

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

UNAUDITED GROUP CONDENSED INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 AUGUST 2019

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months August 2019 R'000	Unaudited 6 months August 2018 R'000	Audited 12 months February 2019 R'000
Revenue	18 375	22 410	41 809
Cost of sales	(5 131)	(7 512)	(16 098)
Gross profit	13 244	14 898	25 711
Other income	2	19	2 822
Operating expenses	(12 216)	(16 132)	(29 921)
Profit / (Loss) before interest, taxation, depreciation and amortisation	1 030	(1 215)	(1 388)
Depreciation and amortisation	(407)	(364)	(1 283)
Profit / (Loss) before interest and taxation	623	(1 579)	(2 671)
Investment revenue	56	-	117
Finance costs	(1 063)	(971)	(2 397)
Loss before taxation	(384)	(2 550)	(4 951)
Taxation	101	720	1 655
Loss for the period	(283)	(1 830)	(3 296)
Other comprehensive income			
Revaluation surplus net of taxation	-	-	223
Total comprehensive loss for the period	(283)	(1 830)	(3 073)
Attributable to:			
Equity holders of the company	(283)	(1 830)	(3 073)
Loss per share attributable to equity holders of the company (Note 1):			
Basic loss per share (cents)	(0.02)	(0.13)	(0.24)
Headline loss per share (cents)	(0.02)	(0.13)	(0.24)
Diluted loss per share (cents)	(0.02)	(0.13)	(0.24)
Diluted headline loss per share (cents)	(0.02)	(0.13)	(0.24)

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited August 2019 R'000	Unaudited August 2018 R'000	Audited February 2019 R'000
ASSETS			
Non-current assets	57 821	56 939	58 069
Property, plant and equipment	15 831	16 392	16 143
Goodwill	3 560	3 560	3 560
Intangible assets	13 868	14 312	13 905
Other financial assets	476	-	476
Deferred taxation	24 086	22 675	23 985
Current assets	15 386	20 370	14 135
Inventories	5 318	6 656	5 901
Other financial assets	341	998	714
Trade and other receivables	9 573	12 686	7 389
Cash and cash equivalents	154	30	131
Total assets	73 207	77 309	72 204
EQUITY AND LIABILITIES			
Equity	41 612	43 156	41 895
Share capital	113 732	113 750	113 732
Reserves	1 034	811	1 034
Retained earnings	(73 154)	(71 405)	(72 871)
Non-current liabilities	7 873	7 268	8 286
Other financial liabilities	7 394	7 268	7 807
Deferred taxation	479	-	479
Current liabilities	23 722	26 885	22 023
Trade and other payables	12 023	11 084	10 263
Other financial liabilities	7 117	10 504	7 583
Operating lease liabilities	240	142	240
Bank overdraft	4 342	5 155	3 937
Total liabilities	31 595	34 153	30 309
Total equity and liabilities	73 207	77 309	72 204
Number of shares in issue at period end	1 384 039 225	1 384 039 225	1 384 039 225
Net asset value per share (cents)	3.00	3.12	3.03
Net tangible asset value per share (cents)	1.74	1.83	1.77

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total Share capital R'000	Revaluation reserve R'000	Accumula ted Loss R'000	Total equity R'000
Balance at 28 February 2019	52 101	61 631	113 732	1034	(72 871)	41 895
Total comprehensive loss for the period				-	(283)	(283)
Balance at 31 August 2019	52 101	61 631	113 732	1034	(73 154)	41 612

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited 31 August 2019 R'000	Unaudited 31 August 2018 R'000	Audited 28 February 2019 R'000
Cash flow from operating activities			
Cash generated/(utilised) from operations	1 189	(2 623)	2 533
Investment income	56	-	117
Finance costs	(1 063)	(970)	(2 397)
Cash flows generated/utilised in operating activities	182	(3 593)	253
Cash flows from investing activities			
Purchase of property, plant and equipment	(58)	(36)	(18)
Proceeds from disposal of property, plant and equipment	-	-	59
Purchase of intangible assets	-	2	(9)
Net movement in other financial assets	373	206	(5)
Cash flows generated in investing activities	315	172	27
Cash flows from financing activities			
Proceeds from share issue	-	2 580	3 316
Net repayment of other financial liabilities	(879)	(322)	(3 440)
Cash flows from financing activities	(879)	2 258	(124)
Net (decrease)/increase in cash and cash equivalents	(382)	(1 163)	156
Cash and cash equivalents at beginning of the period	(3 806)	(3 962)	(3 962)
Cash and cash equivalents at end of the period	(4 189)	(5 125)	(3 806)

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 have different operating segments. The business is conducted in South Africa 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 from operations in South Africa.

NOTES TO THE FINANCIAL INFORMATION

1. Reconciliation of headline loss

	Unaudited 6 months August 2019 R'000	Unaudited 6 months August 2018 R'000	Audited 12 months February 2019 R'000
Loss attributable to ordinary shareholders	(283)	(1 830)	(3 296)
Adjusted for:			
Profit on disposal of non-current assets	-	-	(1)
Headline loss attributable to ordinary shareholders	(283)	(1 830)	(3 297)
Weighted and fully diluted average shares in issue ('000)	1 384 039	1 384 039	1 377 428
Basic loss per share (cents)	(0.02)	(0.13)	(0.24)
Diluted loss per share (cents)	(0.02)	(0.13)	(0.24)
Headline loss per share (cents)	(0.02)	(0.13)	(0.24)

Diluted headline loss per share (cents)	(0.02)	(0.13)	(0.24)
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OVERVIEW

The directors of Imbalie Beauty herewith present the Group's financial results for the six months ended 31 August 2019 ("the 2019 interim period" or "2019"). Imbalie Beauty is a leading beauty and wellness group, with its focus primarily on the development and transformation of people working in our franchise salon footprint ("salon footprint") through ongoing education and the development, growth and innovation of our own skin care product brands, being Placecol and Skinderm. The Placecol skin care brand turns forty in January 2020.

Imbalie Beauty has its own and franchise salon footprint 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, various independent salon outlets and on various on-line platforms.

The Group's salon footprint experienced continued difficult trading conditions, resulting in the closure of unprofitable franchises and corporate salons during the period and subsequent to the period end, impacting negatively on the overall revenue of the Group. The Group strengthened its strategic relationship with Edgars during the period and introduced its reformulated and upgraded award-winning Placecol skin care products into the large retailer, opening an additional six new retail doors during the interim period. Prior to opening these retail doors, the Group successfully introduced Edcon's credit facilities into its beauty salon footprint ensuring its salon footprint works in synergy with Edgars. This initiative differentiated the Group's salons from competitors and has had a positive impact on average ticket size achieved in the Group's beauty salons. Edcon has 3 million account card holders and 12 million Thank U card holders and is expected to lead to growth in our salon customer base.

The Group is in the process of expanding its offering to customers which includes a wellness concept to attract new customers into our salon footprint. The Group has entered into final negotiations to dispose its property company to improve the overall cash flow position of the Group and to settle expensive debt with the excess cash realised from the disposal of the property company.

The Group continued to receive various industry awards for its beauty salons. Placecol skin care clinic Victorian Square was recognised and received three Beauty Awards from the Best of Bloemfontein in 2019 for the fifth consecutive year in a row, reinforcing our beauty salons as the consumer's preferred choice in this region.

In October 2019, the recently launched Placecol Excellence skin care range received an award as the first runner up in the best skin care range category from Pharmaceutical and Cosmetic Review. The Placecol Excellence range has been scientifically developed following an in-depth investigation into the different cellular functions associated with unique skin concerns, and is packed with the latest technology in active ingredients.

BASIS OF PREPARATION

The unaudited Group condensed interim financial results, included in this announcement, have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), and have been prepared in accordance with the presentation and disclosure requirements of IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, and the requirements of the Companies Act.

The unaudited group condensed interim financial results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The accounting policies and method of measurement and recognition applied in preparation of the unaudited group condensed interim financial results are consistent with those applied to the Group summary financial results for the period ended 28 February 2019.

These unaudited Group condensed interim financial results incorporate the financial results of the Company and its subsidiaries.

The preparation of the unaudited Group condensed interim financial results was supervised by Imbalie Beauty's Financial Director, Rina de Jager. The directors take full responsibility for the preparation of the unaudited group condensed interim financial results and for ensuring that the financial and other information has been correctly extracted from the unaudited Group condensed interim financial results.

FINANCIAL RESULTS

The Group's revenue decreased by 18.0% to R18.4 million (2018: R22.4 million) mainly due to the closure of corporate and franchised salons and a reduction in new salon openings. Gross profit has decreased by 11.1% to R13.2 million (2018: R14.9 million) and gross profit margins increased by 9.0% to 72.1% (2018: 66.5%), due to the Group's focus on the distribution of its own product brands.

Operating costs decreased by 24.3% to R12.2 million (2018: R16.1 million) as a result of significant cost savings implemented as part of the Group's turnaround strategy. The majority of these cost savings were effective towards the latter part of the interim period.

Loss and headline loss per share decreased to 0.02 cents (2018: loss of 0.13 cents).

Inventory decreased to R5.3 million as the Group focused on carrying its own core brands.

The Group had no material capital commitments for the purchase of property, plant and equipment as at 31 August 2019.

STATEMENT OF GOING CONCERN

The financial results have been prepared on the going concern basis due to the fact that the Company is in the process to conclude the final negotiations on the disposal of its property company (as disclosed in the Subsequent Events paragraph below). The finalisation of the

property company transaction will result in a significant reduction of the debt obligation of the Group.

Whilst management is aware of the current challenging market conditions which result in cash-flow pressures and liquidity uncertainty, they continue to expand the footprint into new business areas in order to be able to service debts that become due in the next 12 months and also fund operational losses that may arise. Management has developed, and is in the process of addressing the liquidity and cash flow constraints, which includes:

- Continuous assessment to reduce the overheads of the Company.
- The launch of the Placecol skin care range into six additional Edgars doors was achieved during the interim period.

The ongoing implementation of the above strategic interventions, including the disposal of the property company, should improve the overall profitability, liquidity and cash flow position of the Group over the next 12 months.

SHARE CAPITAL

There were no changes to the share capital during the interim period.

DIVIDEND POLICY

The Group will not pay a dividend for the 2019 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 exposure of the Group is monitored on an ongoing basis with an action plan to actively reduce the Group's exposure to head leases, which exposure reduced from 56 head leases to 14 head leases.

The Group entered into a business continuation agreement with GetBucks to provide funding to certain of its franchise operators which resulted in exposure of R6,8 million as at the reporting date.

FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, described as follows:

- 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; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group only carries land and buildings at revalued amounts.

Assets measured at fair value	Carrying amounts	Fair value
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	31 August 2019	28 February 2019	31 August 2019	28 February 2019
Land and buildings	13 028 217	13 151 550	14 188 333	14 311 667

Type

Valuation technique

Land and buildings

The fair value of land and buildings is determined by applying the income approach valuation technique, which incorporates the determination of discount rate containing an appropriate risk premium.

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

FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements for the year ended 28 February 2019.

SUBSEQUENT EVENTS

The Company has entered into final negotiations to conclude the disposal of its property company. The property is currently fairly valued at R14.8 million.

BOARD CHANGES

No board changes have occurred subsequent to the period end.

PROSPECTS

The Company successfully lifted its suspension by the JSE Limited in September 2019. The successful conclusion of the disposal of its property company will remove a significant amount of the Company's debt obligations.

Furthermore, as part of the Group's commitment and vision to be the leading and most desirable beauty and wellness group, it entered new sustainable distribution channels to increase product sales and overall awareness for the Group's brands with customers. The Group will continue to keep its overheads low to ensure profitability and sustainability.

The Group commenced with the upgrade of its Placecol and Dream Nails salon footprint in July 2019 with 5 of the Group's salons being upgraded during the reporting period.

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 our non-executive directors for their valuable input during a challenging year, our team, franchise partners, customers, strategic partners and suppliers for their business during the 2019 interim period.

By order of the Board
29 November 2019

Esna Colyn
Chief Executive Officer

CORPORATE INFORMATION

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

Executive directors: E Colyn; CW de Jager

Registration number: 2003/025374/06

Registered address: Imbalie Beauty Boulevard, 23 Saddle Drive, Woodmead Office Park,
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Company secretary: P Atkins

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