

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

UNAUDITED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 AUGUST 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months 31 August 2021 R'000	Unaudited 6 months 31 August 2020 R'000 <i>* Restated</i>	Audited 12 months 28 February 2021 R'000
Discontinued operations			
Loss from discontinued operations	(176)	(2 728)	(9 371)
Loss for the year	(176)	(2 728)	(9 371)
Total comprehensive loss for the period	(176)	(2 728)	(9 371)
Weighted and fully diluted average shares in issue	1 384 039 225	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)	(0.01)	(0.20)	(0.68)
Headline loss per share from discontinued operations (cents)	(0.01)	(0.20)	(0.42)
Fully diluted loss per share from discontinued operations (cents)	(0.01)	(0.20)	(0.68)
Fully diluted headline loss per share from discontinued operations (cents)	(0.01)	(0.20)	(0.42)

** The prior period 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

	Unaudited 31 August 2021 R'000	Unaudited 31 August 2020 R'000 <i>* Restated</i>	Audited 28 February 2021 R'000
ASSETS			
Current Assets			
Cash and cash equivalents	1	1	1
	1	1	1
Assets of disposal groups	60 195	66 276	61 206
Total Assets	60 196	66 277	61 207
EQUITY AND LIABILITIES			
Equity			
Share capital	113 732	113 732	113 732
Reserves	596	596	596
Accumulated loss	(84 588)	(77 769)	(84 412)
	29 740	36 559	29 916
Liabilities of disposal groups	30 456	29 718	31 291
Total Liabilities	30 456	29 718	31 291
Total Equity and Liabilities	60 196	66 277	61 207
Number of ordinary shares in issue at year end	1 384 039 225	1 384 039 225	1 384 039 225
Net asset value per share (cents)	2.16	2.64	2.16
Net tangible asset value per share (cents)	1.04	1.26	1.05

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 28 February 2021	52 119	61 613	113 732	596	(84 412)	29 916
Total comprehensive loss for the period	-	-	-	-	(176)	(176)
Balance at 31 August 2021	52 119	61 613	113 732	596	(84 588)	29 740

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 31 August 2021 R'000	Unaudited 31 August 2020 R'000 <i>* Restated</i>	Audited 28 February 2021 R'000
Cash flow from operating activities			
Net cash flows from discontinued operations	(234)	181	(3 108)
Cash flows from investing activities			
Net cash flows from discontinued operations	52	(481)	483
Cash flows utilised in financing activities			
Net cash flows from discontinued operations	(756)	(48)	4 635
Total cash movement for the year	(938)	(348)	2 010
Cash and cash equivalents at beginning of the year	(1 964)	(3 974)	(3 974)
Cash and cash equivalents at end of the year	(2 902)	(4 322)	(1 964)

** The prior period 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

	Unaudited 31 August 2021 R'000	Unaudited 31 August 2020 R'000	Audited 28 February 2021 R'000
Reconciliation of headline loss of discontinued operations:			
Loss attributable to ordinary shareholders from discontinued operations	(176)	(2 728)	(9 371)
Adjusted for:			
IAS 38 Impairment/(reversal) of trademarks	-	-	117
IAS 16 Gain on disposal of PPE	-	-	(243)
IAS 36 Impairment of Goodwill	-	-	3 560
Total tax effects of adjustments	-	-	68
Headline loss attributable to ordinary shareholders from discontinued operations	(176)	(2 728)	(5 869)
Weighted and fully diluted average shares in issue	1 384 039 225	1 384 039 225	1 384 039 225
Loss per share from discontinued operations (cents)	(0.01)	(0.20)	(0.68)
Headline loss per share from discontinued operations (cents)	(0.01)	(0.20)	(0.42)
Fully diluted loss per share from discontinued operations (cents)	(0.01)	(0.20)	(0.68)
Fully diluted headline loss per share from discontinued operations (cents)	(0.01)	(0.20)	(0.42)

OVERVIEW

The directors of Imbalie Beauty herewith present the Group's annual financial results for the six months ended 31 August 2021 ("the interim period"). Imbalie Beauty is a leading skin care, beauty and wellness solutions group with focus primarily on franchising through the following franchise salon chains: Placecol Skin Care Clinics, Perfect 10 and Dream Nails Beauty Salons, and the development, growth and innovation of own skin care product brands through the product division and the training and education of beauty professionals in the beauty industry through the beauty academy. The Group's skin care brands are available to consumers in our own salon footprint, large retail groups, pharmacies, independent salon outlets and various on-line platforms.

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 with a major condition that the Company delists from the JSE Limited or alternatively, that the operating company to which the Covid-19 loan was granted 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”).

To implement the proposed delisting process, the following has been done:

1. Imbalie Beauty and iBLOOM (Pty) Ltd (“iBLOOM”), a company owned by the Major shareholders) entered into a sale of shares and claims sale agreement, in terms of which, *inter alia*, Imbalie Beauty will dispose of all its shares in and claims against the following subsidiaries; Dreamnails Beauty (Pty) Ltd, Enjoy Beauty (Pty) Ltd, Placecol Fresh Beauty (Pty) Ltd, Imbalie Beauty Training Academy (Pty) Ltd and Placecol Skin Care Clinic (Pty) Ltd to iBLOOM for an aggregate purchase consideration of R7 630 254.

The disposal constitutes the disposal of the greater part of the assets of Imbalie Beauty in terms of section 112 of the Companies Act No 71 of 2008 (“the Companies Act”) and therefore requires the approval of the TRP as well as the approval of Imbalie Beauty Shareholders by way of a special resolution in terms of the provisions of section 115 of the Companies Act. A circular was distributed to shareholders on 3 November 2021.

2. As announced to Shareholders on SENS on 28 June 2021, the Major shareholders entered into the Sale of Shares Agreement with Baxfex (Pty) Ltd and Shenver Investments (Pty) Ltd (“the Consortium”) in terms of which agreement the Major shareholders will sell to the Consortium 847 805 953 Shares (“Sale Shares”) in Imbalie Beauty, constituting 61.26% of the entire issued share capital of Imbalie Beauty, at 0.90 cents per share, for an aggregate purchase consideration of R7 630 254. The Sale of Shares Agreement is subject to the fulfilment or waiver, as the case may be, of a number of suspensive conditions. The Sale Shares constitutes more than 35% of the entire issued share capital of Imbalie Beauty and is accordingly an affected transaction as defined in section 117 of the Companies Act. Once the Sale of Shares Agreement becomes unconditional, it will give rise to a mandatory offer by the Consortium to the Remaining Shareholders in terms of section 123 of the Companies Act.

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 2021.

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 CEO, Esna Colyn. 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.

NEW STANDARDS AND INTERPRETATIONS

No new standards were adopted during the interim period.

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:

	Unaudited 6 months 31 August 2021 R'000	Unaudited 6 months 31 August 2020 R'000	Audited 12 months 28 February 2021 R'000
Profit and loss and other comprehensive income			
Revenue	10 620	7 646	19 046
Cost of sales	(3 538)	(2 034)	(5 459)
Gross profit	7 082	5 612	13 587
Other operating income and gains	594	246	2 103
Operating expenses	(7 241)	(8 722)	(19 655)
Impairment of goodwill	-	-	(3 560)
Loss before interest and taxation	(435)	(2 864)	(7 460)
Investment income	-	-	5
Finance costs	(647)	(826)	(1 433)
Loss before taxation	(212)	(3 690)	(8 888)
Taxation	36	962	(483)
Loss for the year	(176)	(2 728)	(9 371)
Total comprehensive loss	(176)	(2 728)	(9 371)
Assets and liabilities			
Assets of disposal groups			
Property, plant and equipment	14 257	15 458	14 375
Right-of-use assets	509	-	1 196
Goodwill	-	3 560	-
Intangible assets	15 307	15 546	15 323
Deferred tax	22 603	23 937	22 536
Inventories	4 457	4 716	4 888
Trade and other receivables	2 987	3 033	2 782
Cash and cash equivalents	75	26	106
	60 196	66 277	61 206
Liabilities of disposal groups			
Lease liabilities	359	701	1 257
Deferred tax	26	-	26

Bank overdraft	2 977	4 349	2 071
Other financial liabilities	19 796	14 695	20 089
Trade and other payables	7 284	9 973	7 814
Income tax payable	14	-	34
	<u>30 456</u>	<u>29 718</u>	<u>31 291</u>

The Group's revenue increased by 38.9% to R10.6 million (2020: R7.6 million) mainly due to the Government imposed Covid-19 lockdown of corporate and franchised beauty salons in the prior period.

Gross profit increased by 26.2% to R7.1 million (2020: R5.6 million) and gross profit margins decreased to 66.7% (2020: 73.4%) as a result of more aggressive marketing and promotional activity in 2021.

Operating expenses decreased by 17.0% to R7.2 million (2020: R8.7 million) as a result of cost saving measures implemented as part of the Group's turnaround strategy.

Loss per share and headline loss per share decreased to a loss of 0.01 cents (2020: loss of 0.20 cents).

The Group had no material capital commitments for the purchase of property, plant and equipment as at 31 August 2021.

STATEMENT OF GOING CONCERN

The Group incurred a loss of R176 000 (2020: loss of R2.7 million) for the period under review.

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, in Imbalie Beauty and the Major shareholders will, through a special purpose vehicle, acquire all the operating subsidiaries from the Company, which will result in all the business operations of the Company in its current structure being 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, reducing to 3 head leases in 2021.

The Group has a contingent liability with GetBucks as a result of business continuation agreements that provided funding to certain of its franchise operators. During November 2021 the Group reached a settlement with GetBucks (which settlement is subject to a formal settlement agreement being signed) and the settlement has been fully provided for.

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 28 February 2021.

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 Cresta, Bram Fischer and Placecol Spa); and
- Holistics Remedies (Pty) Limited – Shareholder of Amka Products (Pty) Limited

	August 2021 R'000	August 2020 R'000	February 2021 R'000
Amounts included in Trade receivables (trade payables) regarding related parties:			
Beauty Flagship (Pty) Limited	158	52	66
Amka Products (Pty) Limited	13	-157	54
Royalties received and product purchases from related parties:			
Beauty Flagship (Pty) Limited	543	115	540
Rent received from related parties:			
Amka Products (Pty) Limited	76	76	90
Products bought from related parties:			
Amka Products (Pty) Limited	-	-	(36)
Directors' Remuneration:			
	2021 R'000	2020 R'000	2021 R'000
E Colyn – CEO:	380	480	981
CW de Jager – Financial Director	-	414	769
Non-Executive Directors' Remuneration:			
	2021 R'000	2020 R'000	2021 R'000
BJT Shongwe	-	50	50
JH Phalane	50	-	20
GD Harlow	40	40	80
TJ Schoeman	40	40	80
WP van der Merwe	40	40	80

BOARD CHANGES

There were no board changes during the reporting period.

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 past 14 years and we would like to thank our non-executive directors for their continued contribution over the years.

Thank you to all our Franchise Partners who have struggled to keep their beauty salon doors open during this tough trading period and in this tough economic environment. We were saddened by the fact that many of our beauty salons could not 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
19 November 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: 23 Saddle Drive, Woodmead Office Park, Woodmead, 2148, Gauteng, South Africa

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

Company secretary: P Atkins

Telephone: +27 (0)11 086 9800

Transfer secretaries: CTE Registry Services (Pty) Limited

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