

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 2020

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months August 2020 R'000	Unaudited 6 months August 2019 R'000	Audited 12 months February 2020 R'000
Revenue	7 646	18 375	33 578
Cost of sales	(2 034)	(5 131)	(10 183)
Gross profit	5 612	13 244	23 395
Other income	246	2	2 527
Operating expenses	(8 178)	(12 216)	(24 043)
(Loss)/Profit before interest, taxation, depreciation and amortisation	(2 320)	1 030	1 879
Depreciation and amortisation	(544)	(407)	(1 502)
(Loss)/Profit before interest and taxation	(2 864)	623	377
Investment revenue	-	56	62
Finance costs	(826)	(1 063)	(1 935)
Loss before taxation	(3 690)	(384)	(1 496)
Taxation	-	-	(674)
Loss for the period	(3 690)	(384)	(2 170)
Taxation	962	101	(438)
Total comprehensive loss for the period	(2 728)	(283)	(2 608)
Attributable to:			
Equity holders of the company	(2 728)	(283)	(2 608)
Loss per share attributable to equity holders of the company (Note 1):			
Basic loss per share (cents)	(0.20)	(0.02)	(0.16)
Headline loss per share (cents)	(0.20)	(0.02)	(0.27)
Diluted loss per share (cents)	(0.20)	(0.02)	(0.16)
Diluted headline loss per share (cents)	(0.20)	(0.02)	(0.27)

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited August 2020 R'000	Unaudited August 2019 R'000	Audited February 2020 R'000
ASSETS			
Non-current assets	44 954	57 821	43 914
Property, plant and equipment	1 227	15 831	1 420
Right-of-use assets	684	-	290
Goodwill	3 560	3 560	3 560
Intangible assets	15 546	13 868	15 669
Other financial assets	-	476	-
Deferred taxation	23 937	24 086	22 975
Current assets	7 776	15 386	9 856
Inventories	4 716	5 318	5 510
Other financial assets	27	341	66
Trade and other receivables	3 006	9 573	4 233
Cash and cash equivalents	27	154	47
Non-current assets held for sale and assets of disposal groups	13 547	-	13 549
Total assets	66 277	73 207	67 319
EQUITY AND LIABILITIES			
Equity	36 559	41 612	39 287
Share capital	113 732	113 732	113 732
Reserves	596	1 034	596
Retained earnings	(77 769)	(73 154)	(75 041)
Non-current liabilities	143	7 873	143
Other financial liabilities	143	7 394	143
Deferred taxation	-	479	-
Current liabilities	15 309	23 722	13 772
Trade and other payables	9 973	12 023	9 100
Other financial liabilities	286	7 117	335
Lease liabilities	701	-	316
Operating lease liabilities	-	240	-
Bank overdraft	4 349	4 342	4 021
Liabilities of disposal groups	14 266	-	14 117
Total liabilities	29 718	31 595	28 032
Total equity and liabilities	66 277	73 207	67 319
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)	2.64	3.00	2.84
Net tangible asset value per share (cents)	1.26	1.74	1.45

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 29 February 2020	52 119	61 613	113 732	596	(75 041)	39 287
Total comprehensive loss for the period	-	-	-	-	(2 728)	(2 728)
Balance at 31 August 2020	52 119	61 613	113 732	596	(77 769)	36 559

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited August 2020 R'000	Unaudited August 2019 R'000	Audited February 2020 R'000
Cash flow from operating activities			
Cash generated from operations	1 106	1 189	2 994
Investment income	-	56	62
Finance costs	(826)	(1 063)	(1 935)
Cash flows from operating activities	280	182	1 121
Cash flows from investing activities			
Purchase of property, plant and equipment / right-of-use	(621)	(58)	(73)
Proceeds from disposal of property, plant and equipment	-	-	198
Disposal/(Purchase) of intangible assets	-	-	(565)
Proceeds from other financial assets	41	373	513
Cash flows (utilised)/from investing activities	(580)	315	73
Cash flows utilised in financing activities			
Repayment of other financial liabilities	(48)	-	(1 302)
Proceeds from other financial liabilities	-	-	300
Payment on lease liabilities	-	(879)	(360)
Cash flows utilised in financing activities	(48)	(879)	(1 362)
Net decrease in cash and cash equivalents	(348)	(383)	(168)
Cash and cash equivalents at beginning of the period	(3 974)	(3 806)	(3 806)
Cash and cash equivalents at end of the period	(4 322)	(4 189)	(3 974)

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 and 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 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

	Unaudited 6 months August 2020 R'000	Unaudited 6 months August 2019 R'000	Audited 12 months February 2020 R'000
Loss attributable to ordinary shareholders	(2 728)	(283)	(2 170)
Adjusted for:			
IAS 38 Impairment reversal of trademarks	-	-	(1 459)
IAS 16 Gain on disposal of PPE	-	-	(138)
Total tax effects of adjustments	-	-	39
Headline loss attributable to ordinary shareholders	(2 728)	(283)	(3 728)
Weighted and fully diluted average shares in issue	1 384 039 225	1 384 039 225	1 384 039 225
Loss per share (cents)	(0.20)	(0.02)	(0.16)
Diluted loss per share (cents)	(0.20)	(0.02)	(0.27)
Headline loss per share (cents)	(0.20)	(0.02)	(0.16)
Diluted headline loss per share (cents)	(0.20)	(0.02)	(0.27)

OVERVIEW

The directors of Imbalie Beauty present the Group financial results for the six months ended 31 August 2020 (“the interim period”). Imbalie Beauty is a leading and desirable beauty and wellness solutions group in South Africa with focus primarily on the development, growth and innovation of our own skin care product brands and treatments distributed through the following franchise salon chains: Placecol Skin Care Clinics, Perfect 10 and Dream Nails Beauty Salons, and are available to consumers in large retail groups, pharmacies, independent salon outlets and various on-line platforms.

The Group’s underlying salon footprint experienced very difficult trading conditions during 2020 as a result of the Government-imposed lockdown (“lockdown”) which was as a result of the Covid-19 pandemic; with the majority of our salons only re-opening for business on 1 July 2020.

During lockdown, our strategic business partner, Edcon, announced that it had filed for Business Rescue and has since been taken over by Retailability.

The Group applied for various relief measures during lockdown such as the UIF Covid-19 Temporary Employee Relief Scheme (TERS) (“UIF TERS”) and in September 2020 received confirmation that its application to ABSA Bank Limited for a R6 million Covid-19 SARB Guaranteed loan (“Covid-19 loan”), was successful. The Covid-19 loan was approved with the pre-condition that the Company delist from the JSE; the delisting process having commenced. The funds from the Covid-19 loan, received in October 2020, were utilised to replenish much-needed stock.

The very challenging lockdown afforded management time to scrutinize the Company’s future strategies, business processes, business models and provided us with the opportunity to re-position the Group into the future. We established, and launched, the new Customer Solutions Division on 3 August 2020 with focus on direct sales to the end-consumer and on 2 October 2020 we launched the digital side of the training academy. Please refer to the Subsequent Events paragraph.

During lockdown, the Imbalie Academy’s prime focus area was to upskill our footprint, which employs over 400 women, with new on-line capabilities to create new revenues for their existing businesses and the implementation of Covid-19 readiness training prior to the re-opening of our salons. In addition, on-line training courses were conducted with over 1 900 learners.

As a group, we introduced the required branded Personal Protective Equipment (“PPE”) training and safety videos to our footprint to ensure the continued safety of our employees and customers in the workplace.

FINANCIAL RESULTS

The Group’s revenue decreased by 58.4% to R7.6 million (2019: R18.4 million) as a result of an 87-day lockdown period of the Group’s beauty salons. Gross profit decreased by 57.6% to R5.6 million (2019: R13.2 million) and gross profit margins increased to 73.4% (2019: 72.1%), due to the focus on the distribution of own product brands and on-line sales during the lockdown, which attracted higher profit margins.

Operating expenses decreased by 33.1% to R8.2 million (2019: R12.2 million) due to the receipt of UIF TERS re-imbursements, minimal travelling, reduced marketing and a reduction in other operational costs as well as relief received from suppliers.

Loss per share decreased to a loss of 0.20 cents (2019: loss of 0.02 cents) and the headline loss per share decreased to 0.20 cents (2019: loss 0.02 cents).

The Group had no material capital commitments for the purchase of property, plant and equipment as at 31 August 2020.

Property, plant and equipment reduced to R1.2 million (2019: R15,8 million) as the Company entered into an agreement to dispose of its property-owning company on 31 July 2020 and was reclassified as a non-current asset held for sale and assets of disposal groups. The property transaction simultaneously reduced the non-current other financial liabilities by R7.3 million and current other financial liabilities by R7.0 million, and the liabilities were reclassified as liabilities of disposal groups. This property transaction became unconditional in October 2020.

Acquisition of right-of-use asset R621 000 – Willowbridge lease agreement.

Trade and Other Receivables reduced to R3.0 million in August 2020 compared to R4,2 million in February 2020 as a result of the reduction in trading activities due to the lockdown.

STATEMENT OF GOING CONCERN

The financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments, will occur in the ordinary course of business.

While management and the directors are aware of the cash-flow pressures and significant liquidity uncertainty at the interim period as a result of difficult trading conditions due to the Government imposed lockdown of the Group's beauty salons for 87 days, the situation is continually assessed as the Group is able to service its debts that become due and payable in the next 6 months and is also able to fund operational losses that may arise.

The Group incurred a net loss of R2.7 million for the first 6 months of the 2021 financial year, and the current liabilities exceed the current assets by R7.5 million at 31 August 2020, indicating that a material uncertainty exists regarding the Group's ability to continue as a going concern. The Covid-19 loan received in October 2020 brought much sought relief.

The directors have developed and are in the process of implementing a strategy to address the liquidity and cash flow constraints, which include:

- The launch of the Group's new Direct Sales Division in August 2020 to increase overall revenue; and
- The launch of the Digital Training Academy on 2 October 2020 which successfully generated new revenue for the Group.

RELATED PARTY BALANCES AND TRANSACTIONS:

- 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

	Unaudited 6 months August 2020 R'000	Audited 12 months February 2020 R'000
Amounts included in Trade receivables (trade payables) regarding related parties:		
Beauty Flagship (Pty) Limited	52	66
Amka Products (Pty) Limited	158	54
Royalties received and product purchases from related parties:		
Beauty Flagship (Pty) Limited	115	540
Rent received from related parties:		
Amka Products (Pty) Limited	66	90
Products (bought from) / returned to related parties:		
Amka Products (Pty) Limited	4	(36)

Directors Remuneration:

	R'000	R'000
E Colyn – CEO	480	945
CW de Jager – Financial Director	414	814

No remuneration was paid to the non-executive directors during the period under review.

SHARE CAPITAL

There has been no change in the share capital during the period under review.

DIVIDEND POLICY

The Group will not pay a dividend for the period under review.

CONTINGENCIES

The Group has reduced its 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 a plan to actively reduce the Group's exposure to head leases, reducing from 28 head leases in 2019 to 6 head leases at October 2020.

The Group entered into a business continuation agreement with GetBucks to provide funding to certain of its franchise operators which exposure is currently under negotiation.

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, which are 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 (Level 3)

Assets measured at fair value	Carrying amounts		Fair value	
	31 August 2020	29 February 2020	31 August 2020	29 February 2020
Land and buildings	11 977 325	12 035 400	13 376 667	13 500 000

Type	Valuation technique
Land and buildings	The fair value of land and buildings is determined based on an independent estimate at the end of February 2020 and incorporates current market conditions and the market history of similar properties in the same location.

The carrying amount of all significant financial instruments approximates their 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 29 February 2020.

SUBSEQUENT EVENTS

As previously reported, the Company received a Covid-19 loan from ABSA in October 2020 with the pre-condition that the company delist from the JSE and, as a result, the board agreed to the bank's terms and has commenced the delisting process.

BOARD CHANGES

There have been no board changes during the interim period and subsequent thereto.

PROSPECTS

The Group's vision is to be the leading and most desirable beauty and wellness solutions group, nationally and internationally. As trying and difficult as the Covid-19 lockdown period has been, it

allowed management time to reset the business for the future through the implementation of various strategies to strengthen our franchise footprint.

The board of directors will ensure that the Company successfully delists from the JSE in terms of the JSE Listings Requirements.

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

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 29 February 2020.

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.

APPRECIATION

The directors would like to thank the team, customers, strategic partners and key suppliers for their continued support during the interim period.

By order of the Board
30 November 2020

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, 2191, Gauteng, South Africa

Postal address: P O Box 8833, Centurion, 0046, Gauteng, South Africa

Company secretary: P Atkins

Telephone: (011) 086 9800

Transfer secretaries: 4Africa Exchange Registry

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