TOTALFACE GROUP

ANNUAL REPORT 2018

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About Total Face Group Limited

TFG is Australia's largest group of premium cosmetic clinics offering Cosmetic Injectable treatments, Skin Solutions and CoolSculpting® body fat reduction treatments. With medical clinics across Melbourne, Sydney, Queensland and the ACT, Total Face Group provides an honest, consistent and highly professional medical approach to facial rejuvenation and body sculpting treatments.

Our clinics have been providing clinical excellence for 27 years to men and women in Australia. It is our commitment to education, safety and product choice, which places us as a leading and trusted national provider of cosmetic treatments.

CHAIRMAN's REPORT

Dear fellow shareholders,

The Company has had an extremely disruptive year on the back of a Strategic Review Process that commenced in August 2017 and the financial results presented in this Annual Report, in part, reflect a difficult trading year for Total Face Group.

The review was undertaken by Ernst and Young Transaction Advisory Services (EYTAS) following the receipt of a number of informal and inconclusive approaches from private equity firms and other groups who had expressed interest in a range of commercial and restructuring options.

A summary of the EYTAS review's findings were:

- highlighted the significant organic growth opportunities within the existing clinic footprint;
- validated the robustness of the Company's operating model around the key inputs of cost of supplies, labour and infrastructure;
- confirmed the Company's view that its trading results, both top line and bottom line, will continue to strengthen as treating clinical staff utilization increases;
- further confirmed that the Company has enough clinic infrastructure to accommodate the significant organic growth opportunities with very little need for further investment for organic growth; and
- validated the Company's buy-build strategy.

However, a key finding was that the Company would be unable to execute is business plan without access to further capital which, given the Company's trading results, was difficult to achieve. In light of this, the Company formally appointed EYTAS to undertake a process that led to Vita Group Limited (ASX:VTG) acquiring one the Company's Queensland clinics during the financial year.

In parallel, the Company implemented a program of restructuring a number of key operational and clinic management roles including also non-clinic corporate operating costs that did not have an immediate positive impact on revenue generation. This program resulted in a number of regrettable staff redundancy and termination costs across the financial year.

Against the backdrop of the significant disruption of having multiple parties reviewing the Company's operations, including numerous clinic visits and staff interviews, the revenue result for the year of $18.3m was commendable, demonstrating the robustness of the business and the non-invasive cosmetic industry more broadly.

Obviously the overall trading result for the financial year again fell well short of what the Company was forecasting. CoolSculpting continued to weigh heavily on the Company's results with the expected market support post Allergan's successful acquisition of the technology from Zeltiq® Aesthetics Inc not eventuating, leaving the Company with the total burden of market awareness campaigns.

Looking forward, in the later months of the Financial Year the Company worked on a plan for the future that will, if successful, see a large portion of the clinic network retained and the introduction of new revenue streams into mainstream retail. Further details of the plan for the future will be provided via the normal ASX announcement process and Shareholder approval sought where necessary.

I would like to take this opportunity to acknowledge the fact that the Company has been suspended from ASX trading since early 2018 and the frustration and uncertainty this has caused to our people and our Shareholders.

I am confident that with the continued support of our Shareholders that the road ahead for the Company is a much brighter one and one where we can build Shareholder value.

Thank you

Paul Fielding

Chairman

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Total Face Group Ltd ("TFG" or "the Company") are responsible for ensuring the existence of an effective governance environment to safeguard the interests of the Company, its shareholders and other stakeholders. The Board guides and monitors the business on behalf of the shareholders to whom they are accountable.

The Corporate Governance Statement outlines the extent to which the Company's corporate governance policies and practices are consistent with the 'Corporate Governance Principles and Recommendations' published by the ASX Corporate Governance Council ("Recommendations").

The Board considers that it generally complies with these principles and recommendations and, where the Company does not comply, this is due to the current relative size of the Company, scale and nature of its current operations and the past 12 months.

1 Principle 1: Lay solid foundations for management and oversight

1.1 The role of the Board and Management

The Board adopted a Charter in November 2015 to establish an overall framework for the corporate governance and control of the Company.

The Board's role is to provide strategic guidance and effective oversight of management. It is ultimately accountable to shareholders for the management and direction of management and of the business of the Company.

The Board may establish committees from time to time as it determines to assist it in carrying out its responsibilities under a separate charter setting out its role, responsibilities, authority, powers and composition.

The Board Charter can be found at *http://totalfacegroup.com.au/investor-centre*

1.2 Appointment and re-election of Board members

Prior to appointing a new director, appropriate checks are conducted to ensure that the candidate brings a diverse range of experience, expertise, skills and independence relevant to the Company and its business.

At the Company's Annual General Meeting (AGM) the appointment of Ms Lynda Adler was ratified by shareholders.

The Board felt the appointment of Ms Lynda Adler, an experienced Non-Executive Director, brings a level of analytic oversight to decisions effecting the Company and the industry.

The appointment process included the Board's consideration of interests & related parties to assess independence.

1.3 Written agreements

The Company has written agreements with each director and senior executive setting out the terms of their appointment. A summary of the main elements and terms of the agreement is provided in the Remuneration Report section in the Annual Report.

1.4 Company secretary

The Company Secretary is accountable to the Board, through the Chairman, for the Company's compliance in respect of all corporate governance matters, communications and lodgements with regulators and the administration of the Board and Committee meetings.

1.5 Diversity

The Board has adopted a Diversity Policy that drives commitment to the recognition and promotion of diversity in the workplace. The Company believes that pro-actively embracing diversity among its workforce helps it provide a workplace with greater employee satisfaction levels, enabling it to attract and retain quality people within the organisation, to better understand the market in which it operates, and to assist in achieving its corporate objectives.

The Company's Diversity Policy can be found at *http://totalfacegroup.com.au/investor-centre*

The Board's Remuneration and Nomination Committee is responsible for implementing the Diversity Policy, setting the Company's measureable objectives and benchmarks for achieving diversity.

With female's representing 80% of our clients, it is appropriate that our clinical team is heavily female weighted.

Current gender diversity	Female	Male
Board of Directors	-	100%
Non-executive Directors	-	100%
Executive KMP	100%	
Company	90%	10%

The Company has developed the following diversity objectives:

- offer flexible work arrangements,
- undertake programs regarding unconscious bias for operations managers,
- provide employees and contractors with education and policies around bullying and workplace harassment,
- mentoring, sponsorship and leadership programs to targeted, well performing staff
- develop a recruitment policy designed to provide a selection of candidates from a diverse cultures, demographics etc.

Actions required to implement these objectives have been communicated by the Executive Directors to Key Management Personnel and operational managers.

1.6 Board evaluation

The Board will review its processes and its performance annually to satisfy itself that it is performing to maximum efficiency and that there has been no exposure of Board members to any legal liability (such as negligence).

In June 2017, the Board completed a self assessment with each Director completing an Evaluation Questionnaire. The Boards consideration of these results together with the financial results of the business lead to the Boards decision to undertake a Strategic Review in the financial year ended 30 June 2018.

The Company's Board Performance Evaluation Policy can be found at *http://totalfacegroup.com.au/investor-centre*

1.7 Performance evaluation of senior executives

As discussed in the Remuneration Report, key performance indicators (KPI's) for the CEO and key executives have been developed to generally include measures relating to the group, the relevant business unit and the individual. KPI's include financial measures, people, client, strategy, risks and growth measures relevant to the position.

Principle 2: Structure the Board to add value

2.1 Nominations Committee

The Board has a Remuneration & Nomination Committee. During the year, the members of the Committee were:

Dr Naveen Somia (Chair)
Paul Fielding
Ms Lynda Adler (until June 2018)

The Committee Charter can be found at *http://totalfacegroup.com.au/investor-centre*

The Committee Charter requires two Remuneration & Nomination Committee meetings per year. Due to the size of the Board and financial results of the Company, the Remuneration & Nomination Committee did not meet in isolation to the Board of Directors meetings during the 2018 financial year.

2.2 Board Skills Matrix

The Company has a "board skills matrix" setting out the mix of skills and diversity that the Directors possess and helps identify those skills that the Board aims to strengthen in its membership.

Experience & Skills	PF	JH	NS	LA	KP
Industry Expertise		●	●		
Strategy & planning	●	●	●	●	●
Mergers & acquisition	●				●
Corporate Governance	●	●		●	●
Accounting & Finance	●				●
Risk Management	●	●	●	●	●
Leadership, people & talent	●	●	●	●	
Sales & marketing	●	●	●		

2.3 Size & composition of the Board

The Board of Directors of the Company comprised of:

Name	Role	Length of Service
Paul Fielding	Executive Chairman	Since April 2014
Joanne Hannah	CEO and Executive Director	May 2015 to May 2018
Dr Naveen Somia	Non- Executive (Independent) Director	Since October 2016
Lynda Adler	Non- Executive (Independent) Director	May 2017 to June 2018
Ken Poutakidis	Non- Executive (Independent) Director	27 August 2018

The Board considers that Dr Somia is an independent director, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Director's judgement and is able to fulfil the role of an independent director.

The Constitution of the Company requires a minimum of 3 Directors. Following Ken Poutakidis' appointment on 27 August 2018, the quantum of Directors returned to the required minimum. The Board will seek a further 2 Directors to strengthen compliance and composition.

At each meeting of Directors of the Company, the Directors are requested to declare any conflicts of interest that may have arisen since the previous meeting or that may conflict with any items for discussion on the meeting's agenda. The Board confirms that in its view, the independent Directors met the criterion during the year of being independent of management and free from outside influences which could materially interfere with the independence and objective judgement of the Director.

The qualifications and experience of Board members are provided in the Directors Report.

2.4 Independent Directors

Full compliance with this ASX recommendation (requiring a majority of independent Directors) has not been met. For the majority of the year there was equal representation of Executive & Non Executive Directors on the Board. For a period of two months between the resignation of Joanne Hannah (1 May 2018) and Lynda Adler (28 June 2018) there was a majority of independent Directors.

Currently there is a majority of independent Directors following Ken Poutakidis'appointment. The Company plans to expand the Board of Directors to ensure compliance with the Company Constitution, maintain skill, experience and independence.

2.5 Independent Chairman

Full compliance with this ASX recommendation has not been met. While the Chairman is not the CEO, he is not considered independent. The Board acknowledges the ASX Recommendation and seeks to appoint an Independent Chairman when a suitable candidate, who can contribute more than independence, presents him/herself.

2.6 Induction Program

The Company has a program for inducting new Directors by providing proper information in relation to the Company's business, policies and procedures before and after appointment.

The opportunity to pass on knowledge, information and opinions to peers within the Company's Board is encouraged outside of formal meetings. This may relate to expansion of service offering, and the industry.

Principle 3: Promote ethical and responsible decision making

3.1 Business conduct and ethics

The Boards governance framework incorporates various policies that formalise the role and responsibilities of the Board including the:

- Code of conduct for Directors & Officers, found at *http://totalfacegroup.com.au/investor-centre*

  This is designed to guide behaviour, enhance investor confidence in the Company and demonstrate the commitment of the Company to ethical standards and practices.

- Code of Conduct for Transactions in Securities, found at *http://totalfacegroup.com.au/investor-centre*

  This outlines the duties and constraints applicable to directors and officers of the Company dealing in Securities of TFG that arise from the common law, the Act and the ASX Listing Rules.

Principle 4: Safeguard integrity in Financial Reporting

4.1 Audit Committee

The Board has established an Audit & Risk Committee which operates under the approved charter which can be found at *http://totalfacegroup.com.au/investor-centre*

Due to the size and composition of the Board full compliance with this ASX recommendation is currently not met.

The Board will increase the Committee when its composition makes it practical to do so.

The members of the Audit & Risk Committee are disclosed in the Directors Report including their relevant qualifications, experience. The Audit & Risk Committee did not meet in isolation to the Board of Director's meetings during the 2018 financial year.

The role of the Audit & Risk Committee is to assist the Board in discharging its obligations with respect to ensuring an effective Corporate Governance Framework including:

- The appropriateness of risk management and compliance procedures;
- The correctness and reliability of financial information prepared for use by the Board; and
- The integrity of the internal controls affecting the preparation and provision of that financial information in determining policies or for inclusion in the financial report.

The Audit & Risk Committee, currently:

- comprises of both the Executive and Non Executive Director;
- is chaired by an independent Director who is not Chairman of the Board;
- has at least 1 members with financial expertise; and

- has at least 1 member with an understanding of the industry in which the Company operates.

The members of the Audit & Risk Committee are disclosed in the Directors Report including their relevant qualifications, experience. The Audit & Risk Committee did not meet in isolation to the Board of Director's meetings during the 2018 financial year.

4.2 Financial Report Accountability

The CEO and CFO declare whether, in their respective opinions, the Company's financial records have been properly maintained and whether the financial statements present a true and fair view of the Company's financial position and performance, and are in accordance with appropriate accounting standards and that the opinion is formed on the basis of a sound system of risk management and internal control which is operating effectively. This declaration is presented to the Board before they approve the Company's financial statements and quarterly cashflow reporting.

4.3 External auditor at AGM

The external auditor of the Company attends General Meetings and is available to answer shareholder questions which are relevant to the audit.

Principle 5: Make timely and balanced disclosure

5.1 Continuous disclosure policy

The Company has adopted a policy which establishes procedures that are aimed at ensuring that Directors and Management are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information. Under the continuous disclosure policy, the Board is responsible for managing the Company's compliance with its continuous disclosure obligations.

Continuous disclosure announcements are also made available on the Company's website at *http://totalfacegroup.com.au/investor-centre*.

Priniciple 6: Respect the rights of security holders

6.1 Information on website

The Company's continuous disclosure policy objective is to ensure the market is fully informed of its strategy and financial performance. The Company seeks to provide equal access to information for all investors in accordance with all applicable laws.

Financial and other relevant information is communicated to shareholders through ASX lodgements and the Company's website *http://totalfacegroup.com.au/investor-centre*.

6.2 Investor relations

The Company has implemented a communication facility through its website where investors and shareholders can make enquiries online.

6.3 Securityholders meetings

The Company facilitates online voting and the submission of questions for shareholders who are unable to attend meetings of security holders and the Company. The Company encourages participation at meetings and does not utilise technology to disseminate live proceeding of its shareholder meetings.

6.4 Electronic communications

Computershare, the Company's share registry provides shareholders with the option to receive and send communications electronically.

Principle 7: Recognise and manage risk

7.1 Oversight of risk

The role of the Audit & Risk Committee is to assist the Board in discharging its obligations with respect to ensuring the appropriateness of risk management and compliance procedures including:

- Monitor the effectiveness of the Company's risk and compliance internal controls and systems;
- Regularly consider and monitor the Company's exposure to significant risks,
- Monitor compliance with relevant legislative and regulatory requirements; and
- Review the Board's policies to ensure they remain adequate and effective.

The Audit & Risk Committee currently :

- comprises both the Executive and Non Executive Independent Directors;
- is chaired by an independent Director;
- has at least 1 member with financial expertise; and
- has at least 1 member with an understanding of the industry in which the Company operates.

The members of the Audit & Risk Committee are disclosed in the Directors Report including their relevant qualifications, experience. The Audit & Risk Committee did not meet in isolation to the Board of Director's meetings during the 2018 financial year.

7.2 Implementation of risk management systems and risk review

A risk management framework has been developed and implemented since listing on the ASX in accordance with the Audit & Risk Committee Charter.

7.3 Internal audit function

The Company does not have an internal audit function. The Audit & Risk Committee monitor and evaluate internal control processes through its risk management framework to identify strategic, operational and risk mitigation improvements.

7.4 Sustainability risks

The Audit & Risk Committee together with the Board, see "sustainability" as the Company's ability to withstand uncertain material risks identified in its Risk Management Framework.

The Risk Management Framework not only identifies risks including economic, financial, operational and regulatory risks but it also identifies:

- potential triggers
- potential impact to the Company; and
- mitigating actions to prevent the risk from occurring or reducing the impact on the Company

The table below is an extract of sustainability risks and mitigating actions taken from the Company's Risk Management Plan:

Sustainability Risk Category	Risk Description	Mitigating Actions
Environmental		
Disasters	Catastrophic events including acts of terrorism, international hostilities, labour strikes, earthquakes or other natural disasters could occur in Australia or places of manufacture of key supplies.	Disaster recovery and business continuity plans in place to minimise disruption where possible.
Social		
Reputation	TFG operates in an industry in which its reputation is very important to business success. The Company's performance could be adversely impacted, or the medical aesthetic retail industry generally, as a result of adverse publicity about the industry as a whole.	Process in place to escalate and resolve dissatisfied clients and adverse reactions. Branding strategy focussed on myth busting and reversing any stigma attached to the industry.
Economic		
Competition	The medical aesthetic industry in which TFG operates is competitive. The Company's competitors include other General Practitioners, Plastic Surgeons, Dermatologists, Health and Day Spas and Cosmetic Clinics. At present, other than the requirement to be supported by a Doctor, there are limited barriers to the growth in direct competitors to TFG in the medical aesthetic industry.	Consistent branding, services and procedures across the group to ensure the TFG experience is differentiated from single site competitors.
Resources	If circumstances arise where capital resources are insufficient and further financing is required, there can be no assurance that further financing will be obtained on reasonable or acceptable terms.	Monitoring of cash flow performed daily.
Discretionary Spending	If Australian economic conditions deteriorate, consumers reduce their level of spending.	Review pricing of packages regularly. Offer special deals and payment plans to ensure treatments remain attainable so far as regulations allow (i.e we will not entice treatment through discounting).

Principle 8: Remunerate fairly and responsibly

8.1 Remuneration committee

The board policy for determining the nature and amount of remuneration of key management personnel is agreed by the Board as a whole. The Remuneration and Nomination Committee is established by the Board to advise on remuneration and issues relevant to remuneration policies and practices including those for senior management and non-executive Directors.

The Remuneration and Nomination committee currently comprises:

- Both the executive and non-executive independent Director;
- A non-executive independent chair

The members of the Remuneration & Nomination Committee are disclosed in the Directors Report including their relevant qualifications, experience. The Remuneration & Nomination Committee did not meet in isolation to the Board of Director's meetings during the 2018 financial year.

8.2 Executive versus non-executive remuneration

For executives, the company provides a remuneration package that incorporates an annual salary, a financial based incentive and a Chairman's discretionary bonus. The contracts for service between the company and executives are on a continuing basis, the terms of which are not expected to change in the immediate future.

Non-executive directors receive fees and do not receive options or bonus payments.

8.3 Equity-based remuneration

The Company does not have an equity based remuneration scheme. It does have a Long Term Incentive Plan (LTIP) that allows for the award of performance-related rights ('Rights') subject to the LTIP Rules. The Plan is designed to assist in the motivation, retention and reward of the Company's Directors and senior executives. In addition, the Plan is designed to align the interests of Directors and senior executives more closely with the interests of shareholders.

No rights have been granted pursuant to the LTIP despite the approval of Shareholders ratified at the 2016 Annual General Meeting.

The LTIP can be found on our website at
http://totalfacegroup.com.au/investor-centre

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of Total Face Group Limited ("TFG") and the entity it controlled, for the financial year ended 30 June 2018 and auditor's report thereon.

Directors

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

Paul Fielding	
Joanne Hannah	resigned 1 May 2018
Dr Naveen Somia	
Lynda Adler	resigned 28 June 2018
Ken Poutakidis	appointed 27 August 2018

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Principal activities

The principal activities of the consolidated entity during the financial year were providing non-invasive cosmetic treatments.

There has been no significant change in the nature of these activities during the financial year.

Results

The consolidated loss after income tax attributable to the members of Total Face Group Ltd was $11,680,824 (2017: $2,466,127 loss).

Review of operations

TFG remains one of Australia's largest groups of wholly owned non-invasive cosmetic clinics and remains uniquely placed to build on the foundations that remain in place post the conclusion of the Strategic Review Process that engulfed much of the Financial Year. We continue to have one of the largest groups of industry leading Doctors and continue to be the largest provider of body contouring using the CoolSculpting® technology.

In the financial year 2018, the Company has:

- Acquired and disposed a further clinic in Queenland, Artisan Rejuvenation Clinic.
- Issued shares in the Company in relation to the acquisition of Artisan Rejuvenation Clinic and COZmedics QLD.
- Undertook a Strategic Review process that lead to the divestment of one of the Company's queensland clinics for $1.525m in cash.
- Additional Convertible Notes issued of $1.3m
- Successfully settled the litigation with the Vendors of COZmedics for significantly less than the claimed sum.
- Successfully negotiated a loan facility with the Company's Chairman Paul Fielding in the sum of $750,000.
- Achieved receipts from customers reached $20m
- Succesfully relocated the Melbourne CBD clinic resulting in greater than 30% growth in revenue numbers across FY18
- Set a plan for the future that will retain a large portion of the Company's clinic network while opening up new revenue streams in mainstream retail. Refer to subsequent events for information on future plans.

It has been a difficult trading year for the Company, one that was significantly disrupted by the strategic review that was conducted during the financial year. Against this backdrop, our key clinics continue to operate profitably and our people continued to deliver the highest level of service to our clients. We again delivered a year of zero serious adverse events across tens of thousands of treatments validating the expertise of our clinical team.

The difficult steps taken to restructure the corporate operating costs that has resulted in a number of people leaving the organisation and has provided a more aligned cost structure to the size of the operations today and provide a platform from which the Company can implement its plan for the future.

Significant changes in the state of affairs

Other than the impact of the Strategic Review on operational performance there was an acquisition and disposal of Artisan Rejuvenation Clinic in Queensland.

After balance date events

In July the Company agreed to binding term sheets for the business sale of 3 clinics; 1 in NSW and 2 underperforming clinics in Victora. These agreements will provide capital of $1.4m and an expected saving of $0.1m in operating losses. On August 27, the Company issued a notice of meeting of shareholders to be held September 27, 2018. The purpose of the meeting is to seek shareholder approval of a new Managing Director, undertake a capital raising of 140,000,000 shares at $0.05 resulting in up to $7m to execute a revised business strategy, open new revenue streams and enable the re-shaping of the remaining clinic network through the acquisition of Giving Brands Company Pty Ltd (GBCo). In addition, the Company is preparing to issue an offer to existing shareholders to participate in a one for two non-renounceable rights issue at $0.05 per share (up to 60,000,000 shares).

Likely developments

Subject to the approval of shareholders, the Company will execute a revised business strategy, open new revenue streams and enable the re-shaing of the remaining clinic network through the acquisition of Giving Brands Company Pty Ltd (GBCo).

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year.

Share options granted to directors and executives

No options over unissued ordinary shares were granted during or since the end of the financial year to any directors, officers or executives of the company.

Shares under option

No options over unissued ordinary shares were outstanding at the end of the financial year.

Shares issued on exercise of options

No shares were issued during the reporting period or up to the date of this report on exercise of options.

Rounding of amounts

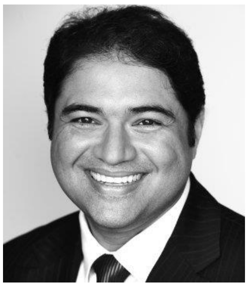
The parent entity and the consolidated entity have applied the relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest dollar.

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Total Face Group Limited ("TFG") at any time during or since 1 July 2017 is provided below, together with details of the company secretary as at the year end.

<table>
<tr><td>Paul Fielding
Chartered Accountant
</td><td>Paul is a highly skilled professional with a high degree of commercial acumen and has the ability to negotiate outcomes in complex and competitive environments. He has worked in the services sector for more than 20 years.

Paul previous successful Directorships took Ingena Group Limited (ASX: IGL) and RXP Services Limited (ASX: RXP) to IPO raising in excess of $50m across both organisations. IGL and RXP experienced significant growth organically and acquisitively in which Paul has played a key role.

TFG Roles:
• Audit & Risk Committee member
• Remuneration & Nomination Committee member
• Executive Chairman</td></tr>
<tr><td>Dr Naveen Somia
MBBS, PhD, FRACS
Non- Executive Director
</td><td>Dr Naveen Somia (MBBS, PhD, FRACS) is a Fellow of the Royal Australasian College of Surgeons (FRACS) and a member of the Australian Society of Plastic Surgeons (ASPS), the peak body of Specialist Plastic Surgeons in Australia.

TFG Roles:
• Audit & Risk Committee Member (Chair)
• Remuneration & Nomination Committee (Chair)
• Non-executive Director</td></tr>
<tr><td>Ken Poutakidis
Non- Executive Director</td><td>Mr Poutakidis is corporate adviser and corporate finance executive with 16 years of finance experience. He is the Managing Director and Founder of Avenue Advisory, a boutique advisory firm providing corporate finance and capital markets advice to emerging companies.

Previously, Mr Poutakidis worked as a management consultant and a corporate finance executive with leading equity firms across Australia and Asia. His particular expertise includes capital raisings, mergers & acquisitions, corporate advisory, asset divestment and strategy development.

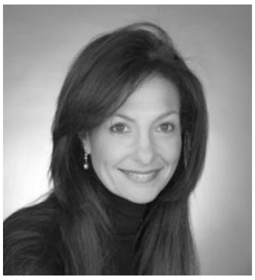
Mr Poutakidis has previously served as Chairman of the Boards of Alchemia and Mach7 Technologies, was a non executive director of Contano Microcap and has a Bachelor of Business degree from Monash University.

TFG Roles:
• Non-Executive Director</td></tr>
<tr><td>Joanne Hannah

Resigned 1 May 2018</td><td>Joanne, CEO was previously the Business Development Manager for Allergan (Botox® and Juvederm®) and has extensive experience in healthcare both in Australia and internationally. At Allergan she was responsible for educating doctors and nurses in facial anatomy, facial ageing and injecting techniques.

In addition, Joanne worked closely with clinics across Victoria helping business owners drive revenue and improve profitability. Joanne brings an unrivalled understanding of the aesthetics industry and business processes to TFG. As a clinical educator and business advisor with Allergan, Joanne worked closely with the top global and Australian experts in the field of cosmetic injectables.

TFG Roles:
• Managing Director and Chief Executive Officer
• Audit & Risk Committee member</td></tr>
</table>

Lynda Adler Non-Executive Director  Resigned 28 June 2018	Mrs Adler was previously Chairman of Sydney Children's Hospital Foundation and is currently a Director of Jaronach Pty Ltd. Her experience in business management comes largely from her dedicated time to Charity Work and developing her network. TFG Roles: • Remuneration & Nomination Committee • Non-executive Director
Liza Juegan Graduate Diploma of Chartered Accounting 	Liza is an accountant with 9 years' experience at Ernst & Young (EY). Her skills were founded in financial statement, compliance and risk management audits within the financial services industry. Her time at EY also provided experience in management consulting, including analysis of target operating models for optimisation, review of the due diligence process for outsourcing key operational services and review of service level agreements for completeness and aptness. TFG Roles: • Chief Financial Officer • Company Secretary

No other Directorships were held by Directors during the 3 years prior to 30 June 2018 unless otherwise stated.

Directors' meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit & Risk Committee*		Remuneration & Nomination Committee*	
	Eligible to attend	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
Paul Fielding	8	8	4	4	3	3
Joanne Hannah	7	7	4	4	-	-
Dr Naveen Somia	8	7	4	4	3	3
Lynda Adler	8	8	-	-	3	3

*three combined meetings of Board of Directors and Committees held during the year.

Directors' interests in shares or options

Relevant interests of Directors' during the year in shares of Total Face Group Limited or options over shares in the company (or a related body corporate) are detailed below.

Directors' relevant interests in:	Ordinary shares of Total Face Group Ltd	Convertible Notes	Options over shares in Total Face Group Ltd
Paul Fielding^	14,638,799	125,000	-
Joanne Hannah	2,090,000	-	-
Dr Naveen Somia	-	-	-
Lynda Adler	-	-	-
Ken Poutakidis	1,983,000	200,000	

^ includes shares held in the name of Jane Fielding (spouse) and associated entities

Indemnification and insurance of directors, officers and auditors

During the financial year, the consolidated entity paid a premium insuring all the directors and the officers. Under the policy, the Company cannot release to any third party or otherwise publish the amount of premium. Accordingly the Company relies on section 300(9) of the Corporations Act to exempt it from requirement to disclose the premium amount of the relevant policy. The Company is not aware of any liability that arose under these indemnities as at the date of this report.

No indemnities have been given or insurance premiums paid to insure the auditors' of the consolidated entity.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of Total Face Group Limited or any of its subsidiaries.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-audit services

Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners (Melbourne), network firms of Pitcher Partners as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

	2018 $	2017 $
Amounts paid and payable to Pitcher Partners (Melbourne) for non-audit services:		
Taxation services	8,390	4,500
Total auditors' remuneration for non-audit services	**8,390**	**4,500**

Remuneration report (Audited)

The directors present the consolidated entity's 2018 remuneration report which details the remuneration information for Total Face Group Limited's executive directors, non-executive directors and other key management personnel.

A. Details of key management personnel

(i) Directors	Period of Responsibility	Position
Paul Fielding	Appointed 22 April 2014	Executive Chairman
Joanne Hannah	Appointed 18 May 2015 Resigned 1 May 2018	Director and Chief Executive Officer
Dr Naveen Somia	Appointed 6 October 2016	Director – Non-Executive - Independent
Lynda Adler	Appointed 3 May 2017 Resigned 28 June 2018	Director – Non-Executive - Independent
Ken Poutakidis	Appointed 27 August 2018	Director – Non-Executive - Independent
(ii) Executives		
Kerstin Grant	Commenced 1 February 2017	Group Operations Manager Acting CEO from 1 May 2018
Kathryn Bran	Commenced 20 February 2017 Resigned 29 March 2018	Head of Facial Aesthetics
Liza Juegan	Commenced 12 October 2015	Company Secretary & Chief Financial Officer

B. Remuneration policies

The board policy for determining the nature and amount of remuneration of key management personnel is agreed by the Board as a whole. The Remuneration and Nomination Committee is established by the Board to advise on remuneration and issues relevant to remuneration policies and practices including those for senior management and non-executive Directors.

Depending on the make up of the Board at any stage during the year, the Remuneration and Nomination Committee Charter requires the Committee to comprise of:

- Three directors, two of which are non-executive independent Directors
- A non-executive independent chair

Currently the Remuneration and Nomination Committee consists of one Executive and one Non-Executive Director. The members of the Remuneration and Nomination Committee are disclosed in the Directors Report including their relevant qualifications and experience.

No external consultants were appointed by the Remuneration and Nomination Committee during the year.

For executives, the company provides a remuneration package that incorporates an annual salary and a Chairman's discretionary bonus or incentivised bonus. The contracts for service between the company and executives are on a continuing basis, the terms of which are not expected to change in the immediate future.

Key Management contracts include short term incentives based on annual performance measured with consideration to the Company's achieved revenue, growth in new clients, treatment margins and client retention.

Non-executive directors receive fees and do not receive options or bonus payments.

The Company does not have an equity based remuneration scheme. It does have a Long Term Incentive Plan (LTIP) that allows for the award of performance-related rights ('Rights') subject to the LTIP Rules. The Plan is designed to assist in the motivation, retention and reward of the Company's Directors and senior executives. In addition, the Plan is designed to align the interests of Directors and senior executives more closely with the interests of shareholders.

The LTIP can be found on our website at http://totalfacegroup.com.au/investor-centre

Despite approval by shareholders at the 2016 AGM, no rights have been granted pursuant to the LTIP. The Remuneration & Nomination Committee together with the Board will continue to monitor shareholder value and issue the rights, as approved, when effective to do so.

Service Agreements

The contracts for service between the Company and specified executives are formalised in service agreements. The major provisions in the agreements relating to remuneration in the current and previous year are set out below.

Paul Fielding Executive Chairman

- Service agreement for $50,000p.a
- Termination by provision of six months' notice by either party
- Eligible to participate in the Long Term Incentive Plan

Joanne Hannah Managing Director & Chief Executive Officer (Resigned 1 May 2018)

- Permanent employment contract commencing 1 May 2014
- Bonus in accordance with the Remuneration & Nomination Committee after consideration to Company operational achievements and group performance
- Resigned 1 May 2018

Kerstin Grant Group Operations Manager (acting CEO from 1 May 2018)

- Permanent employment contract commencing 1 February 2017
- Annual cash bonus up to $100,000 based on performance measured by revenue, growth in new clients, treatment margins and client retention.
- Termination by provision of six months' notice by either party
- Eligible to participate in the Long Term Incentive Plan

Kathryn Bran Head of Facial Aesthetics

- Permanent employment contract commencing 20 February 2017
- Annual cash bonus up to 30% based on performance measured by revenue, growth in new clients, treatment margins and client retention.
- Resigned 29 March 2018

Liza Juegan Company Secretary & Chief Executive Officer

- Permanent employment contract commencing 12 October 2015
- Chairman's discretionary bonus
- Termination by provision of three months' notice by either party
- Eligible to participate in the Long Term Incentive Plan

C. Details of key management personnel remuneration

(a) Directors' remuneration:

	Short-Term				Post employment			Long-term	Share-based payment		Total perform-ance related	Options as % of total
2018	**Salary/ fees $**	**Cash bonus $**	**Non-monetary $**	**Other $**	**Super-annuation $**	**Retirement benefits $**	**Termination benefits $**	**Incentive plans $**	**Options $**	**Total $**	**%**	**%**
Paul Fielding	50,000	-	-	-	-	-	-	-	-	50,000	-	-
Joanne Hannah (resigned 1 May 2018)	211,914	-	-	15,050	17,584	-	-	-	-	244,548	-	-
Dr Naveen Somia	40,000	-	-		-	-	-	-	-	40,000	-	-
Lynda Adler (resigned 28 June 2018)	40,000	-	-		-	-	-	-	-	40,000	-	-
Total	**341,914**	**-**	**-**	**15,050**	**17,584**	**-**	**-**	**-**	**-**	**374,548**		
2017												
Paul Fielding	50,000	-	-	-	-	-	-	-	-	50,000	-	-
Joanne Hannah	216,108	20,000	-	18,000	20,156	-	-	-	-	274,264	7.29%	-
John Conidi (resigned 31 December 2016)	20,000	-	-	-	-	-	-	-	-	20,000	-	-
Dr Vilma Di Maria (resigned 24 November 2016)	13,333	-	-	-	-	-	-	-	-	13,333	-	-
Dr Naveen Somia (appointed 6 October 2016)	26,667	-	-	-	-	-	-	-	-	26,667	-	-
Lynda Adler (appointed 3 May 2017)	6,667	-	-	-	-	-	-	-	-	6,667	-	-
Total	**332,775**	**20,000**	**-**	**18,000**	**20,156**	**-**	**-**	**-**	**-**	**390,931**		

(b) Executives' remuneration:

	Short-Term				Post employment			Long-term	Share-based payment		Total perform-ance related	Options as % of total
2018	**Salary/ fees $**	**Cash bonus $**	**Non-monetary $**	**Other $**	**Super-annuation $**	**Retirement benefits $**	**Termination benefits $**	**Incentive plans $**	**Options $**	**Total $**	**%**	**%**
Kerstin Grant	233,286	-	-	-	22,162	-	-	-	-	255,449	-	-
Kathryn Bran (resigned 29 March 2018)	126,065	75	-	13,777	11,621	-	-	-	-	151,537	0.05%	-
Liza Juegan	168,950	-	-	-	16,050	-	-	-	-	185,000	-	-
Total	**528,301**	**75**	**-**	**13,777**	**49,833**	**-**	**-**	**-**	**-**	**591,986**		**-**
2017												
Kerstin Grant (commenced 1 February 2017)	92,202	-	-	-	8,759	-	-	-	-	100,961	-	-
Kathryn Bran (commenced 20 February 2017)	55,321	-	-	6,231	5,256	-	-	-	-	66,808	-	-
Liza Juegan	163,240	13,699	-	-	16,809	-	-	-	-	193,748	7.07%	-
Total	**310,763**	**13,699**	**-**	**6,231**	**30,824**	**-**	**-**	**-**	**-**	**361,517**		**-**

D. Relationship between remuneration and company performance

Given the financial performance result of the company for the 2018 period, no performance related remuneration was paid. The short term cash bonus paid in 2017 reflects the Remuneration & Nomination Committee's finings in relation to the 2016 period.

E. Key management personnel's equity holdings

(a) Number of shares held by key management personnel

2018	Balance 1 July 17	Received as Remuneration	Received on the exercise of options	Other changes (net)	Total balance 30 June 2018	Number held nominally 30 June 2018
Directors						
Paul Fielding^^	14,638,799	-	-	-	14,638,799	-
Joanne Hannah* (resigned 1 May 2018)	2,090,000	-	-	-	2,090,000	-
Dr Naveen Somia	-	-	-	-	-	-
Lynda Adler (resigned 28 June 2018)	-	-	-	-	-	-
Ken Poutakidis (appointed 27 August 2018)	1,983,000	-	-	-	1,983,000	-
Executives						
Kerstin Grant	300,000	-	-	-	300,000	-
Kathryn Bran (resigned 29 March 2018)	-	-	-	-	-	-
Liza Juegan	146,674	-	-		146,674	-
Total	**17,175,473**	**-**	**-**	**-**	**17,175,473**	**-**

2017	Balance 1 July 16	Received as Remuneration	Received on the exercise of options	Other changes (net)	Total balance 30 June 2017	Number held nominally 30 June 2017
Directors						
Paul Fielding	14,263,799	-	-	375,000	14,638,799	-
Joanne Hannah	2,090,000	-	-	-	2,090,000	-
Dr Naveen Somia	-	-	-	-	-	-
Lynda Adler	-	-	-	-	-	-
John Conidi (resigned 31 December 2016)	-	-	-	-	-	-
Dr Vilma Di Maria^ (resigned 24 November 2016)	110,000	-	-	-	110,000	-
Executives						
Kerstin Grant	-	-	-	300,000	300,000	-
Kathryn Bran	-	-	-	-	-	-
Liza Juegan	146,674	-	-		146,674	-
Total	**16,610,473**	**-**	**-**	**675,000**	**17,285,473**	**-**

^^ includes shares held in the name of Jane Fielding (spouse) and associated entities.
^The Company recognises that the interest held by Dr Vilma Di Maria did not influence in any material respect, her capacity to bring an independent judgement to the Board and to act in the best interests of the entity and shareholders generally.* The Company recognises that the interest held by Joanne Hannah did not influence in any material respect, her capacity to bring an independent judgement to the Board and to act in the best interests of the entity and shareholders generally.

F. Consequences of Company's performance on shareholder wealth

The following table summarises company performance and key performance indicators:

	2018	2017	2016	2015
Revenue	$18,481,124	$21,928,407	$7,944,844	$2,295,572
% increase(decrease) in revenue	-16%	176%	246%	-
Loss before tax	($11,680,824)	($2,466,127)	($1,613,054)	($1,085,015)
% increase in loss before tax	374%	53%	49%	-
Share price at 30 June	$0.11	$0.16	$0.28	-
Change in share price (%)	-31%	-43%	-	-
Total remuneration of KMP	$966,534	$752,448	$671,535	$398,460
Total performance based remuneration	$75	$33,699	$45,662	$10,984

G. Loans with key management personnel

As at 30 June 2018, the Company owes Paul Fielding $531,807 (2017: $2,006 owed by Paul). The balance represents a credit card facility in the name of Paul Fielding utilised by Total Face Group as required and a Loan Facility up to $750,000 provided to the Company for working capital. Also owing to Paul Fielding as at 30 June 2018, is $19,954 (2017: $100,000) in Directors Fees. Director Fees as at 30 June 2018, owing to Dr Somia & Lynda Adler total $70,000 (2017: $30,000).

H. Other transactions with key management personnel

Paul Fielding is sole director, company secretary and shareholder of Fielding Hill Pty Ltd (Fielding Hill). Between October 2015 and January 2018, Total Face Group leased the premises located at Level 4, 11-19 Bank Place from Fielding Hill. The premises was used as the Company's corporate headquarters. The rental payable under the lease was $68,000 plus GST per annum plus outgoings. The lease was terminated in January 2018 and the Company's corporate office now utilises facilities in its Exhibition Street, Melbourne clinic.

In June 2017, Paul Fielding participated in the Convertible Note raising, taking up 125,000 $1.00 convertible notes. In November 2017, Kerstin Grant participated in the Convertible Note raising, taking up 600,000 $1.00 convertible notes.

I. Voting and comments made at the company's 2017 Annual General Meeting (AGM)

At the company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

-Audited Remuneration Report ends-

Signed in accordance with a resolution of the directors.

Director
Melbourne
31 August 2018

TOTAL FACE GROUP LIMITED
ABN 43 169 177 833
AND CONTROLLED ENTIITIES

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TOTAL FACE GROUP LTD

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Total Face Group Limited and the entities it controlled during the year.

K L BYRNE

Partner

31 August 2018

PITCHER PARTNERS

Melbourne

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Revenue and Other Income			
Sales revenue	4	18,341,127	19,088,533
Gain on settlement of deferred consideration	4	100,000	2,328,020
Other revenue	4	39,997	511,854
Total Revenue & Other Income		**18,481,124**	**21,928,407**
Less Expenses			
Wages, Salaries & Employment costs	5	6,699,803	6,096,676
Materials and consumables used	5	5,753,017	5,238,092
Contractors		2,664,588	2,714,419
Occupancy expenses		2,094,371	1,905,413
Depreciation and amortisation expenses	5	1,698,283	1,506,459
Impairment losses	5	6,610,624	3,624,927
Loss on deferred consideration		309,492	-
Loss on disposal		554,275	-
Non refundable deposits lost		100,000	-
IT & Communications		642,020	509,331
Advertising & Marketing		546,184	858,637
Accounting		175,767	287,909
Finance costs	5	322,396	159,967
Consultants		912,629	155,195
Director Fees		130,000	110,000
Travel		200,282	249,156
Acquisition costs		61,025	264,236
Insurance		186,208	170,908
Printing & Stationery		76,453	133,560
Other expenses		424,531	409,649
Total Expenses		**30,161,948**	**24,394,534**
Loss before income tax expense		**(11,680,824)**	**(2,466,127)**
Income tax expense	6	-	-
Net Loss from continuing operations		**(11,680,824)**	**(2,466,127)**
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(11,680,824)**	**(2,466,127)**
Loss is attributable to:			
Members of the parent		(11,680,824)	(2,466,127)
Total comprehensive income attributable to:			
Members of the parent		(11,680,824)	(2,466,127)

Earnings per share for loss from continuing operations attributable to equity holders of the parent entity:

Basic earnings per share	22	(0.09)	(0.02)
Diluted earnings per share	22	(0.09)	(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 $	2017 $
Current assets			
Cash and cash equivalents	7	234,482	2,648,669
Receivables	8	273,077	189,799
Inventories	9	814,848	1,116,877
Current tax receivable	6	177,225	177,225
Other assets	10	70,455	33,775
Total current assets		**1,570,087**	**4,166,345**
Non-current assets			
Receivables	8	-	138,413
Plant and equipment	11	3,607,670	4,915,014
Intangible assets	12	10,667,502	16,999,337
Other assets	10	348,217	345,786
Total non-current assets		**14,623,389**	**22,398,550**
Total assets		**16,193,476**	**26,564,895**
Current liabilities			
Payables	13	3,159,323	2,221,962
Other liabilities	14	215,570	991,130
Borrowings	15	306,316	615,939
Provisions	16	252,012	258,518
Total current liabilities		**3,933,221**	**4,087,549**
Non-current liabilities			
Other liabilities	14	-	65,508
Borrowings	15	3,221,499	2,236,400
Provisions	16	29,961	39,795
Total non-current liabilities		**3,251,460**	**2,341,703**
Total liabilities		**7,184,681**	**6,429,252**
Net assets		**9,008,795**	**20,135,643**
Equity			
Contributed capital	17	25,853,815	25,299,839
Accumulated losses	18	(16,845,020)	(5,164,196)
Equity attributable to owners of Total Face Group Limited		**9,008,795**	**20,135,643**
Non-controlling interests		-	-
Total equity		**9,008,795**	**20,135,643**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

Consolidated Entity	Contributed equity $	Accumulated losses $	Total Equity $
Balance as at 1 July 2017	**25,299,839**	**(5,164,196)**	**20,135,643**
Loss for the year	-	(11,680,824)	(11,680,824)
Total comprehensive loss for the year		**(11,680,824)**	**(11,680,824)**
Transactions with owners in their capacity as owners:			
Business acquisitions	553,976	-	553,976
Balance as at 30 June 2018	**25,853,815**	**(16,845,020)**	**9,008,795**

Consolidated Entity	Contributed equity $	Accumulated losses $	Total Equity $
Balance as at 1 July 2016	**14,025,768**	**(2,698,069)**	**11,327,699**
Loss for the year	-	(2,466,127)	(2,466,127)
Total comprehensive income for the year		**(2,466,127)**	**(2,466,127)**
Transactions with owners in their capacity as owners:			
Contributions	10,000,000	-	10,000,000
Business acquisitions	2,024,392	-	2,024,392
Capital raising costs	(750,321)	-	(750,321)
	11,274,071	**-**	**11,274,071**
Balance as at 30 June 2017	**25,299,839**	**(5,164,196)**	**20,135,643**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Cash flow from operating activities			
Receipts from customers		20,116,793	21,359,063
Payments to suppliers and employees		(21,531,444)	(19,740,085)
Interest received		9,565	30,168
Finance costs		(322,396)	(33,248)
Income tax paid		-	(48,918)
Net cash (used in) provided by operating activities	**20(a)**	**(1,727,482)**	**1,566,980**
Cash flow from investing activities			
Payment for plant and equipment		(396,905)	(2,989,988)
Payment for business combinations		(2,670,442)	(7,957,913)
Proceeds on sale of investment		1,424,235	-
Payment for other non-current assets		(302,884)	(933,957)
Acquisition costs		-	(243,034)
Net cash used in investing activities		**(1,945,995)**	**(12,124,892)**
Cash flow from financing activities			
Proceeds from share issue		-	10,000,000
Proceeds from convertible note		1,290,000	2,000,000
Payments for share issue costs		-	(750,321)
Net proceeds from related parties		533,814	(11,284)
Repayment of borrowings		(614,524)	(683,120)
Release of security deposit		50,000	50,000
Net cash provided by financing activities		**1,259,290**	**10,605,275**
Net (decrease)/increase in cash and cash equivalents		**(2,414,187)**	**47,363**
Cash and cash equivalents at beginning of the period		2,648,669	2,601,306
Cash and cash equivalents at end of the period	**20(b)**	**234,482**	**2,648,669**

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report covers Total Face Group Ltd and its controlled entities as a consolidated entity. Total Face Group Ltd is a company limited by shares, incorporated and domiciled in Australia. The address of Total Face Group Ltd's registered office and principal place of business is Ground Floor, 55 Exhibition Street, Melbourne, Victoria. Total Face Group Ltd is a for-profit entity for the purpose of preparing the financial report.

The financial report was approved by the directors as at the date of the directors' report.

Compliance with IFRS

The financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

•Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

•Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

•Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the consolidated financial statements.

(b) Going concern

The financial report has been prepared on a going concern basis. During the year ended 30 June 2018, the Group has incurred a statutory loss of $11.7m and, as of that date, the Group's current liabilities exceeded its current assets by $2.4m and the net cash outflow from operating activities for the same period was $1.7m. Excluding non operational costs, the Group produced a clinic operating EBITDA loss of $0.78m. The continuing viability of the Group and its ability to continue as a going concern is dependent upon the Group being successful in its continuing efforts in growing its revenue base and accessing additional sources of capital.

Significant matters considered by the Directors in determining that it is appropriate for the financial report to be prepared on a going concern basis include:

- the impending approval from shareholders to issue up to 140,000,000 ordinary shares at $0.05, raising up to $7m
- the impending approval from shareholders to acquire GBCo providing new revenue streams and leverage the existing clinic network;
- anticipated response to one for two non-renounceable rights issue to existing shareholders at $0.05 per share expected to raise a further $3m; and
- the post balance date sale of 3 clinics including two underperforming Victorian clinics.

The Directors are confident that the Group will be able to access sufficient sources of funds and have therefore prepared the financial report on a going concern basis. Further to this, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2018. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

(d) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered to have passed to the buyer at the time of delivery of the goods to the customer.

Revenue from rendering of services to customers is recognised upon delivery of the service to the customer.

Interest revenue is measured in accordance with the effective interest method.

All revenue is measured net of the amount of goods and services tax (GST).

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

(g) Plant and equipment

Cost and valuation

Each class of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amounts of all plant and equipment are calculated using the straight-line method over their estimated useful lives commencing from the time the asset is available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2018	2017
Computer equipment	33%	33%
Clinic Equipment	20-25%	20-25%
Leased clinic equipment	20-25%	20-25%
Leasehold Improvements	10-15%	10%
Motor Vehicles	15%	15%

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the consolidated entity's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(i) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

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. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss.

Acquisition related costs are expensed as incurred.

(j) Intangibles

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to Note 1(i) for a description of how goodwill arising from a business combination is initially measured.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses.

Trademarks and licences

Trademarks and licences are recognised at cost and are amortised using the straight-line method over their estimated useful lives, which range from 3 to 5 years. Trademarks and licences are carried at cost less accumulated amortisation and any impairment losses.

(k) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(l) Development Expenditure

Expenditure attributed to the development of the entity's own end to end operational and clinical software, "TESSA", is capitalised to the extent that it relates to the design, construction and testing.

Expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when the project are expected to deliver future economic benefits and these benefits can be measured reliably.

Amortisation of development expenditure

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. Amortisation of the development expenditure commences from the date of first use over the effective life of the intangible asset.

(m) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

Total Face Group Limited (parent entity) and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2014. The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

•the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;

•the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and

•current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(n) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(o) Employee benefits

(i) **Short-term employee benefit obligations**

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) **Other long-term employee benefit obligations**

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(iii) Bonus plan

The consolidated entity recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(iv) Termination benefits

The group recognises an obligation and expense for termination benefits at the earlier of: (a) the date when the group can no longer withdraw the offer for termination benefits; and (b) when the group recognises costs for restructuring and the costs include termination benefits. In either case, the obligation and expense for termination benefits is measured on the basis of the best estimate of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before twelve months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

(p) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

(q) Financial instruments

Classification

The consolidated entity classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments are held.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Compound financial instruments

Compound financial instruments issued by the consolidated entity comprise convertible notes that are able to be converted to share capital at the option of the noteholder, and the number of shares to be issued will not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. All directly attributable transaction costs are allocated to the liability and equity component on a proportional basis.

After initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interest, losses and gains relating to the financial liability component are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

For loans and receivables and held-to-maturity investments carried at amortised cost, impairment losses are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Individual receivables and held-to-maturity investments that are known to be uncollectible are written off to profit or loss by reducing the carrying amount of the asset directly. For other receivables and held-to-maturity investments, estimated impairment losses are recognised in a separate provision for impairment. The consolidated entity applies the following criteria as objective evidence that an impairment loss has occurred:

- significant financial difficulties of the debtor;
- payments more than 30 days overdue and failure by the debtor to adequately respond to a follow-up request for payment;
- payment more than 90 days overdue;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- the consolidated entity, for reasons relating to the debtor's financial difficulty, granting to the debtor a concession the entity would not otherwise consider.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

When it is concluded that it is probable the consolidated entity will not recover the net carrying amount (gross carrying amount less impairment provisions) of an impaired receivable or held-to-maturity investment, the allowance amount attributable to the asset is written off directly against the gross carrying amount of the asset.

An available-for-sale financial asset is considered impaired if there has been a significant or prolonged decline in its fair value below its original cost. If an available-for-sale financial asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. For impaired equity investments, subsequent increases in the fair value of the investment are not reversed through profit or loss. For impaired debt investments, subsequent increases in the fair value of the investment are treated as a reversal of the impairment loss and recognised in profit or loss if the subsequent fair value increase can be objectively related to the previous impairment event.

For available-for-sale financial assets carried at cost because a fair value cannot be reliably determined, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(r) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(s) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(t) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest dollar.

(u) Accounting standards issued but not yet effective at 30 June 2018

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014), AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit

risk in OCI, except when it would create an 'accounting mismatch';

- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

The Group's currently recognise financial assets (goodwill & security deposit) at fair value through profit and loss therefore Directors anticipate that the new model of impairment of financial assets is not expected to impact the Group's reported financial assets. The expected loss impairment model requires the provision of credit exposures and applies to receivables & other financial assets **not** measured at fair value through profit and loss. Given the Group does not have accounts receivables from customers the expected impact is not material.

Further, the Group currently does not hold any hedge instruments and are not expected to hold any in the coming reporting period.

AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15 and
AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

After consideration of the key steps of accounting for revenue with customers under AASB 15, the Directors do not expect there to be any material impact on the Group's revenue reported.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

With several operating leases of clinic premises the impact of applying AASB 16 has been assessed and it will not be material to the profit and loss. The materiality of recognising the liability on the balance sheet will be somewhat off-set by a corresponding right-of-use asset.

The consideration of the most appropriate transitional provisions will be completed next financial year in preparedness for retrospective adoption.

AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 112: Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 107: Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this objective, entities will be required to disclose the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

This Standard is not expected to significantly impact the Group's financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Impairment of goodwill

Goodwill is allocated to a cash generating unit or units (CGU's) according to the business combination that gave rise to the goodwill. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a maximum of five years. Management's determination of cash flow projections are based on past performance. To determine value-in-use, the present value of future cash flows has been calculated using:

- a revenue growth rate determined with consideration to a) actual revenue results in the previous 12 months and b) the non-invasive cosmetic aesthetic market global growth expectations,
- an increase of 3%p.a in clinic labour and facilities given there is capacity for revenue growth at the current costs given the number of treatment rooms and current clinician utilisation,
- an increase in corporate operating costs of 1-3% p.a
- a perpetuity growth rate of 1-3% p.a, and
- a industry based weighted average cost of capital discount rate of 11.0% p.a (2017: 10.69%p.a).

CGU	Value in Use $'000	Present value growth Rate (year 1-5)
Melbourne Collegan Foundation	374	9%
Skinovate	989	1%
Heber Davis	2,943	1%
Face Today	800	1%
Rejuven8	960	1%
COZmedics	4,270	1%
Facial Artistry	6,906	9%
Sunshine Vein Clinic	3,175	1%
	20,417	

(b) Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment and future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined.

(c) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont)

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(d) Deferred Consideration

Deferred consideration is initially provided for provisionally where the relevant business combination agreement includes a post completion payment that is subject to future performance. Initial recognition is estimated at the maximum or greater end of the estimate or capped consideration depending on the agreement terms.

Deferred consideration due to be settled in more than 12 months from balance date is measured at fair value using the present value of future cash flow.

In accordance with accounting standards, any change in deferred consideration on completion of the performance period is taken to the statement of comprehensive income.

NOTE 3: FINANCIAL RISK MANAGEMENT

	2018 $	2017 $
Financial assets		
Cash and cash equivalents	234,482	2,648,669
Security deposit	182,495	216,054
Other receivables	90,582	112,158
Total Financial Assets	**507,559**	**2,976,881**
Financial liabilities		
Payables	3,159,323	2,221,962
Convertible Note	3,207,503	1,917,503
Borrowings	320,312	934,836
Total Financial Liabilities	**6,687,138**	**5,074,301**

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The consolidated entity has finance leases which are at a fixed interest rate.

The exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Financial instruments 2018	Interest bearing $	Non-interest bearing $	Total carrying amount $	Weighted average effective interest rate %	Fixed / variable rate
(i) Financial assets					
Cash	71	234,411	234,482	0.01%	Variable
Security Deposit	-	182,495	182,495	9.70%	Fixed
Other receivables	-	90,582	90,582	0.00%	
Total financial assets	**71**	**507,488**	**507,559**		
(ii) Financial liabilities					
Payables	531,808	2,627,515	3,159,323	8.0%	Fixed
Convertible Note	3,207,503	-	3,207,503	8.0%	Fixed
Finance lease liability	320,312	-	320,312	10.1%	Fixed
Total financial liabilities	**4,059,623**	**2,627,515**	**6,687,138**		

NOTE 3: FINANCIAL RISK MANAGEMENT (cont)

Financial instruments 2017	Interest bearing $	Non-interest bearing $	Total carrying amount $	Weighted average effective interest rate %	Fixed / variable rate
Financial assets					
Cash	2,122,362	526,307	2,648,669	1.05%	Variable
Security Deposit	-	216,054	216,054	9.70%	Fixed
Other receivables	-	112,158	112,158	0.00%	
Total financial assets	**2,122,362**	**854,519**	**2,976,881**		
Financial liabilities					
Payables	-	2,221,962	2,221,962	0.0%	
Convertible Note	1,917,503	-	1,917,503	8.0%	Fixed
Finance leases	934,836	-	934,836	10.1%	Fixed
Total financial liabilities	**2,852,339**	**2,221,962**	**5,074,301**		

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2018	2017
+/- 100 basis points	$	$
Impact on profit after tax	-	22,497
Impact on equity	-	-

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the counterparty by failing to discharge an obligation. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

ii) Other receivables

The consolidated entity does not have any material credit risk exposure for other receivables or other financial instruments. The security deposit receivable is in accordance with a deed of setoff in relation to clinic equipment financing.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The consolidated entity has finance leases which are at a fixed interest rate.

NOTE 3: FINANCIAL RISK MANAGEMENT (cont)

Maturity analysis
The tables below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Amounts disclosed in the table below are the contractual undiscounted cash flows including principle/interest calculated at 30 June 2018.

2018	< 6 Months $	6-12 Months $	1-5 years $	Total contractual cash flows $	Carrying amount $
Cash	234,482	-	-	234,482	234,482
Security deposit	50,000	150,000	-	200,000	182,495
Other receivables	90,582	-	-	90,582	90,582
Payables	(3,159,323)	-	-	(3,159,323)	(3,159,323)
Convertible Note	(52,477)	(80,437)	(3,751,624)	(3,884,538)	(3,207,503)
Borrowings	(189,306)	(133,333)	(12,724)	(335,363)	(320,312)
Net maturities	**(3,026,042)**	**(63,770)**	**(3,764,348)**	**(6,854,160)**	**(6,179,579)**

2017	< 6 Months $	6-12 Months $	1-5 years $	Total contractual cash flows $	Carrying amount $
Cash	2,648,669	-	-	2,648,669	2,648,669
Security deposit	50,000	50,000	150,000	250,000	216,054
Other receivables	112,158	-	-	112,158	112,158
Payables	(2,221,962)	-	-	(2,221,962)	(2,221,962)
Convertible Note	(90,405)	(90,405)	(2,180,810)	(2,361,620)	(1,917,503)
Finance Leases	(299,125)	(316,814)	(318,906)	(934,845)	(1,271,244)
Net maturities	**199,335**	**(357,219)**	**(2,349,716)**	**(2,507,600)**	**(2,433,828)**

(d) Fair value compared with carrying amounts

Except as outlined in the table above, the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value as at the reporting date.

NOTE 4: REVENUE AND OTHER INCOME

	2018 $	2017 $
Revenue and other income from continuing operations		
Sales revenue		
Sale of goods	18,341,127	19,088,533
Total Sales revenue	**18,341,127**	**19,088,533**
Net gain on settlement of deferred consideration	100,000	2,328,020
Net gain on settlement of deferred consideration	**100,000**	**2,328,020**
Other revenue		
Commission received	14,288	2,771
Rebates	-	478,915
Interest	25,709	30,168
Total Other revenue	**39,997**	**511,854**

NOTE 5: LOSS FROM CONTINUING OPERATIONS

	2018 $	2017 $
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Cost of goods sold		
Materials and consumables used	5,753,017	5,238,092
	5,753,017	**5,238,092**
Employee benefits expense		
Bonus	-	55,000
Other employee benefits	6,699,803	6,041,676
	6,699,803	**6,096,676**
Depreciation of non-current assets		
Leasehold Improvements	166,431	151,689
Computer Equipment	42,591	31,522
Clinic equipment	1,463,548	1,297,502
Motor Vehicle	4,050	4,050
	1,676,620	**1,484,762**
Amortisation of non-current assets		
Licences	21,663	21,697
	21,663	**21,697**
Impairment losses		
Goodwill	6,610,624	3,624,927
	6,610,624	**3,624,927**
Finance costs expensed		
Finance charges paid or payable under equipment leases	68,596	126,719
Other	253,800	33,248
	322,396	**159,967**

NOTE 6: TAX

	2018 $	2017 $
(a) Components of tax expense:		
Current tax	-	-
Deferred tax	-	-
Under/(over) provision in prior years	-	-
	-	**-**

(b) Prima facie tax payable

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	2018 $	2017 $
Profit/(loss) before tax from continuing operations	(11,680,824)	(2,466,127)
Profit/(loss) before tax from discontinued operations	-	-
Total profit/loss before income tax	**(11,680,824)**	**(2,466,127)**
Prima facie income tax payable on profit before income tax at 27.5% (2017: 30%)	(3,212,226)	(739,838)
Add tax effect of:		
- other non-allowable items	(87,263)	(40,835)
Timing differences not brought to account	(124,482)	25,771
Tax losses not brought to account	3,423,971	754,902
	-	-

	2018 $	2017 $
(c) Current tax		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(177,225)	(86,204)
Income tax	-	-
Tax payments	-	(48,918)
Under / (over) provisions	-	(42,103)
Current tax liabilities / (assets)	**(177,225)**	**(177,225)**
(d) Deferred tax assets not brought to account		
Temporary differences	679,337	502,569
Operating tax losses	4,371,241	1,033,385
	5,050,578	**1,535,954**

(e) Changes in applicable tax rate

The rate of applicable tax decreased to 27.5% during the period (2017:30%).

NOTE 7: CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash at bank and on hand	232,322	2,644,517
Petty cash	2,160	4,152
	234,482	**2,648,669**

NOTE 8: RECEIVABLES

	2018 $	2017 $
Current		
Security deposit	182,495	77,641
Other receivables	90,582	112,158
	273,077	**189,799**
Non-Current		
Security deposit	-	138,413
	-	**138,413**

Security Deposit		
Not later than one year	200,000	100,000
Later than one year and not later than 5 years	-	150,000
Minimum repayment	**200,000**	**250,000**
Add: unearned income	(17,505)	(33,946)
	182,495	**216,054**

Security deposit relates to Deed of Set Off for equipment finance received. The original deposit amount is returned proportionately over the life of the finance term.

NOTE 9: INVENTORIES

	2018 $	2017 $
Injectable inventory at cost	322,088	356,171
Dermal inventory at cost	142,466	206,765
CoolSculpting® inventory at cost	350,294	553,941
Total inventories	**814,848**	**1,116,877**

NOTE 10: OTHER ASSETS

	2018 $	2017 $
Current		
Prepayments	70,455	25,525
Deposits Paid	-	8,250
	70,455	**33,775**
Non-Current		
Rental Bonds	348,217	345,786
	348,217	**345,786**

NOTE 11: PLANT AND EQUIPMENT

	2018 $	2017 $
Motor Vehicle		
At cost	27,000	27,000
Accumulated depreciation	(11,395)	(7,345)
	15,605	**19,655**
Leasehold Improvements		
At cost	1,316,240	1,143,457
Accumulated depreciation	(452,845)	(297,398)
	863,395	**846,059**
Computer equipment		
At cost	152,126	122,645
Accumulated amortisation	(94,265)	(51,674)
	57,861	**70,971**
Clinic equipment		
At cost	4,429,056	4,284,699
Accumulated depreciation	(2,164,795)	(1,174,983)
	2,264,261	**3,109,716**
Leased clinic equipment		
At cost	1,845,975	1,845,975
Accumulated depreciation	(1,439,427)	(977,362)
	406,548	868,613
Total plant and equipment		
Cost	7,770,397	7,423,776
Accumulated depreciation	(4,162,727)	(2,508,762)
Total plant and equipment	**3,607,670**	**4,915,014**

NOTE 11: PLANT AND EQUIPMENT (cont)

	2018 $	2017 $
(a) Reconciliations		
Motor Vehicle		
Carrying amount at beginning of year	19,655	23,705
Depreciation expense	(4,050)	(4,050)
Carrying amount end of year	**15,605**	**19,655**
Leasehold Improvements		
Carrying amount at beginning of year	846,059	207,046
Additions	223,067	248,518
Additions through acquisition of entities / operations	-	542,184
Depreciation expense	(166,431)	(151,689)
Loss on disposal	(39,300)	-
Carrying amount end of year	**863,395**	**846,059**
Computer Equipment		
Carrying amount at beginning of year	70,971	38,133
Additions	29,481	64,360
Depreciation expense	(42,591)	(31,522)
Carrying amount end of year	**57,861**	**70,971**
Clinic equipment		
Carrying amount at beginning of year	3,109,716	1,008,656
Additions	144,357	2,677,110
Additions through acquisition of entities / operations	103,286	259,427
Disposal through business combination	(91,615)	-
Depreciation expense	(1,001,523)	(835,477)
Carrying amount end of year	**2,264,221**	**3,109,716**
Clinic equipment under lease		
Carrying amount at beginning of year	868,613	1,330,638
Depreciation expense	(462,025)	(462,025)
Carrying amount end of year	**406,588**	**868,613**
Total Property Plant & Equipment		
Carrying amount at beginning of year	4,915,014	2,608,178
Additions	396,905	2,989,988
Additions through acquisition of entities / operations	103,286	801,611
Disposals through business combination	(91,615)	-
Depreciation expense	(1,676,620)	(1,484,763)
Loss on disposal	(39,300)	-
Carrying amount end of year	**3,607,670**	**4,915,014**

(b) Plant and equipment pledged as security

Clinic equipment under lease is secured by the associated equipment. The convertible note is secured by $3.3m of CoolSculpting® equipment at cost classified as clinic equipment above.

NOTE 12: INTANGIBLE ASSETS

	2018 $	2017 $
Goodwill		
At cost	8,970,519	15,581,143
Goodwill	**8,970,519**	**15,581,143**
Reconciliation		
Carrying amount at beginning of year	15,581,143	7,665,029
Additions through business combination	1,830,959	11,541,041
Disposals through business combination	(1,315,995)	-
Loss on disposal	(514,964)	-
Impairment losses	(6,610,624)	(3,624,927)
Carrying amount end of year	**8,970,519**	**15,581,143**
Trademark and licences		
At cost	65,099	65,099
Accumulated amortisation and impairment	(52,855)	(31,192)
Trademark and Licences	**12,244**	**33,907**
Reconciliation		
Carrying amount at beginning of year	33,907	55,604
Amortisation charge	(21,663)	(21,697)
Carrying amount end of year	**12,244**	**33,907**
Capitalised development costs		
At cost	1,684,739	1,384,287
Accumulated amortisation and impairment	-	-
Capitalised development costs	**1,684,739**	**1,384,287**
Reconciliation		
Carrying amount at beginning of year	1,384,287	697,169
Additions through internal development	300,452	734,732
R&D Grant Received	-	(47,614)
Carrying amount end of year	**1,684,739**	**1,384,287**
Total Intangibles		
Carrying amount at beginning of year	16,999,337	8,417,802
Additions through acquisition	1,830,959	11,541,041
Disposal through business combination	(1,315,995)	-
Additions through internal development	300,452	734,732
R&D Grant Received	-	(47,614)
Loss on disposal	(514,964)	-
Impairment losses	(6,610,624)	(3,624,927)
Amortisation charge	(21,663)	(21,697)
Carrying amount end of year	**10,667,502**	**16,999,337**

NOTE 12: INTANGIBLE ASSETS (cont)

Goodwill and intangibles with indefinite useful lives are allocated to the following cash generating units (CGU):

	2018 $	2017 $
Goodwill and intangibles with indefinite useful lives are allocated to the following cash generating units (CGU):		
Fletcher Brown		
Goodwill	-	95,000
Impairment charge	-	(95,000)
Fletcher Brown	**-**	**-**
Melbourne Collagen Foundation & Cosmetic Skin Institute		
Goodwill	1,757,500	1,757,500
Impairment charge	(1,607,868)	-
Melbourne Collagen Foundation & Cosmetic Skin Institute	**149,632**	**1,757,500**
Skinovate		
Goodwill	1,237,169	1,237,169
Impairment charge	(738,000)	
Skinovate	**499,169**	**1,237,169**
Heber Davis		
Goodwill	2,572,860	2,572,860
Impairment charge	(125,000)	
Heber Davis	**2,447,860**	**2,572,860**
Clay Spa & Beauty		
Goodwill	-	60,000
Impairment Charge		(60,000)
Clay Spa & Beauty	**-**	**-**
Face Today		
Goodwill	850,000	850,000
Impairment charge	(87,571)	
Face Today	**762,429**	**850,000**
Rejuven8 Penrith		
Goodwill	700,000	700,000
Rejuven8 Penrith	**700,000**	**700,000**
Lase By The Sea		
Goodwill	392,500	392,500
Impairment Charge	(392,500)	-
Lase By The Sea	**-**	**392,500**
Cozmedics		
Goodwill	6,530,591	6,530,591
Impairment charge	(3,306,000)	
Cozmedics	**3,224,591**	**6,530,591**
Endless Solutions		
Goodwill	-	698,590
Impairment Charge	-	(698,590)
Endless Solutions	**-**	**-**

NOTE 12: INTANGIBLE ASSETS (cont)

	2018 $	2017 $
Facial Artistry		
Goodwill	596,330	3,367,667
Impairment	-	(2,771,337)
Facial Artistry	**596,330**	**596,330**
Sunshine Vein Clinic		
Goodwill	590,508	590,508
Sunshine Vein Clinic	**590,508**	**590,508**
Canberra Cosmedic Medicine Centre		
Goodwill	353,685	353685
Impairment Charge	(353,685)	-
Canberra Cosmedic Medicine Centre	**-**	**353,685**
Carrying amount at the end of the year	**8,970,519**	**15,581,143**

Impairment tests for goodwill and intangible assets with indefinite useful lives

A description of the basis for determining the recoverable amount of goodwill for each cash generating unit is summarized at Note 2: Significant Accounting Estimates & Judgements.

Impairment loss

Inputs and assumptions utilised in the calculation are summarized at Note 2: Significant Accounting Estimates & Judgements.

No reasonable change in the key assumptions of the value in use calculations would result in impairment for other cash generating units.

NOTE 13: PAYABLES

	2018 $	2017 $
Current		
Trade creditors	1,377,021	1,001,765
Directors fees payable	89,954	130,000
Other payables & accruals	1,160,540	1,092,203
Payable to related parties	531,808	(2,006)
	3,159,323	**2,221,962**

NOTE 14: OTHER LIABILITIES

	2018 $	2017 $
Current		
Income in advance	140,568	173,802
Deferred Consideration	75,002	817,328
	215,570	**991,130**
Non Current		
Deferred Consideration	-	65,508
	-	**65,508**

NOTE 15: BORROWINGS

	2018 $	2017 $
Current – Secured		
Finance Lease liability	306,316	615,939
	306,316	**615,939**
Non- Current Secured		
Finance Lease liability	13,996	318,897
Convertible Note	3,207,503	1,917,503
	3,221,499	**2,236,400**
(a) Secured lease liability – finance lease	**320,312**	**934,836**

(b) Finance leases:

(i) Commercial financing arrangements for the purchase of clinic equipment

(ii) Future minimum lease payment and the present value of the net minimum lease payment

- Not later than one year	322,638	685,108
- Later than one year and not later than five years	12,724	586,146
- Later than five years	-	-
Total minimum lease payments	**335,362**	**1,271,254**
- Future finance charges	15,050	336,408
Present value of minimum lease payment	**320,312**	**934,846**

(c) Terms and conditions and assets pledging as security relating to the above financial instruments

(i) Repossession of clinic equipment under finance in event of default or breach.

(ii) Security cash deposit in accordance with Deed of Set Off to be released over the life of the term. This security deposit has been recognised in receivables.

(iii) Convertible Note secured by CoolSculpting® equipment

(d) Defaults & breaches

(i) There have been no defaults or breaches of any of the equipment finance during or subsequent to balance date.

(e) Operating lease commitments

Non cancellable operating leases of clinic premises contracted for but not capitalised in the financial statements:

Not later than one year	1,107,479	1,315,702
Later than 1 year and not later than five years	1,986,465	2,438,411
Later than 5 years	284,362	488,867
Operating lease commitments payable	**3,378,306**	**4,242,980**

NOTE 16: PROVISIONS

	2018 $	2017 $
Current		
Employee benefits	252,012	258,518
	252,012	**258,518**
Non-Current		
Employee benefits	29,961	39,795
	29,961	**39,795**
Aggregate employee benefits liability	**281,973**	**298,313**

NOTE 17: CONTRIBUTED CAPITAL

	2018 $	2017 $
(a) Issued and paid up capital		
Ordinary shares fully paid	**25,853,815**	**25,299,839**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue

	Parent Equity		Parent Equity	
	No of Shares	2018 $	No of Shares	2017 $
Beginning of the financial year	**123,109,683**	**25,299,839**	**74,707,953**	**14,025,768**
Issued during the year :				
COZmedics Acquisition	737,211	221,163	5,767,718	1,441,930
Facial Artistry Acquisition	-	-	266,667	66,667
Endless Solutions Acquisition	-	-	600,000	150,000
Face Today Post Completeion	-	-	553,433	105,152
Rejuven8 Post Completion	-	-	713,912	135,643
Heber Davis Acquisition	-	-	500,000	125,000
Artisan Rejuvenation Clinic	2,218,750	332,813	-	-
Capital Raising	-	-	40,000,000	10,000,000
Transaction costs of equity issued (net of tax)	-	-	-	(750,321)
End of the financial year	**126,065,644**	**25,853,815**	**123,109,683**	**25,299,839**

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

(d) Capital Management

When managing capital, managements' objective is to ensure the consolidated entity ultimately provides returns to shareholders and benefits for other stakeholders.

Management manages capital through the monitoring of historical and forecast performance and cashflows. The ratio of debt to total capital is also monitored to ensure the consolidated entity does not over use or rely on debt to finance its strategic objectives.

NOTE 18: ACCUMULATED LOSSES

	2018 $	2017 $
Balance at the beginning of year	(5,164,196)	(2,698,069)
Net loss attributable to members of Total Face Group Limited	(11,680,824)	(2,466,127)
Balance at end of year	**(16,845,020)**	**(5,164,196)**

NOTE 19: INTERESTS IN SUBSIDIARIES

Subsidiaries of the group	Country of incorporation	Ownership interest held by the group	
		2018 %	2017 %
Heber Davis Pty Ltd	Australia	100	100

NOTE 20: CASH FLOW INFORMATION

	2018 $	2017 $
(a) Reconciliation of cash flow from operations with loss after income tax		
Loss from ordinary activities after income tax	(11,680,824)	(2,466,127)
Non-Cash Items		
Depreciation and amortisation	1,698,283	1,506,771
Loss on disposal and deferred consideration	554,275	-
Impairment loss	6,610,624	3,624,927
Loss (Gain) on settlement of deferred consideration	209,492	(2,328,020)
Interest paid	68,596	126,719
Expenses acquisition costs taken to investing	-	264,236
Non refundable deposit taken to investing	100,000	
Changes in assets and liabilities		
(Increase)/decrease in trade receivables	55,135	(6,306)
(Increase)/decrease in inventory	302,029	(199,187)
(Increase)/decrease in other assets	(39,111)	225,763
(Decrease)/increase in trade and other creditors	443,593	717,536
(Decrease)/increase in income tax payable	-	(48,918)
(Decrease)/increase in other payables	(33,234)	49,963
(Decrease)/increase in employee entitlements	(16,340)	99,935
Net cash flow from operating activities	**(1,727,482)**	**1,566,980**
(b) Reconciliation of cash		
Cash at bank	234,482	2,648,669
Closing cash balance	**234,482**	**2,648,669**

NOTE 21: BUSINESS COMBINATIONS

Artisan Rejuvenation Clinic

On 31 October 2017, the consolidated entity acquired 100% of the business of Artisan Rejuvenation Clinic, Fortitude Valley, QLD. The acquisition was in line with the company's acquisitive growth strategy to become a national industry leader.

Details of the purchase consideration:

	$
Cash paid	1,731,860
Shares	332,813
	2,064,673

Assets and liabilities acquired	Recognised on acquisition at fair value $
Stock	130,428
Clinic Equipment	103,286
Net identifiable assets acquired	**233,714**
Goodwill	1,830,959
Total purchase consideration	**2,064,673**

On 3 May 2018, the Artisan Rejuvenation Clinic, Fortitude Valley QLD business was sold following the strategic review and due diligence process. Details of disposal consideration:

	$
Cash Received	1,424,235
Deferred consideration	50,000
	1,474,235

Assets and liabilities disposed	Derecognised on disposal $
	91,457
Clinic equipment	91,615
Employee Entitlements	(16,148)
Gift Vouchers	(8,684)
Net identifiable assets on disposal	**158,240**
Goodwill on disposal	1,315,995
Loss on disposal	**(514,964)**

Transaction Costs
Transaction costs of $63,038 were incurred in relation to the acquisition. Of this amount, $61,025 were incurred in relation to Queensland State Revenue Office Stamp Duty and $2,013 legal expenses which are shown in the statement of comprehensive income.

Goodwill
Goodwill is not deductible for tax purposes. Goodwill comprises of expected synergies from combining the acquirer and the acquiree and intangibles that did not qualify for separate recognition.

Contribution since acquisition
Artisan Rejuvenation Clinic contributed revenue of $1,267,029 for the reporting period included in the statement of comprehensive income.

NOTE 22: EARNINGS PER SHARE

	2018 $	2017 $
Reconciliation of earnings used in calculating earnings per share:		
Loss from continuing operations	(11,680,824)	(2,466,127)
Loss from discontinued operations	-	-
Loss used in calculating basic earnings per share	(11,680,824)	(2,466,127)
Earnings used in calculating diluted earnings per share	**(11,680,824)**	**(2,466,127)**

	2018 No of Shares	2017 No of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	126,065,644	123,109,683
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**126,065,644**	**123,109,683**

NOTE 23: DIRECTORS' AND EXECUTIVES' COMPENSATIONS

Compensation by category	2018 $	2017 $
Short-term employment benefits	899,117	701,468
Post-employment benefits	67,417	50,980
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	966,534	**752,448**

NOTE 24: RELATED PARTY DISCLOSURES

(a) The consolidated financial statements include the financial statements of Total Face Group Ltd and its controlled entities listed below:

	Country of incorporation	Percentage owned 2018	2017
Parent Entity:			
Total Face Group Ltd	Australia		
Subsidiaries of Total Face Group Ltd			
Heber Davis Pty Ltd	Australia	100%	100%

(b) The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Transactions with entities with joint control or significant influence over the entity
None

Transactions with entities with associates
None

Transactions with entities with joint ventures in which the entity is a venturer
None

NOTE 24: RELATED PARTY DISCLOSURES (cont)

Transactions with directors, key management personnel and other related parties

As at 30 June 2018, the Company owes Paul Fielding $531,807 (2017: $2,006 owed by Paul). The balance represents a credit card facility in the name of Paul Fielding utilised by Total Face Group as required and a Loan Facility up to $750,000 provided to the Company for working capital. Also owing to Paul Fielding as at 30 June 2018, is $19,954 (2017: $100,000) in Directors Fees. Director Fees as at 30 June 2018, owing to Dr Somia & Lynda Adler total $70,000 (2017: $30,000).

Paul Fielding is sole director, company secretary and shareholder of Fielding Hill Pty Ltd (Fielding Hill). Between October 2015 and January 2018, Total Face Group leased the premises located at Level 4, 11-19 Bank Place from Fielding Hill. The premises was used as the Company's corporate headquarters. The rental payable under the lease was $68,000 plus GST per annum plus outgoings. The lease was terminated in January 2018 and the Company's corporate office now utilises facilities in its Exhibition Street, Melbourne clinic.

In June 2017, Paul Fielding participated in the Convertible Note raising, taking up 125,000 $1.00 convertible notes. In November 2017, Kerstin Grant participated in the Convertible Note raising, taking up 600,000 $1.00 convertible notes.

NOTE 25: AUDITOR'S REMUNERATION

	2018 $	2017 $
(a) Amounts paid and payable to Pitcher Partners Melbourne for:		
(i) Audit and other assurance services		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	166,768	216,475
Other assurance services	-	-
Total remuneration for audit and other assurance services	**166,768**	**216,475**
(ii) Other non-audit services		
Taxation services	8,390	4,500
Total remuneration for non-audit services	**8,390**	**4,500**
Total remuneration of Pitcher Partners Melbourne	**175,158**	**220,975**

NOTE 26: PARENT ENTITY INFORMATION

Summarised presentation of the parent entity, Total Face Group Limited, financial statements:

(a) Summarised statement of financial position	2018 $	2017 $
Assets		
Current assets	1,569,937	4,212,593
Non-current assets	13,410,393	21,444,195
Total assets	**14,980,330**	**25,656,789**
Liabilities		
Current liabilities	3,863,555	3,977,588
Non-current liabilities	3,245,297	2,339,697
Total liabilities	**7,108,852**	**6,317,285**
Net assets	**7,871,478**	**19,339,504**
Equity		
Contributed capital	25,853,815	25,299,836
Retained earnings	(17,982,337)	(5,960,332)
Total equity	**7,871,478**	**19,339,504**
(b) Summarised Statement of Profit or Loss and Other Comprehensive Income		
Loss for the year	(12,022,005)	(2,838,730)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**(12,022,005)**	**(2,838,730)**

(c) Parent entity contingent liabilities

None.

(d) Parent entity contractual commitments

None.

NOTE 27: DEED OF CROSS GUARANTEE

The following companies are parties to a deed of cross guarantee under which each company guarantees the debts of the others:
• Total Face Group Limited
• Heber Davis Pty Ltd

NOTE 28: SEGMENT INFORMATION

Total Face Group Limited and its controlled entites operate cosmetic injectables and aesthetic clinics. There is only one reportable segment based on the aggregation criteria in AASB 8 Operating Segments. Operations are only conducted in the entity’s domiciled country providing non-invasive, non-surgical cosmetic procedures throughout its clinic network.

NOTE 29: SUBSEQUENT EVENTS

On Friday 10 August 2018 the business sale of the Peninsula clinic completed for $300,000 cash.

The completion of the business sale of the Chatswood clinic is expected to occur on or soon after 31 August 2018 for $800,000 cash.

On 31 August 2018 the business sale of the Port Melbourne clinic completed for $300,000 cash.

On the 27th of August the Company released a Notice of Meeting of Shareholders to, among other things, seek approval to:

- a further 140,000,000 placement of ordinary shares at $0.05 per share,
- the acquisition of The Giving Brands Company (GBCo);
- ratifiy the appointment of Non Executive Director, Mr Ken Poutakidis and Executive Director Ms Christine Parkes.

On or soon after 31 August 2018 a one for two rights issue at $0.05 per share for up to 60,000,000 shares ($3,000,000) will be offered to existing shareholders.

DIRECTORS DECLARATION

The directors declare that:

In the directors' opinion, the financial statements and notes thereto, as set out on pages 21 to 54, are in accordance with the *Corporations Act 2001*, including:

- complying with *Australian Accounting Standards and the Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- as stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
- giving a true and fair view of the financial position of the consolidated entity as at 30 June 2018 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Total Face Group Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the acting Chief Executive Officer and Chief Financial Officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2018.

This declaration is made in accordance with a resolution of the directors.

Director
Melbourne
31 August 2018

TOTAL FACE GROUP LIMITED
ABN 43 169 177 833
AND CONTROLLED ENTITIES

PITCHER PARTNERS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
TOTAL FACE GROUP LIMITED

Report on the Audit of the Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of Total Face Group Limited "the Company" and its subsidiary "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, 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. We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

Basis for Disclaimer of Opinion

We draw attention to Note 1 (b) in the financial report which indicates that the Group incurred a net loss from operations of $11,680,824 during the year ended 30 June 2018 and as of that date the Group's current liabilities exceeded its current assets by $2,363,134. The Group has also reported a net cash outflow from operating activities of $1,727,482 for the year ended 30 June 2018. As at the date of our report, the Group is in involved in negotiations regarding the future direction and structure of the business. These negotiations are subject to a capital raise and have not been finalised. As a result, we were unable to obtain sufficient appropriate audit evidence over the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of revenue, expenses and assets, and the elements making up the consolidated statement of financial position consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows.

Responsibilities of Management and Those Charged with Governance for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

PITCHER PARTNERS

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
TOTAL FACE GROUP LIMITED**

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the Group's financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants "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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Total Face Group Ltd, for the year ended 30 June 2018, 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.

K L BYRNE
Partner

PITCHER PARTNERS
Melbourne

31 August 2018

SHAREHOLDER INFORMATION

The Shareholder information below was applicable as at 10 August 2018.

Ordinary Shares

126,065,644 fully paid ordinary shares.

All ordinary shares carry one vote per share.

Options

No options over unissued shares or interests in the consolidated entity were granted during or since the end of the financial year.

Distribution of shareholders in each class of equity securities:

Range	Total holders	Units	% of Issued Capital
1 - 100	8	53	0.00
101 - 1,000	2	604	0.00
1,001 - 10,000	82	450,524	0.36
10,001 - 100,000	164	6,901,252	5.47
100,001 - 500,000	94	23,300,288	18.48
500,001 - 1,000,000	18	12,944,264	10.27
1,000,001 - 9,999,999,999	24	82,468,659	65.42
Total	392	126,065,644	100.00

Unmarketable securities

	Minimum Parcel Size	**Holders**	**Units**
Minimum $ 500.00 parcel at $ 0.11 per unit	4,546	37	73,204

Substantial Holders in the Company

Name	Units	% of Units
UBS Nominees Pty Ltd	17,664,045	14.01
HSBC Custody Nominees (Australia) Limited	8,810,000	6.99
Mr Paul Fielding	6,783,799	5.38

Equity Security Holders

The largest 20 security holders of ordinary fully paid shares (quoted and unquoted restricted securities) are:

Rank	Name	Units	% of Units
1.	UBS NOMINEES PTY LTD	17,664,045	14.01
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,810,000	6.99
3.	MR PAUL RICHARD FIELDING	6,783,799	5.38
4.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	5,615,141	4.45
5.	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	3,950,000	3.13
6.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	3,536,847	2.81
7.	SUPER FIELDING PTY LTD <FIELDING SUPERANNUATION FUND>	3,300,000	2.62
8.	FLASHLIGHT ADVISORY PTY LTD <FLASHLIGHT ADVISORY INV A/C>	3,025,000	2.40
9.	OH-RULE PTY LTD <THE RULE FAMILY A/C>	2,863,619	2.27
10.	FIP INVESTMENTS (VIC) PTY LTD <FIP INVESTMENT A/C>	2,750,000	2.18
11.	INDIGO PACIFIC PTE LTD	2,750,000	2.18
12.	BRANWEN PTY LTD <MARIANA FAMILY A/C>	2,218,750	1.76
13.	NATIONAL NOMINEES LIMITED	2,164,818	1.72
14.	MRS JOANNE HANNAH	2,090,000	1.66
15.	HALCYON ONE PTY LTD	1,900,000	1.51
16.	MARSHALL WILLIAM HOLDING PTY LTD	1,650,000	1.31
17.	MARIE SCODELLA & ASSOCIATES PTY LTD <SUPER FUND A/C>	1,631,728	1.29
18.	MR KYRIAKOS POUTAKIDIS	1,595,000	1.27
19.	TOMHAGEN PTY LTD <TOMHAGEN A/C>	1,494,648	1.19
20.	CSM INVESTMENTS PTY LTD	1,463,000	1.16
Total Top 20 holders of Issued Capital		77,256,395	61.28
Total Remaining Holders Balance		48,809,249	38.72

Shareholder enquiries

Shareholders with enquiries about their shareholding should contact the share registry:

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Phone: 1300 137 328

CORPORATE DIRECTORY

Directors

Paul Fielding - Chairman
Dr Naveen Somia - Non- Executive Director
Ken Poutakidis – Non-Executive Director

Company Secretary

Liza Juegan

Registered Office

Total Face Group Ltd
Ground Floor, 55 Exhibition St
Melbourne Victoria 3000
Phone: +61 3 8547 3600
13 FACE

Auditors

Pitcher Partners
Level 13, 664 Collins Street
Docklands,VIC, 3008

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Phone: 1300 137 328