

IMBALIE BEAUTY LIMITED
 "Imbalie Beauty" or "the Company" or "the Group"
 (Incorporated in the Republic of South Africa)
 (Registration number 2003/025374/06)
 JSE code: ILE
 ISIN: ZAE000165239

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 28 FEBRUARY 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 28 February 2021 R'000	Audited 29 February 2020 R'000 <i>* Restated</i>
Discontinued operations		
Loss from discontinued operations	(9 371)	(2 170)
Loss for the year	(9 371)	(2 170)
Other comprehensive income:		
Items from discontinued operations that will not be reclassified to profit or loss:		
Losses on property revaluation	-	(565)
Income tax relating to items that will not be reclassified	-	127
Total items that will not be reclassified to losses	-	(438)
Other comprehensive loss from discontinued operations for the year net of taxation that will not be reclassified to profit or loss		(438)
Total comprehensive loss for the year	(9 371)	(2 608)
Weighted and fully diluted average shares in issue	1 384 039 225	1 384 039 225
Loss per share attributable to equity holders of the Group (Note 1):		
Loss per share from discontinued operations (cents)	(0.68)	(0.16)
Headline loss per share from discontinued operations (cents)	(0.42)	(0.27)
Fully diluted loss per share from discontinued operations (cents)	(0.68)	(0.16)
Fully diluted headline loss per share from discontinued operations (cents)	(0.42)	(0.27)

** The prior year comparatives have been restated for operations that were classified as discontinued operations in the current year in accordance with IFRS 5 as detailed in the Financial Results of Discontinued Operations paragraph.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 28 February 2021 R'000	Audited 29 February 2020 R'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	-	1 420
Right-of-use assets	-	290
Goodwill	-	3 560
Intangible assets	-	15 669
Deferred tax	-	22 975
	-	43 914
Current Assets		
Inventory	-	5 510
Trade and other receivables	-	4 233
Other financial assets	-	66
Cash and cash equivalents	1	47
	1	9 856
Assets of disposal groups	61 206	13 549
Total Assets	61 207	67 319
EQUITY AND LIABILITIES		
Equity		
Share capital	113 732	113 732
Reserves	596	596
Accumulated loss	(84 412)	(75 041)
	29 916	39 287
Liabilities		
Non-Current liabilities		
Other financial liabilities	-	143
Deferred tax	-	-
	-	143
Current Liabilities		
Trade and other payables	-	9 100
Other financial liabilities	-	335
Lease liabilities	-	316
Bank overdraft	-	4 021
	-	13 772
Liabilities of disposal groups	31 291	14 117
Total Liabilities	31 291	28 032
Total Equity and Liabilities	61 207	67 319
Number of ordinary shares in issue at year end	1 384 039 225	1 384 039 225

Net asset value per share (cents)	2.16	2.84
Net tangible asset value per share (cents)	1.05	1.45

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total Share capital R'000	Revaluation reserve R'000	Accumulated Loss R'000	Total equity R'000
Balance at 29 February 2020	52 119	61 613	113 732	596	(75 041)	39 287
Total comprehensive loss for the year	-	-	-	-	(9 731)	(9 371)
Balance at 28 February 2021	52 119	61 613	113 732	596	(84 412)	29 916

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 28 February 2021 R'000	Audited 29 February 2020 R'000 <i>* Restated</i>
Cash flow from operating activities		
Net cash flows from discontinued operations	(3 108)	1 121
Cash flows from investing activities		
Net cash flows from discontinued operations	483	73
Cash flows utilised in financing activities		
Net cash flows from discontinued operations	4 635	(1 362)
Total cash movement for the year	2 010	(168)
Cash and cash equivalents at beginning of the year	(3 974)	(3 806)
Cash and cash equivalents at end of the year	(1 964)	(3 974)

** The prior year comparatives have been restated for operations that were classified as discontinued operations in the current year in accordance with IFRS 5 as detailed in the Financial Results of Discontinued Operations paragraph.*

SEGMENTAL REPORTING

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker.

Therefore, the Group determines and presents its operating segments based on the information that is internally provided to the Chief Executive Officer, who is the chief operating decision maker.

Furthermore, a segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of the other segments.

The Group does not report on its different operating segments. The business is conducted in South Africa and through South African companies operating cross border and is managed at a central head office with no branches. The Group is managed as one operating unit.

All revenues from external customers originate in South Africa or through South African companies operating cross border.

NOTES TO THE FINANCIAL INFORMATION

1. Reconciliation of headline loss

	Reviewed 28 February 2021 R'000	Audited 29 February 2020 R'000 <i>* Restated</i>
Reconciliation of headline loss of discontinued operations:		
Loss attributable to ordinary shareholders from discontinued operations	(9 371)	(2 170)
Adjusted for:		
IAS 38 Impairment/(reversal) of trademarks	117	(1 459)
IAS 16 Gain on disposal of PPE	(243)	(138)
IAS 36 Impairment of Goodwill	3 560	-
Total tax effects of adjustments	68	39
Headline loss attributable to ordinary shareholders from discontinued operations	<u>(5 869)</u>	<u>(3 728)</u>
Weighted and fully diluted average shares in issue	1 384 039 225	1 384 039 225
Loss per share from discontinued operations (cents)	(0.68)	(0.16)
Headline loss per share from discontinued operations (cents)	(0.42)	(0.27)
Fully diluted loss per share from discontinued operations (cents)	(0.68)	(0.16)
Fully diluted headline loss per share from discontinued operations (cents)	(0.42)	(0.27)

OVERVIEW

The directors of Imbalie Beauty herewith present the Group's annual financial results for the year ended 28 February 2021 ("the 2021 year" or "2021"). Imbalie Beauty is a leading skin, beauty and wellness solutions group. Its focus is primarily on the development, growth and innovation of our own skin care product brands and treatments through the following franchise salon chains: Placecol Skin Care Clinics, Perfect 10 and Dream Nails Beauty Salons. The Group's skin care brands are available to consumers in its own salon footprint, large retail groups, pharmacies, independent salon outlets and various on-line platforms.

2020 was undoubtedly the toughest year in the history of our Group as a result of the Covid-19 pandemic and, having since received our Covid-19 loan from ABSA Bank with the pre-

condition that Imbalie Beauty delists from the JSE; the process has commenced to reposition our Group for a delisting.

Shareholders are referred to the announcement released on SENS on 12 October 2020 in which shareholders were advised that Absa Bank Limited had approved a Covid-19 loan to the Company. One of the major conditions was that the Company delists from the JSE Limited or alternatively that the operating company to which the loan was granted becomes private and is no longer part of a listed group.

Shareholders were advised on SENS on 26 February 2021 that the proposed delisting process will be as follows:

- a consortium of investors will acquire from the current major shareholders of Imbalie Beauty (“Major shareholders”) approximately 60% of their shares in Imbalie Beauty; and
- the Major shareholders will, through a special purpose vehicle, acquire all the operating subsidiaries from the Company.

(“proposed delisting process”)

Legal agreements reflecting the above have been drafted but not signed as Imbalie Beauty is in a closed period. Once Imbalie Beauty is out of a closed period, the agreements will be signed, and a detailed SENS announcement released.

The preparation of the annual financial statements has been aligned with the draft legal agreements.

Our first focus during lockdown was to enable our footprint, which employs over 200 women, with new skills, new on-line capabilities, the implementation of growth teams (to create new revenue streams for their existing businesses) and finally the implementation of Covid-19 protocols with an increased emphasis on hygiene standards.

This very challenging lockdown period afforded us, as a management team, time to scrutinize our future strategy, current business processes and business models and provided us with the opportunity of re-positioning our Group into the future. We established and launched our new Customer Solutions Division on 3 August 2020 to focus on direct sales to the end consumer as referred to in the Subsequent Events paragraph.

Various training initiatives were implemented during lockdown by our Imbalie Beauty Wellness Academy which we converted to an on-line platform and the initiative was launched as iBLOOM Academy on 2 October 2020.

The strategic decision to launch our own skin care brands into additional retail outlets resulted in the opening of 35 new Edgars outlets during the latter part of 2020 and the introduction of our brands into the Foschini group’s on-line platform.

The final necessary step, effective 1 November 2020, was the introduction of a robust franchise fee model to ensure that we have the best beauty franchise model in the marketplace. Despite all our efforts we have seen a reduction in our national franchise beauty salon footprint from 75 beauty salons in March 2020 to 47 in May 2021.

BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and Financial Pronouncements as issued by Financial Reporting Standards Council and to also,

as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The provisional condensed consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets where required or permitted by IFRS.

These provisional condensed consolidated financial statements incorporate the financial results of the Company and its subsidiaries.

The preparation of the provisional condensed consolidated financial statements for the year ended 28 February 2021 was supervised by Imbalie Beauty's Chief Executive Officer, Esna Colyn CA (SA). The directors take full responsibility for the preparation of these provisional condensed consolidated financial statements for the year ended 28 February 2021.

These condensed consolidated financial statements for the year ended 28 February 2021 have been reviewed by Nexia SAB&T, who expressed a modified review conclusion. The auditor's report contained the following going concern paragraph:

“Basis for Disclaimer of Conclusion

As indicated in the Statement of Going Concern note to the condensed consolidated financial statements, the group incurred a total comprehensive loss of R9.4 million for the year ended 28 February 2021 (2020: total comprehensive loss of R2.6 million). Furthermore, as indicated in the Proposed De-Listing Process note, a consortium of investors will acquire from the current major shareholders of the Company approximately 60% of their shares, and the major shareholders will through a special purpose vehicle acquire all the operating subsidiaries from the Company, which would result in all the business operations of the Company in its current structure been discontinued in the foreseeable future. The legal agreements reflecting the above transactions have been drafted but not signed as the Company is in a closed period. Therefore, the Company was unable to provide us with signed legal agreements, a business plan to support the Company's proposed new business operations, nor provide us with cash flow forecasts to support the appropriateness of the financial statements being prepared using the going concern basis of accounting. Consequently, we were unable to confirm or dispel whether it is appropriate to prepare the condensed consolidated financial statements using the going concern basis of accounting.

Disclaimer of Conclusion

Due to the significance of the matter described in the Basis for Disclaimer of Conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on these provisional condensed consolidated financial statements of Imbalie Beauty Limited for the year ended 28 February 2021. Accordingly, we do not express a conclusion on these provisional condensed consolidated financial statements.”

A copy of the auditor's review report is available for inspection at the Company's registered office.

NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

There was no material impact on the implementation of any of these standards.

Standard/ Interpretation:	Effective date: Years beginning on or after
• Definition of a business - Amendments to IFRS 3	01 January 2020
• Presentation of Financial Statements: Disclosure initiative - IAS 1	01 January 2020
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative - IAS 8	01 January 2020

Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 March 2021 or later periods.

There is unlikely to be a material impact on the future implementation of any of these standards.

Standard/ Interpretation:	Effective date: Years beginning on or after
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022
• COVID-19 - Related Rent Concessions - Amendment to IFRS 16	01 June 2020

FINANCIAL RESULTS OF DISCONTINUED OPERATIONS

The financial information presented below is the detailed information of the discontinued operations and the disposal groups of Imbalie Beauty:

	Reviewed	Audited
	28 February 2021	29 February 2020
	R'000	R'000
Profit and loss and other comprehensive income		
Revenue	19 046	33 578
Cost of sales	(5 459)	(10 183)
Gross profit	<u>13 587</u>	<u>23 395</u>
Other operating income and gains	2 103	2 527
Operating expenses	(18 222)	(24 043)
Impairment of goodwill	(3 560)	-

Operating (loss)/ profit before interest, taxation, depreciation and amortisation	(6 092)	1 879
Depreciation and amortisation	(1 368)	(1 502)
(Loss)/Profit before interest and taxation	(7 460)	377
Investment income	5	62
Finance costs	(1 433)	(1 935)
Loss before taxation	(8 888)	(1 496)
Taxation	(483)	(674)
Loss for the year	(9 371)	(2 170)
Items that will not be reclassified to profit or loss		
Loss on revaluation of property	-	(565)
Tax thereon	-	127
Total comprehensive loss	(9 371)	(2 608)
Assets and liabilities		
Assets of disposal groups		
Property, plant and equipment	14 375	13 500
Right-of-use assets	1 196	-
Intangible assets	15 323	-
Deferred tax	22 536	-
Inventories	4 888	-
Trade and other receivables	2 782	46
Cash and cash equivalents	106	-
Other assets	-	3
	61 206	13 549
Liabilities of disposal groups		
Lease liabilities	1 257	-
Deferred tax	26	15
Bank overdraft	2 071	-
Other financial liabilities	20 089	14 097
Trade and other payables	7 814	5
Income tax payable	34	-
	31 291	14 117
Equity		
Revaluation reserve	-	595

The Group's revenue decreased by 43.3% to R19.0 million (2020: R33.5 million) mainly due to the Government imposed Covid-19 lockdown of corporate and franchised beauty salons for 87 days, a reduction in new beauty salon openings, the adjustment of the Group's franchise fee structure from 1 November 2020 and the Group's focus on the distribution of own brands to our footprint versus third party brands.

Gross profit decreased by 41.9% to R13.6 million (2020: R23.4 million) and gross profit margins increased to 71.3% (2019: 69.7%) due to a significant increase in on-line sales (which attracts higher margins) and the Group's focus on the distribution of its own product brands.

Operating expenses decreased by 24.2% to R18.2 million (2020: R24.0 million) as a result of cost saving measures implemented as part of the Group's turnaround strategy.

Loss per share decreased to a loss of 0.68 cents (2020: loss of 0.16 cents) and the headline loss per share decreased to 0.42 cents (2020: loss 0.27 cents).

In anticipation of the Group's de-listing process, the following adjustments and disclosures were made:

- Goodwill on consolidation to the amount of R3.6 million was impaired.
- The assets of disposal groups include Right-of-Use Assets for leases to the value of R1.2 million (2020: R300k) and lease liabilities of R1.3 million (2020: Rnil) for 3 corporate leases at year end, one of these corporate leases were transferred after year end to a new lease owner. Trade receivables reduced to R2.8 million (2020: R4.2 million mainly as a result of a reduction in turnover).
- The increase in liabilities under Liabilities of Disposal groups is mainly as a result of the Covid-19 loan received by the Group during October 2020 of R6 million.
- All assets and liabilities are disclosed under Assets/Liabilities of Disposal Groups on the consolidated and Holding Company balance sheets.

The Group disposed of property, plant and equipment to the value of R434 598 during the year.

The Group had no material capital commitments for the purchase of property, plant and equipment as at 28 February 2021.

STATEMENT OF GOING CONCERN

The Group incurred a loss of R9.4 million (2020: R2.6 million).

As indicated in the Proposed De-Listing Process note, a consortium of investors will acquire from the current major shareholders of the Company approximately 60% of their shares, and the major shareholders will through a special purpose vehicle acquire all the operating subsidiaries from the Company, which would result in all the business operations of the Company in its current structure been discontinued in the foreseeable future.

Once the de-listing process of the underlying subsidiaries is complete, it is envisaged that a suitable viable asset will be reversed into the cash shell of Imbalie Beauty.

SHARE CAPITAL

There has been no change in the share capital during 2021.

DIVIDEND POLICY

The Group will not pay a dividend for the 2021 year.

CONTINGENCIES AND COMMITMENTS

The Group has various contingent liabilities in terms of head leases entered into with various landlords on behalf of its franchise operators nationally. The Group's exposure is monitored on an ongoing basis with a plan to actively reduce its exposure. The Group's exposure to head leases reduced to 6 head leases in 2021, with an additional head lease being transferred after year end.

The Group has a contingent liability with GetBucks as a result of business continuation agreements that provided funding to certain of its franchise operators. The Group is disputing the validity and value of these claims. The Group has entered into discussions with GetBucks to settle the matter.

FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements for the year ended 29 February 2020.

The carrying amount of all significant financial instruments approximates their fair value.

RELATED PARTY BALANCES AND TRANSACTIONS:

- Beauty salons owned by Director E Colyn – Beauty Flagship (Pty) Limited (Placecol Skin Care Clinic Bram Fischer and Placecol Spa); and
- Holistics Remedies (Pty) Limited – Shareholder of Amka Products (Pty) Limited

	2021 R'000	2020 R'000
Amounts included in Trade receivables (trade payables) regarding related parties:		
Beauty Flagship (Pty) Limited	32	66
Amka Products (Pty) Limited	26	54
Royalties received and product purchases from related parties:		
Beauty Flagship (Pty) Limited	383	540
Rent received from related parties:		
Amka Products (Pty) Limited	152	90
Products bought from related parties:		
Amka Products (Pty) Limited	(35)	(36)
Directors' Remuneration :		
	2021 R'000	2020 R'000
E Colyn – CEO:	981	945
CW de Jager – Financial Director	769	814
Non-Executive Directors' Remuneration :		
	2021 R'000	2020 R'000
BJT Shongwe	50	-
JH Phalane	20	-
GD Harlow	80	-
TJ Schoeman	80	-
WP van der Merwe	80	-

BOARD CHANGES

- Resignation Chairman - Mr BJT Shongwe 11 January 2021
- Appointment Chairman - Mr JH Phalane 22 January 2021
- Resignation Financial Director – Ms CW de Jager 25 January 2021

SUBSEQUENT EVENTS AND PROSPECTS

Proposed de-listing process

Once the de-listing process of the underlying subsidiaries is complete, it is envisaged that a suitable viable asset will be reversed into the cash shell of Imbalie Beauty.

Current operating business

The directors and management are of the opinion that the operating of the subsidiaries in a de-listed environment will be more suitable for current operations as the cost saving will be measurable.

Statements contained in this announcement, regarding the prospects of the Group, have not been reviewed or audited by the Group's external auditors.

APPRECIATION

The directors would like to thank the Shareholders of Imbalie Beauty for their valued contribution and support over the last 13 years, whilst the subsidiaries were listed on the JSE Limited. We would like to thank our non-executive directors for their contribution over the years and especially during the lockdown period.

Thank you to all our Franchise Partners who had to fight very hard to keep their beauty salon doors open in a very tough period in the history of the world and the tough economic environment. We were saddened by the fact that many of our beauty salons could no longer sustain their businesses for various reasons and closed their doors.

Thank you to our exceptional Imbalie Beauty team for forging ahead and learning new business skills during the 2021 year. Thank you to all our valued and loyal customers, strategic business partners and our suppliers, for your continued support.

By order of the Board
15 June 2021

Esna Colyn
Chief Executive Officer

CORPORATE INFORMATION

Non-executive directors: JH Phalane* (Chairman); GD Harlow; TJ Schoeman;* WP van der Merwe
*Independent

Executive director: E Colyn

Registration number: 2003/025374/06

Registered address: Imbalie Beauty Boulevard, 23 Saddle Drive, Woodmead Office Park, Woodmead, 2148, Gauteng, South Africa

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Transfer secretaries: 4Africa Exchange Registry (Pty) Limited

Designated Adviser: Exchange Sponsors (2008) (Pty) Limited