	767,547
	-	1,329,595

Loans and borrowings in the prior year related to Advangen Inc (Japan), discontinued operations (refer Note 7).

21. LEASE LIABILITIES

	2023	2022
	\$	\$
Current	194,360	340,614
Non-current	459,971	86,899
	654,331	427,513
Interest expense related to lease liabilities in the period	24,195	24,708

The Group has leases for office premises in Australia. Each lease is accounted for on the consolidated statement of financial position as a right-of-use asset and a lease liability. A lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a termination fee which is usually repayment of the remaining lease term.

In accordance with individual lease contracts, the Group must maintain leased properties in a good state of repair and return them in their original condition at the end of the lease. It requires items of property, plant and equipment held thereon are fully insured. Leases agreements include minimum annual rent increases which are based on market review; the prevailing inflation rate, and upon anniversary, provide an option to renew the lease term.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at balance date were as follows:

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21. LEASE LIABILITIES (CONTINUED)

	Minimum lease payments due			
	Within 1 year	1 - 2 years	2- 5 years	Total
2023				
Lease payments	218,555	200,008	288,480	707,043
Finance charges	(24,195)	(17,981)	(10,536)	(52,712)
	194,360	182,027	277,944	654,331

	Minimum lease payments due			
	Within 1 year	1 - 2 years	2- 5 years	Total
2022				
Lease payments	360,879	91,342	-	452,221
Finance charges	(20,265)	(4,443)	-	(24,708)
	340,614	86,899	-	427,513

22. PROVISIONS

	2023	2022
	\$	\$
Current		
Employee entitlements	203,748	223,291
Sale returns	84,774	140,487
	288,522	363,778
Non-current		
Employee entitlements	38,527	37,125
Make-good provision	4,896	85,240
	43,423	122,365

Employee entitlements

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount is presented as current, since the Group does not have an unconditional right to defer settlement.

Sales-returns

The Group has continued to maintain an allowance for potential product returns on sales to made in the wholesale pharmacy channel in prior periods. The reduction in the provision in the year is a reversal and was recognised as a benefit in the profit and loss in the current year.

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22. PROVISIONS

Make-good

Provision for make-good relates to leased commercial property and obligations thereon under the terms of the lease on expiry.

	2023	2022
	\$	\$
Opening balance	85,240	84,242
Disposal arising from sale of business	(30,832)	-
(Reversal) / addition	(50,000)	4,658
Foreign exchange movements	488	(3,660)
Closing balance	4,896	85,240

23. ISSUED CAPITAL

Ordinary shares	Issue price	2023	2022	2023	2022
	\$	No.	No.	\$	\$
At the beginning of the year		221,021,303	187,430,560	62,435,064	60,280,064
Shares issue costs				(271,426)	
Shares issued – January 2021	0.11			8,750	105,000
Shares issued – November 2021	0.06		32,786,885		2,000,000
Shares issued – January 2022	0.06		803,858		50,000
Shares issued – December 2022	0.03	245,098		8,333	
Shares issued – February 2023	0.02	27,948,803		615,520	
Shares issued – March 2023	0.02	116,404,761		2,560,904	
At the end of the year		365,619,965	221,021,303	65,357,145	62,435,064

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a count at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The Company does not have a limited amount of authorised capital and the fully paid ordinary shares have no par value.

In March 2023, the Group successfully completed an equity raise from existing shareholders under an accelerated non renounceable pro rata entitlement offer ("ANREO") - 1 new share for 1.3748 shares held at 2.2 cents per share. The share offer was fully underwritten by HNG and sub underwritten by H&G High Conviction Limited (a party related to HNG). Total proceeds received were \$3,176,424 (144,353,564 shares) before transactions costs of \$271,426, part of which was used to settle the deferred consideration liability owing to HNG (\$1,055,479) in the period. The remaining funds have been allocated towards supporting the Group's working capital requirements and for new potential business acquisitions / mergers, targeted to be completed by the Group in the near term.

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23. ISSUED CAPITAL (CONTINUED)

In December 2022, 245,098 (2022: 803,858) \$8,333 (2022: \$50,000) shares were issued to Mr Dennis Eck (former Non executive Director) being Director fees in lieu of cash.

In November 2021, 32,786,885 (\$2,000,000) ordinary fully paid shares were issued to HNG as part of the total consideration paid (tranche 1) to HNG for acquiring BLC in the year.

Originally in January 2021, 1,500,000 shares were issued in lieu of consulting fees. Under AASB 2 share-based payments the expense in relation to this benefit is recognised over the period of the service.

For information relating to the Anagenics Limited and controlled entities employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 31 "Share-based payments".

Options	2023	2022
	No.	No.
At the beginning of the year	38,256,668	42,056,668
Options lapsed – September 2021	-	(1,000,000)
Options lapsed – October 2021	-	(200,000)
Options lapsed – May 2022	-	(1,000,000)
Options lapsed – November 2024	-	(1,400,000)
Options lapsed – July 2024	-	(200,000)
Options lapsed – February 2023	(254,400)	-
Options lapsed – April 2023	(32,367,268)	-
At the end of the year	5,635,000	38,256,668

During the year ended 30 June 2023, 32,621,668 (2022: 2,400,000) options expired and were cancelled.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide superior returns for shareholders and maintain an optimum capital structure with a low cost of capital. It continues to actively pursue growth through business merger and acquisition strategy as it seeks to scale and drive efficiencies needed to ultimately achieve profitability in the near term.

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24. RESERVES

Share-based payments reserve	2023	2022
	\$	\$
At the beginning of the year	267,761	696,620
Reclassification to accumulated losses	-	(497,167)
Share-based payments expense	1,456	68,308
At the end of the year	269,217	267,761

The reclassification from the share-based payment reserve in the prior year represents the accumulated value of equity based compensation previously recorded as expense in the profit and loss in current and prior years. This movement of reserves to accumulated losses relates to unlisted options that were provided to former service providers (including past employees) which have either expired or were forfeited on or before 30 June 2023.

Foreign currency translation reserve	2023	2022
	\$	\$
At the beginning of the year	(511,837)	235,155
Reclassification adjustment of foreign currency translation reserve	457,425	(27,687)
Foreign exchange movements	(107,978)	(719,305)
At the end of the year	(162,390)	(511,837)

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income foreign currency translation reserve. The cumulative amount is reclassified to the statement of financial performance when a foreign controlled entity is disposed.

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25. CASH FLOW INFORMATION

	2023	2022
	\$	\$
Reconciliation of loss after income tax to net cash used in operating activities		
Loss after income tax for the year	(2,667,150)	(3,648,787)
Adjustments for:		
- depreciation and amortisation	359,825	495,486
- impairment of plant and equipment	-	9,452
- impairment of intangible assets	-	1,266,184
- loss on sale of subsidiary	895,206	-
- equity based payments	18,539	223,309
- bad and doubtful debts	80,509	42,344
- interest expense	22,208	69,860
- gain on deferred consideration liability	(44,521)	(1,000,000)
- foreign exchange movements	(104,277)	(355,707)
Changes in operating assets and liabilities		
- (increase) / decrease in trade and other receivables	(52,689)	1,322,477
- (increase) / decrease in prepayments	(305,268)	68,968
- decrease in inventories	42,132	280,029
- decrease in trade and other payables	(182,850)	(1,074,496)
- increase / (decrease) in provisions	179,422	(224,715)
Net cash used in operating activities	(1,758,914)	(2,525,596)

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25. CASH FLOW INFORMATION (CONTINUED)

Changes in liabilities arising from financing activities:

	Loans & Borrowings	Lease Liability	Contingent Consideration Liability	Total
	\$	\$	\$	\$
Balance at 30 June 2021	939,416	494,426	-	1,433,842
Additions	-	256,128	3,100,000	3,356,128
Net cash used in financing activities	(559,825)	(321,744)	(1,000,000)	(1,881,569)
Net cash provided by financing activities	978,626	-	-	978,626
Fair value adjustment	-	-	(1,000,000)	(1,000,000)
Movements in foreign exchange	(28,622)	(1,297)	-	(29,919)
Balance at 30 June 2022	1,329,595	427,513	1,100,000	2,857,108
Net cash used in financing activities	(20,338)	(322,455)	(1,055,479)	(1,398,272)
Disposal from discontinued operations	(1,320,356)	(9,467)	-	(1,329,823)
Additions	-	562,340	-	562,340
Fair value adjustment	-	-	(44,521)	(44,521)
Movements in foreign exchange	11,099	(3,600)	-	7,499
Balance at 30 June 2023	-	654,331	-	654,331

26. EVENTS AFTER THE REPORTING PERIOD

On 22 August 2023 the Group announced its intention to acquire the Australian professional skincare and beauty retailer - Face MediGroup (FMG). This transaction, being a business asset purchase, is expected to be completed in the beginning of September 2023 (subject to certain conditional precedents being fulfilled pursuant signed contract of sale). As part of this purchase FMG's original co-founders, Matthew and Sarah Perry, will also officially join BLC Cosmetics in a senior executive capacity working with Anagenics on the merger and integration of the two businesses and pursuing profitability growth.

The consideration payable by Anagenics to acquire FMG is \$750,000, of which \$250,000 will be payable in ordinary shares (escrowed for 12 months). The cash component will be settled by 31 March 2024 and will be funded from existing cash reserves.

For more specific information and other details on this business acquisition refer also to Anagenics ASX investor announcement - "Acquisition of Facemedi Group" (22 August 2023).

27. RELATED PARTY TRANSACTIONS

The Group's related parties are as follows:

Parent entity

Anagenics Limited is the ultimate parent entity.

Subsidiaries

For details of disclosures relating to subsidiaries, refer to Note 29. Transactions and balances between subsidiaries and the Company have been eliminated on consolidation of the Group.

Directors and Key Management Personnel

Certain directors have been issued with ordinary shares in lieu of cash payment in relation to director services (fees). For more details on these and other equity issues relating to payments made to key management personnel, refer to Note 8 "Key Management Personnel Disclosures" and the remuneration report forming part of the directors' report.

Transactions with related parties

In July 2022, the Group completed the sale its wholly owned Japanese subsidiary (Advangen Inc) to TK Holdings LLC under a management buy-out arrangement. The directors of TK Holdings LLC were also former directors of Advangen Inc and included as KMP of Anagenics Limited in prior years. For more details on this transaction refer Note 7 - Business Combinations.

In March 2023, the Group successfully completed an equity raise from existing shareholders under an accelerated non renounceable pro rata entitlement offer ("ANREO") - 1 new share for 1.3748 shares held at 2.2 cents per share. The share offer was fully underwritten by HNG (largest individual shareholder of Anagenics Limited) and sub underwritten by H&G High Conviction Limited (a party related to HNG).

In the year Anagenics had also incurred Director fees from HNG totalling \$33,332 (2022: \$30,000) in relation to director services rendered by Sandy Beard (Chair) and Philip Christopher (Non-executive Director).

28. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a number of financial risks as described below. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. The fair value of financial assets and liabilities equate to the carrying value as reported and is typically at historical cost.

(a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'AA-' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or region.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the consolidated statement of financial position.

Trade and other receivables that are neither past due nor impaired are considered to be generally of high credit quality.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)*Trade receivables and other current assets*

These financial assets are initially recorded at historical cost. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are primarily based on the payment profile for recent historic sales and the respective credit losses occurring during the corresponding period. The loss rates are also adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amounts outstanding. The Group has identified specific industry trends and general economic performance for those countries in which the customers are domiciled to be the most relevant factors when estimating credit loss rates.

The historical rates reflect the type of customers for which balances remain outstanding (e.g. wholesalers), their specific circumstances and the current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. In so doing, the Group has considered any recent changes in interest rates, inflation, and gross domestic product (GDP) as the most relevant factors. Where necessary historical loss rates have also been adjusted to reflect the expected impact arising from the changes in the underlying trading conditions.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Deferred consideration receivable

This instrument was measured at fair value in accordance with AASB 13 Fair Value Measurement. Refer Note 18 – "Contingent Consideration Receivable" for more detail on this particular asset and the underlying valuation assumptions thereon.

(b) Liquidity risk

Financial liabilities consist primarily of trade and other payables for which the contractual maturity dates are within 6 months of the reporting date. The amounts are recorded at historical nominal cost.

In the prior year, the Group recorded a contingent consideration payable to HNG in connection with the acquisition of BLC Cosmetics. This liability was carried at fair value and settled in full during the year resulting in a final fair value gain of \$44,521 in the profit and loss (2022: \$1,000,000).

The Group manages liquidity risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities.
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

(c) Market risk*Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows fluctuating due to movement in foreign exchange rates of currencies. Particularly where the Group holds financial instruments denominated in foreign currency.

With the disposal of Advangen Inc (Japan) in July 2022, the remaining material exposure to foreign exchange risk is primarily the fluctuation in exchange rates on the USD denominated bank account and related party loans.

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at the end of the financial year. The analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At the end of the financial year, the effect on loss and equity arising from changes in the foreign exchange rate with all other variables remaining constant would be as follows:

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Loss	Equity
	\$	\$
Year ended 30 June 2023 +/- 5% in foreign exchange rates	+/- 8,331	+/- 20,233
Year ended 30 June 2022 +/- 5% in foreign exchange rates	+/-37,625	+/-96,762

Interest rate risk

Subsequent to the disposal of Advangen Inc (Japan) in July 2022, the Group no longer has any material exposure to interest rate risk relating to loans and borrowings from banks or other financial institutions. These liabilities were previously recorded at historical cost.

29. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Country of Incorporation	Owned (%) 2023	Owned (%) 2022
Subsidiaries of Anagenics Limited:			
Advangen Pty Ltd	Australia	100	100
Kinera Pty Ltd	Australia	100	100
BLC Cosmetics Pty Limited	Australia	100	100
Subsidiaries of BLC Cosmetics Pty Limited:			
BLC Cosmetics (NZ) Limited	New Zealand	100	100
Subsidiaries of Advangen Pty Limited:			
Advangen International Pty Ltd	Australia	100	100
Advangen LLC	USA	100	100
Advangen Incorporated (1)	Japan	-	100

(1) Refer Note 7 – “Business Combinations”

30. CONTINGENT LIABILITIES

The Group has provided bank guarantees as at 30 June 2023 of \$137,140 (2022: \$136,922) relating to the lease of commercial office space.

31. SHARE-BASED PAYMENTS

Employee share option scheme

In November 2018 shareholders approved Anagenics' Employee Incentive Plan ("Plan") which outlined the terms and conditions on how employees may be incentivised by the issuing of shares or options. The Board resolved in June 2019 to issue a series of unvested and unlisted options to executives under the approved Plan.

Under the Plan, participants are granted options which only vest if certain performance conditions are met. The terms and conditions contain short and long term targets (KPI's) which may vary by employee depending on their function and level of responsibility.

The common KPI's under the Plan are summarised as follows

- Achieving strategic business objectives designed to ultimately grow total revenue in both Australia and abroad
- Achieving operational profitability for the consumer health business
- Identifying cost efficiencies needed to deliver savings and improve profit margins
- Contribute to new product development initiatives.
- Contribute to achieving success of branding and marketing of key products
- Managing resources and teams efficiently to ensure that best outcomes are secured
- Acting as an effective team member by demonstrating leadership, building and contributing to a results oriented collaborative team culture.

Vested options, as approved by the Board, will ultimately allow the employee to exercise them by purchasing the equivalent number of ordinary shares in Anagenics Limited. Set out below is a summary of instruments relating to share based payments:

2023

Options granted to employees and other service providers

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Expired / Forfeited	Balance at end of the year	Vested at end of year
February 2020	February 2023	0.5	254,400	-	-	(254,400)	-	-
July 2019	July 2024	0.23	2,935,000	-	-	-	2,935,000	2,735,000
November 2019	November 2024	0.24	1,700,000	-	-	-	1,700,000	1,700,000
February 2020	February 2025	0.2	200,000	-	-	-	200,000	-
June 2020	March 2025	0.27	500,000	-	-	-	500,000	-
June 2020	March 2025	0.23	300,000	-	-	-	300,000	-
			5,889,400	-	-	(254,400)	5,635,000	4,435,000

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31. SHARE-BASED PAYMENTS (CONTINUED)

The weighted average exercise price of share based options outstanding at the end of the financial year was \$0.24 (2022: \$0.25). The weighted average remaining contractual life of the options outstanding at the end of the financial year was 1.2 years (2022: 2.2 years). There were no new options granted during the financial year (2022: nil).

Non-cash financing activities include ordinary shares issued in lieu of director fees to former Executive Director - Dennis Eck to the value of \$8,333 (2022: \$50,000) and to a contractor for consulting services of \$8,750 (2022: \$105,000).

Performance rights

Grant Date	Balance at start of the year	Granted	Exercised	Expired / Forfeited	Balance at end of the year	Vested at end of year
December 2022	-	5,000,000	-	-	5,000,000	-
December 2022	-	5,000,000	-	-	5,000,000	-
	-	10,000,000	-	-	10,000,000	-

Scott Greasley, Managing Director / CEO, was issued with 10,000,000 rights to ordinary shares on appointment to the Board on 8 July 2022. Under the terms of his employment agreement, these rights are convertible to ordinary shares upon achieving specific EBITDA and share price performance milestones whilst being employed with Anagenics Limited. Total value of share based compensation recognised as an expense in the period in relation to these instruments was \$1,259.

The key vesting conditions on the variable consideration is dependent on achieving the following financial targets and market conditions by 30 June 2024.

- Performance shares (tranche 1) – Being 5 million ordinary shares upon achievement of consolidated EBITDA breakeven (\$nil) for the 12 months ending 30 June 2023, and a 3 month VWAP share price of no less than \$0.06 whilst remaining in the employ of Anagenics Limited at 30 June 2023;
- Performance shares (tranche 2) – Being an additional 5 million ordinary shares upon achievement of consolidated EBITDA of \$1M for the 12 months ending 30 June 2024, and 3 month VWAP share price of no less than \$0.10 whilst remaining in the employ of Anagenics Limited at 30 June 2024.

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31. SHARE-BASED PAYMENTS (CONTINUED)**2022 – Options granted to employees and other service providers**

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Expired / Forfeited	Balance at end of the year	Vested at end of year
September 2018	September 2021	0.8	1,000,000	-	-	(1,000,000)	-	-
October 2018	October 2021	0.8	200,000	-	-	(200,000)	-	-
May 2020	May 2022	0.3	1,000,000	-	-	(1,000,000)	-	-
February 2020	February 2023	0.5	254,400	-	-	-	254,400	254,400
July 2019	July 2024	0.23	3,135,000	-	-	(200,000)	2,935,000	2,735,000
November 2019	November 2024	0.24	3,100,000	-	-	(1,400,000)	1,700,000	1,700,000
February 2020	February 2025	0.2	200,000	-	-	-	200,000	-
June 2020	March 2025	0.27	500,000	-	-	-	500,000	-
June 2020	March 2025	0.23	300,000	-	-	-	300,000	-
			9,689,400	-	-	(3,800,000)	5,889,400	4,689,400

Expense recognised from share-based payment transactions

The expense in relation to the share-based payment transactions was recognised within profit or loss as follows:

	2023	2022
	\$	\$
Equity granted to employees under an employee share arrangement	1,456	48,956
Equity granted to other service providers	-	19,352
	1,456	68,308

Options granted to other service providers in the prior year pertain to underwriting costs on new shares issued.

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32. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent, Anagenics Limited, and has been prepared on the same basis as the consolidated financial statements. Investments in subsidiaries and intercompany loans are accounted for at cost, less any impairment estimates, in the financial statements of the parent entity:

	2023	2022
	\$	\$
Statement of Financial Position		
ASSETS		
Current assets	2,097,760	1,992,970
Non-current assets	7,072,167	6,398,333
Total Assets	9,169,927	8,391,303
LIABILITIES		
Current liabilities	400,065	1,588,195
Non-current liabilities	369,120	80,545
Total Liabilities	769,185	1,668,740
NET ASSETS	8,400,742	6,722,563
EQUITY		
Issued capital	65,357,145	62,435,064
Accumulated losses	(57,225,620)	(55,980,262)
Share based payments reserve	269,217	267,761
Total Equity	8,400,742	6,722,563
Statement of Financial Performance and Other Comprehensive Income		
Loss of the parent entity	(1,245,358)	(2,139,100)
Total comprehensive loss	(1,245,358)	(2,139,100)

Contingent liabilities and commitments of the parent entity

The parent entity has provided bank guarantees in relation to a commercial office lease (refer: Note 30 "Contingent Liabilities"). It did not have any other material contingent liabilities or commitments as 30 June 2023.

Determining the parent entity financial information

The financial information of the parent entity has been prepared on the same basis of the consolidated financial statements except for investments in subsidiaries. These are accounted for at cost in the financial statements of the parent entity. Dividends received from subsidiaries are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 19 to 67, are in accordance with the *Corporations Act 2001* and:
 - i. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - ii. give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the Group;
2. in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3. the Directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of the Board of Directors made pursuant to Section 295 (5) of the *Corporations Act 2001*.



Director:
Alexander (Sandy) Beard

Dated: 15th September 2023

Pitcher Partners Sydney Partnership

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**Auditor's Independence Declaration
To the Directors of Anagenics Limited
ABN 69 111 304 119**

I declare to the best of my knowledge and belief, during the year ended 30 June 2023 there have been no contraventions of:

- i. The auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. APES 110 *Code of Ethics for Professional Accountants (including independence Standards)*.

This declaration is in respect of Anagenics Limited and the entities it controlled during the year.



S S Wallace
Partner

Pitcher Partners
Sydney

15 September 2023

Pitcher Partners Sydney Partnership

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

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e. sydneypartners@pitcher.com.au

**Anagenics Limited
ABN 69 111 304 119**

**Independent Auditor's Report
to the Members of Anagenics Limited****Report on the Audit of the Financial Report****Opinion**

We have audited the financial report of Anagenics Limited ("the Company") and its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of financial performance and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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 auditor independence requirements of 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.

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 opinion.

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.

**Independent Auditor's Report
 to the Members of Anagenics Limited**

Key Audit Matter	How our audit addressed the key audit matter
<p>Critical Accounting Estimates and Judgements – Cashflow Projections <i>Refer to Note 1 in the Notes to the Financial Statements</i></p>	
<p>The critical accounting estimates and judgements of the Group includes assumptions and estimates of cashflow projections.</p> <p>The key assumptions and estimates made by Management in the cashflow projections for the Group include but are not limited to, considering conditions specific to the Group including estimated growth in sales of existing and new distribution channels, the timing of cashflows estimating expenses by provisioning for price and volume changes consistent with the forecasted revenue volumes as well as the costs (or savings thereon) associated with the implementation of new business strategies designed to drive revenue growth as projected.</p> <p>For this reason, we consider Critical Accounting Estimates and Judgements, - Cashflow Projections, to be a Key Audit Matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ○ Understanding and evaluating the design and implementation of management's controls over the critical accounting estimates and judgements; ○ Challenging the key estimates and judgements used in the cashflow projections approved by the Directors; ○ Checking the mathematical accuracy of the cashflow projections; ○ Applying sensitivities to Management's cash flow projections to determine the extent of changes necessary to result in the Group not having sufficient resources to meet its forecast liabilities as they fall due for a period of 12 months from the date the financial report is signed; ○ Reviewing subsequent events to determine the impact on future financial position; and ○ Assessing the adequacy of related financial statement disclosures.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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.

Independent Auditor's Report to the Members of Anagenics Limited

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 Group's ability 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 have 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report to the Members of Anagenics Limited

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

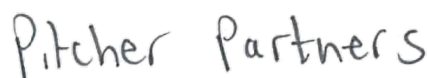
We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Anagenics Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

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.



S S Wallace
Partner



Pitcher Partners
Sydney

15 September 2023

ANAGENICS LIMITED

ABN 69 111 304 119

Company Details

The registered office of the company is:

Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

The principal places of business are:

Anagenics Pty Limited

Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen International Pty Limited

Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

BLC Cosmetics Pty Ltd

Unit 4, 17 Stanton Street
Seven Hills NSW 2147

Kinera Pty Limited

Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen LLC

5151 Belt Line Rd., Suite 360
Dallas
Texas 75254

Board of Directors

Non-Executive Chairman

Mr Alexander (Sandy) Beard

Chief Executive Officer / Managing Director

Mr Scott Greasley

Non-Executive Directors

Dr Martin Cross

Ms Karen Matthews

Mr Phillip Christopher

Chief Financial Officer

Mr Matthew Dudek

Company Secretary

Mr Lee Tamplin

Auditors, Solicitors and Patent Attorney

Auditors

Pitcher Partners
Level 16, Tower 2 Darling Park
201 Sussex Street Sydney NSW 2000

Solicitors

Talbot Sayer
Level 27, Riverside Centre
GPO Box 799, Brisbane QLD 4001

Patent Attorney

FB Rice & Co
Level 23, 44 Market Street
Sydney NSW 2000 Australia

Share Registry

Automic Pty Limited
Level 5, 126 Phillip Street
Sydney NSW 2000, Australia