

Wellness and Beauty Solutions Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity:	Wellness and Beauty Solutions Ltd
ABN:	43169177866
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	60.9% to	2,951
Loss from ordinary activities after tax attributable to the owners of Wellness and Beauty Solutions Ltd	down	107.9% to	(13,551)
Loss for the half-year attributable to the owners of Wellness and Beauty Solutions Ltd	down	107.9% to	(13,551)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$13,551,000 (31 December 2020: \$6,517,000).

The Company's securities were suspended from official quotation on 1 February 2021 as a consequence of not meeting its quarterly reporting obligations. The Company subsequently entered voluntary administration on 30 March 2021 and Laurence Fitzgerald of William Buck was appointed as the administrator of the Company (Administrator).

At a meeting of creditors held on 19 July 2021, creditors of the Company approved a proposal by BRC Collective Pty Ltd (BRC) for the Company to enter into a Deed of Company Arrangement (DOCA) and approved the appointment of Laurence Fitzgerald of William Buck as deed administrator of the Company (Deed Administrator). On 9 August 2021, the Company, the Deed Administrator and BRC entered into the DOCA.

Pursuant to the terms of the DOCA, among other items, BRC's nominee, Heat Holdings Pty Ltd (Heat Holdings), is to be issued with 68,000,000 shares in the capital of the Company (Placement Shares) at an issue price of \$0.0063 per Placement Share in consideration of Heat Holdings providing a contribution of \$472,763 to the deed fund established by the DOCA (Contribution) to recapitalise the Company and facilitate the exit of the Company from voluntary administration (DOCA Placement). As a result of this transaction Heat Holdings will acquire 50.2% of the ordinary shares in the capital of the Company, and existing Shareholders of the Company will be diluted to 49.8%.

At the time of execution of the DOCA, it was the Deed Administrator's assessment that the Company had a negative net worth, and that creditors were highly unlikely to receive any substantive return in respect of their claims if the Company were to be wound up and liquidated.

Completion of the DOCA (and the requirement for BRC to pay the Contribution) is conditional on the Company obtaining Shareholders' approval for the Resolutions contemplated within this Notice of Meeting, and in particular the issue of the Placement Shares to Heat Holdings.

3. Net tangible assets

	Reporting period	Previous period
	Cents	Cents
Net tangible assets per ordinary security	(0.01)	(0.17)

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4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period	Previous period	Reporting period	Previous period
	%	%	\$'000	\$'000
Micro 19 Pty Ltd	50.00%	50.00%	(121)	2
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(121)	2

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were reviewed by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Wellness and Beauty Solutions Ltd for the half-year ended 31 December 2020 is attached.

12. Signed

Signed

A handwritten signature in black ink, appearing to be 'C. L. L.', written over a horizontal line.

Date: 11/3/22

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Wellness and Beauty Solutions Ltd

ABN 43169177866

Interim Report - 31 December 2020

Wellness and Beauty Solutions Ltd

Directors' report 31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Wellness and Beauty Solutions Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were directors of Wellness and Beauty Solutions Ltd during half-year and until the date of this report:

Julian Glynn (resigned 19 February 2021)
Michael McCreddie (appointed 19 February 2021. Resigned 30 March 2021)
Christine Parkes (resigned 30 March 2021)
Yitzchok (Yossi) Spigler (appointed 19 February 2021. Resigned 30 March 2021)
Dr Naveen Somia (resigned 27 November 2020)

The following directors of Wellness and Beauty Solutions Ltd were appointed after the Deed of Company Arrangement (DOCA) was approved and subsequently executed by the administrator:

Paul Docherty (appointed 12 August 2021)
David Botta (appointed 12 August 2021)
Lyndsey Cattermole (appointed 12 August 2021)
Garry Hounsell (appointed 6 December 2021)
Amber Collins (appointed 6 December 2021)
Steven Chaur (appointed 24 January 2022)

Principal activities

During the half year financial period the principal continuing activities of the consolidated entity consisted of the provision of goods and services within the Australian beauty and wellness market.

Significant changes in the state of affairs

There were significant changes in the state of affairs of the consolidated entity during the financial period.

- on 1 February 2021, the Company's securities were suspended from quotation.
- on 30 March 2021, the Directors resolved to place the Company into voluntary administration and Laurence Fitzgerald of William Buck was appointed as the administrator of the Company.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Subsequent Events after the reporting period

The Company's securities were suspended from official quotation on 1 February 2021 as a consequence of not meeting its quarterly reporting obligations. The Company subsequently entered voluntary administration on 30 March 2021 and Laurence Fitzgerald of William Buck was appointed as the administrator of the Company (Administrator).

At a meeting of creditors held on 19 July 2021, creditors of the Company approved a proposal by BRC Collective Pty Ltd (BRC) for the Company to enter into a Deed of Company Arrangement (DOCA) and approved the appointment of Laurence Fitzgerald of William Buck as deed administrator of the Company (Deed Administrator). On 9 August 2021, the Company, the Deed Administrator and BRC entered into the DOCA.

Wellness and Beauty Solutions Ltd

**Directors' report
31 December 2020**

Subsequent Events after the reporting period (continued)

Pursuant to the terms of DOCA, among other items, BRC's nominee, Heat Holdings Pty Ltd (Heat Holdings), is to be issued with 68,000,000 shares in the capital of the Company (Placement Shares) at an issue price of \$0.0063 per Placement Share in consideration of Heat Holdings providing a contribution of \$472,763.23 to the deed fund established by the DOCA (Contribution) to recapitalise the Company and facilitate the exit of the Company from voluntary administration (DOCA Placement). As a result of this transaction Heat Holdings will acquire 50.2% of the ordinary shares in the capital of the Company, and existing Shareholders of the Company will be diluted to 49.8%.

At the time of execution of the DOCA, it was the Deed Administrator's assessment that the Company had a negative net worth, and that creditors were highly unlikely to receive any substantive return in respect of their claims if the Company were to be wound up and liquidated.

The DOCA subsequently completed on 31 October 2021 and the Company exited voluntary administration.

Proposed acquisitions and re-admission to official list

It is proposed that the Company will undertake acquisitions to complement and build the business into a leading Australian distributor of sustainable goods. These acquisitions will underpin a public offering and application for re-admission of the Company to the official list of the ASX. As part of the re-admission, creditors will be offered the opportunity to participate in the public offering.

The proposed Back-Door Listing will be subject to the Company obtaining all necessary shareholder approvals required under the Corporations Act and the ASX Listing Rules and all requisite waivers and confirmations necessary to give effect to the acquisition, including ASX being satisfied that the Company has complied with the requirements in Chapters 1 and 2 of the Listing Rules.

An independent expert assessment of the value of the transaction will be undertaken by BDO and included in the independent expert's report (IER). The IER will also assess the fairness and reasonableness of the transaction.

Upon the proposed re-admission of the Company to the official list of ASX, the Company's main business activities will be the distribution of sustainable everyday products.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Garry Hounsell
Chairman

March 2022

RSM Australia Partners

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www.rsm.com.au**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Wellness and Beauty Solutions Ltd and its controlled entities for the half year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM AUSTRALIA PARTNERS****R B MIANO**
PartnerMelbourne, VIC
Dated: 11 March 2022**THE POWER OF BEING UNDERSTOOD**
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Wellness and Beauty Solutions Ltd

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Wellness and Beauty Solutions Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

Note	Consolidated			
	31 Dec 2020 \$'000	31 Dec 2019 \$'000		
	Revenue from continuing operations	4	2,951	7,544
	Other income	5	175	1
	Interest revenue calculated using the effective interest method		3	5
	Expenses			
	Raw materials and consumables used		(2,317)	(4,373)
	Contractors		-	(944)
	Occupancy expenses		(53)	(238)
	Employee benefits expense		(1,428)	(2,870)
	Depreciation and amortisation expense		(278)	(1,116)
	Consultants		(303)	(290)
	Other expenses		(520)	(1,108)
	Impairment expense	6	(9,610)	(2,797)
	Finance costs		(150)	(370)
	Loss before income tax benefit from continuing operations		(11,530)	(6,556)
	Income tax benefit		291	39
	Loss after income tax benefit from continuing operations		(11,239)	(6,517)
	Loss after income tax expense from discontinued operations	12	(2,312)	-
	Loss after income tax benefit for the half-year attributable to the owners of Wellness and Beauty Solutions Ltd		(13,551)	(6,517)
	Other comprehensive income for the half-year, net of tax		-	-
	Total comprehensive income for the half-year attributable to the owners of Wellness and Beauty Solutions Ltd		(13,551)	(6,517)
	Total comprehensive income for the half-year is attributable to:			
	Continuing operations		(11,239)	(6,517)
	Discontinued operations	12	(2,312)	-
			(13,551)	(6,517)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Wellness and Beauty Solutions Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

Consolidated
31 Dec 2020 31 Dec 2019

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Wellness and Beauty Solutions Ltd			
Basic earnings per share	21	(16.90)	(29.08)
Diluted earnings per share	21	(16.90)	(29.08)
Earnings per share for loss from discontinued operations attributable to the owners of Wellness and Beauty Solutions Ltd			
Basic earnings per share	21	(3.48)	-
Diluted earnings per share	21	(3.48)	-
Earnings per share for loss attributable to the owners of Wellness and Beauty Solutions Ltd			
Basic earnings per share	21	(20.38)	(29.08)
Diluted earnings per share	21	(20.38)	(29.08)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Wellness and Beauty Solutions Ltd
Statement of financial position
As at 31 December 2020

	Note	Consolidated	
		31 Dec 2020 \$'000	30 Jun 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		63	1,041
Trade and other receivables	7	251	830
Inventories	8	245	3,749
Assets held for sale	12	435	-
Property, plant and equipment	11	14	-
Other	10	-	136
Total current assets		<u>1,009</u>	<u>5,756</u>
Non-current assets			
Property, plant and equipment	11	-	753
Right-of-use assets	9	-	2,107
Intangibles	13	-	4,275
Other	10	-	267
Total non-current assets		<u>-</u>	<u>7,402</u>
Total assets		<u>1,009</u>	<u>13,158</u>
Liabilities			
Current liabilities			
Trade and other payables		4,457	3,771
Borrowings	14	3,213	1,641
Lease liabilities	15	1,001	625
Provisions		164	361
Liabilities held for sale	12	1,916	-
Deferred Tax		-	-
Other		80	395
Total current liabilities		<u>10,831</u>	<u>6,793</u>
Non-current liabilities			
Borrowings	14	-	947
Lease Liabilities	15	-	1,934
Deferred tax		-	292
Provisions		-	72
Total non-current liabilities		<u>-</u>	<u>3,245</u>
Total liabilities		<u>10,831</u>	<u>10,038</u>
Net liabilities		<u>(9,822)</u>	<u>3,120</u>
Equity			
Issued capital	17	46,122	45,681
Share Based Reserves	16	225	57
Accumulated losses		(56,169)	(42,618)
Total equity		<u>(9,822)</u>	<u>3,120</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Wellness and Beauty Solutions Ltd
Statement of changes in equity
For the half-year ended 31 December 2020

	Issued capital	Share-based reserves	Retained profits	Total equity
Consolidated	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	36,710	-	(30,397)	6,313
Adjustment for change in accounting policy	-	-	(435)	(435)
Balance at 1 July 2019 - restated	36,710	-	(30,832)	5,878
Loss after income tax benefit for the half-year	-	-	(6,518)	(6,518)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(6,518)	(6,518)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	6,082	-	-	6,082
Share-based payments	-	57	-	57
Balance at 31 December 2019	42,792	57	(37,350)	5,499

	Issued capital	Share-Based reserves	Retained profits	Total equity
Consolidated	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	45,681	57	(42,618)	3,120
Loss after income tax benefit for the half-year	-	-	(13,551)	(13,551)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(56,169)	(10,431)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	-	-	-	-
Share-based payments	441	168	-	609
Balance at 31 December 2020	46,122	225	(56,169)	(9,822)

The above statement of changes in equity should be read in conjunction with the accompanying notes

Wellness and Beauty Solutions Ltd
Statement of cash flows
For the half-year ended 31 December 2020

Note	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
	Cash flows from operating activities	
	3,946	6,045
	(5,369)	(9,876)
	(1,423)	(3,831)
	3	3
	174	-
	(188)	(325)
	(1,434)	(4,153)
	Cash flows from investing activities	
	(24)	(44)
13	-	(70)
	(14)	(68)
	51	103
	13	(79)
	Cash flows from financing activities	
17	-	6,000
	727	2,169
	-	150
	-	(360)
	(161)	(896)
	(123)	(367)
	443	6,696
	(978)	2,464
	1,041	1,043
	63	3,507

The above statement of cash flows should be read in conjunction with the accompanying notes

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 1. General information

The financial statements cover Wellness and Beauty Solutions Ltd as a consolidated entity consisting of Wellness and Beauty Solutions Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Wellness and Beauty Solutions Ltd's functional and presentation currency.

Wellness and Beauty Solutions Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

398-400 Burke Road,
Camberwell VIC 3124

Principal place of business

11 Dalmore Drive,
Scoresby VIC 3179

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on tbc.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

On 30 March 2021 the consolidated entity filed for voluntary administration and ceased trading. Due to the cessation of operations, the directors determined that the going concern basis of preparation (as applied in previous years) is no longer appropriate. These financial statements have been prepared on a liquidation basis.

The current assets at 31 December 2020 have been used to extinguish current liabilities to the extent available upon appointment of the administrator.

Note 2. Significant accounting policies (continued)

Basis of preparation (continued)

Impact of adopting the liquidation basis of preparation on measurement, classification of assets and liabilities, and disclosures in the financial statements.

Under the liquidation basis of preparation, assets are measured at their net realisable value. Net realisable value is based on the proceeds receivable on disposal less any restructure and realisation costs. Liabilities are measured in accordance with accounting standards (regardless of whether full settlement is expected). Any gains or losses resulting from measuring assets to their realisable values are recognised in profit or loss.

Under the liquidation basis of accounting, all assets and liabilities are classified as current. The accounting policies adopted are consistent with those of the previous financial year except for changes specified related to the adoption of the liquidation basis of preparation:

(a) Property, plant and equipment and Right-of Use assets

Property, plant and equipment and Right-of Use assets are depreciated on either a diminishing value or straight-line basis, commencing from the time the asset is held ready for use and till the expiry of the lease term. As the entity is in voluntary administration, all assets have been remeasured to their net realisable value less costs to sell at the reporting date.

(b) Intangibles

Intangible assets acquired as part of a business combination are initially measured at their fair value at the date of the acquisition and subsequently measured at cost less amortisation and any impairment. Intangible assets acquired separately are initially recognised at cost. For the current financial period, finite life intangible assets (trademarks and licenses, capitalised development costs, formulations and website) were amortised and impaired to nil based on the directors' estimate that the recoverable amount of these intangibles at reporting date was nil.

Goodwill arises on the acquisition of a business. At 31 December 2020, goodwill was fully impaired as directors estimated that the recoverable amount at reporting date was nil.

(c) Discontinued Operations

Clinical and Beauty Treatments segment was classified as held for sale at 31 December 2020 as the directors have committed to cease operating this line of business. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income. Assets held for sale were remeasured to the fair value less costs to sell at reporting date.

(d) Deferred tax liability

The Deferred tax liability arising from the acquisition of identifiable intangibles from previous business combination has been derecognised as the consolidated entity is not expected to generate future taxable cash flows from the underlying intangibles.

Comparative information has not been restated and is measured and presented on a going concern basis.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 3. Operating segments

Identification of reportable operating segments

For the current period, the consolidated entity operates in a single operating segment i.e. Wellness, Beauty and Lifestyle. Management had on 20 September 2020 signed a Business Sale Agreement to sell its Clinical and Beauty Treatment segment and consequently, the Clinical and Beauty Treatment has been classified as a Discontinued Operations. Refer to Note 12 for further details.

During the previous reporting period, the consolidated entity was organised into two operating segments- Wellness, Beauty and Lifestyle segment and Clinical and Beauty Treatment segment, based on differences in products and services provided.

These operating segments were based on the internal reporting structures that are used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There was no aggregation of operating segments.

The consolidated entity operated predominantly in one geographical segment, Australia, which is the consolidated entity's country of domicile.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Clinical and Beauty Treatments	The provision of clinical, skin and wellness services provided via a national network of beauty and wellness clinics.
Sale of Wellness, Beauty and Lifestyle Products	Brand Development, product manufacture and wholesale of a range of beauty products.

Intersegment transactions

Intersegment transactions were not made during the previous reporting period.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 3. Operating segments (continued)

Operating segment information

	Clinical Beauty Treatments \$'000	Wellness, Beauty and Lifestyle \$'000	Total \$'000
Consolidated - 31 December 2019			
Revenue			
Sales to external customers	3,512	4,032	7,544
Total segment revenue	3,512	4,032	7,544
<i>Unallocated revenue:</i>			
Interest income			5
Other income			1
Total revenue			7,550
EBITDA			
Depreciation and amortisation	(532)	(974)	(1,506)
Impairment of assets			(1,116)
Finance costs			(2,797)
Unallocated costs			(370)
Loss before income tax benefit			(6,556)
Income tax benefit			39
Loss after income tax benefit			(6,517)
Consolidated – 30 June 2020			
Assets			
Segment Assets	5,585	7,446	13,031
<i>Unallocated assets:</i>			
Plant and equipment			54
Intangibles assets			73
Total assets			13,158
Liabilities			
Segment liabilities	4,749	2,383	7,132
<i>Unallocated liabilities:</i>			
Borrowings - current			1,222
Provisions - current			95
Borrowings - non-current			935
Payables			654
Total liabilities			10,038

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 4. Revenue

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
From continuing operations		
Sales	2,951	7,544
<i>Disaggregation of revenue</i>		
The disaggregation of revenue from contracts with customers is as follows:		
<i>Major product lines</i>		
Wellness, Beauty and Lifestyle Products	2,951	4,032
Clinical and Beauty Treatments	-	3,512
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	2,951	7,544

Sale of Wellness, Beauty and Lifestyle Products

Revenue from the sale of products are recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Sale of Clinical and Beauty Treatments

Revenue from treatments is recognised when the treatment has been performed. During the financial period, management this revenue stream has been discontinued. Refer to note 12 Discontinued Operations for further details.

Note 5. Other income

Net foreign exchange gain	-	1
Government grants	175	-
Other income	175	1

Note 6. Impairment expense

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Impairment expense recognized for the period is comprised of:		
Impairment of goodwill	13 2,949	2,797
Impairment of intangible assets	13 1,284	-
Expected credit losses for trade and other receivable	7 740	-
Expected credit losses for other assets	10 358	-
Impairment of inventories	8 3,241	-
Impairment of property, plant and equipment	11 92	-
Impairment of right-of-use assets	9 946	-
	9,610	2,797

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 6. Impairment expense (continued)

As outlined in Note 2 Basis of Preparation, these financial statements have been prepared on liquidation basis. Accordingly, management have performed an assessment of the net realisable value of the respective assets at 31 December 2020, which resulted in a total impairment charge of \$9.6 million to the profit or loss for the current period.

Note 7. Trade and other receivables

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Trade receivables	591	666
Other receivables	400	164
Less: Allowance for expected credit losses	(740)	-
	<u>251</u>	<u>830</u>

Note 8. Inventories

Stock on hand – at cost	3,509	3,882
Less: Provision for Impairment	(3,264)	(133)
	<u>245</u>	<u>3,749</u>

Note 9. Right-of-use assets

Land and buildings - right-of-use	1,032	2,826
Less: Accumulated depreciation	(86)	(719)
Less: Impairment	(946)	-
	<u>-</u>	<u>2,107</u>

Note 10. Other

Current

Prepayment	287	136
Security Deposits	71	-
Less: Impairment	(358)	-
	<u>-</u>	<u>136</u>

Non-current

Security Deposits	-	267
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Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 11. Property, plant and equipment

	Consolidated	
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Plant and equipment - at cost	3,208	4,698
Less: Accumulated depreciation	(1,605)	(4,277)
Less: Impairment	(1,603)	-
	-	421
Leasehold improvements - at cost	-	457
Less: Accumulated depreciation	-	(227)
	-	230
Computer Equipment – at cost	143	143
Less: Accumulated depreciation	(139)	(135)
Less: Impairment	(4)	-
	-	8
Office Equipment - at cost	190	167
Less: Accumulated depreciation	(87)	(73)
Less: Impairment	(89)	-
	14	94
	14	753

Note 12. Discontinued operations

On 20 September 2020, the consolidated entity was presented with an offer to sell the clinics for total consideration of \$1.1 million. As at 31 December 2020, the sale of the clinics was yet to complete and required the satisfactory completion of the conditions specified in the Business Sale Agreement. The conditions were not achieved and the sale of clinics did not proceed.

Financial performance information

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Sales revenue	-	-
Raw materials and consumables used	-	-
Contractors	-	-
Occupancy expenses	-	-
Employee benefits expense	-	-
Depreciation and amortisation	(471)	-
Discontinued expense	-	-
Consultants	(152)	-
Impairment expense	(1,503)	-
Other expenses	(186)	-
Total expenses	(2,312)	-
Loss before income tax expense	(2,312)	-
Income tax expense	-	-
Loss after income tax expense from discontinued operations	(2,312)	-

Cash flow information

Net cash received from/ (used in) operating activities	-	-
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Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Consolidated
31 Dec 2020 30 June 2020
\$'000 \$'000

Carrying amounts of assets and liabilities disposed

Inventories	40	-
Property, plant and equipment	395	-
Right-of-use assets	-	-
Total current assets	435	-
Property lease liability	1,207	-
Contract Liability – Loyalty points	294	-
Employee provisions	141	-
Other liabilities	274	-
Total current liabilities	1,916	-
Net liabilities	1,481	-

Note 13. Intangibles

Goodwill - at cost	2,949	2,699
Less: Impairment	(2,949)	-
	<u>-</u>	<u>2,699</u>
Development - at cost	225	1,498
Less: Accumulated amortisation	(56)	(1,244)
Less: Impairment	(169)	-
	<u>-</u>	<u>254</u>
Website - at cost	164	164
Less: Accumulated amortisation	(42)	(18)
Less: Impairment	(122)	-
	<u>-</u>	<u>146</u>
Other intangible assets - at cost	1,513	1,556
Less: Accumulated amortisation	(619)	(485)
Less: Impairment	(894)	-
	<u>-</u>	<u>1,071</u>
Formulations	120	120
Less: Accumulated amortisation	(21)	(15)
Less: Impairment	(99)	-
	<u>-</u>	<u>105</u>
	<u>-</u>	<u>4,275</u>

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 13. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill \$'000	Trademarks and Licences \$'000	Capitalised Development Costs \$'000	Formulations \$'000	Website \$'000	Total \$'000
Balance at 1 July 2020	2,699	1,071	254	105	146	4,275
Additions	250	7	8	-	-	265
Disposals	-	(50)	-	-	-	(50)
Asset held for sale	-	-	(67)	-	-	(67)
Amortisation expense	-	(134)	(26)	(6)	(24)	(190)
Impairment	(2,949)	(894)	(169)	(99)	(122)	(4,233)
Balance at 31 December 2020	-	-	-	-	-	-

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Goodwill:		
Giving Brands	2,204	2,204
True Solutions	495	495
Organic Nation	250	-
Less: Impairment	(2,949)	-
	-	2,699

Goodwill was allocated to cash-generating units (CGU's) according to the business combination that gave rise to the goodwill.

Intangibles and goodwill were impaired to nil at 31 December 2020 as the consolidated entity has entered into voluntary administration. For further details, refer to Note 18 Events after the Reporting Period.

Note 14. Borrowings

Current

Borrowings - current	1,365	561
Convertible notes payable	1,817	1,016
Equipment Lease liability	31	-
Borrowings		64
	3,213	1,641

Non-current

Convertible notes	-	935
Short-term lease liabilities	-	12
	-	947

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 14. Borrowings (continued)

Assets pledged as security

The convertible note is secured by the CoolSculpting® equipment at cost, classified as Clinic Equipment in the consolidated entity's financial statements.

The terms of the convertible notes are below:

1. Interest rate is 10% - 15% of face value of notes (payable bi-annually in arrears).
2. Noteholders are not able to redeem notes for cash until the end of the term of the notes.
3. Noteholders are able to convert notes into equity during the term of the notes, subject to shareholder approval.
4. Conversion rate is \$0.10 per note.
5. The terms of the notes end in October 2021.
6. Repossession of clinic equipment under finance in event of default or breach

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, and will revert to the lessor in the event of default.

Note 15. Lease Liabilities

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Current		
Lease Liability	151	625
Property Lease Liability	850	-
	1,001	625
Non-current		
Property Lease Liability	-	1,934
	-	1,934

Note 16. Share-based payments

On 29 December 2020, 3,375,000 shares were issued to GBC Investments Pty Ltd, where Ms Christine Parkes is a beneficiary, fair value at \$167,447.

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting on the 27 November 2020, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of options granted and outstanding:

2021							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
06/12/2019	30/12/2022	\$0.0150	12,600,000	-	-	-	12,600,000
29/12/2020	30/09/2024	\$0.30	-	3,375,000	-	-	3,375,000
			12,600,000	3,375,000	-	-	15,975,000

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 17. Equity - issued capital

	Consolidated			
	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Ordinary shares - fully paid	67,409,259	1,288,557,112	46,122	45,681

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	1,288,557,112		45,681
Issue of shares for Hennessey Capital loan conversion @ \$0.008	27 August 2020	23,908,890	\$0.08	191
Issue of shares for Organic Nation settlement @ \$0.007	27 August 2020	35,714,286	\$0.07	250
Consolidation of capital (20 : 1)	20 December 2020	<u>(1,280,771,029)</u>	\$0.00	<u>-</u>
Balance	31 December 2020	<u>67,409,259</u>		<u>46,122</u>

Share Consolidation

On 20 December 2020, the Company completed a share consolidation at a ratio of 1 share for every 20 shares held. Therefore, share capital on issue reduced by the factor of 20 on this date. Fully paid ordinary shares carry one voter per share and carry the right to dividends.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 18. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

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Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Note 19. Business combinations

Organic Nations

On 26 August 2020, the Company announced that it entered into a Business Sale agreement to acquire the Organic Nations business for initial consideration of \$250,000 in script, cash payment for stock acquired and the remainder subject to performance milestones in Year 1, to a maximum of \$300,000.

As a result of this, the company has issued 35,714,286 fully paid ordinary shares with a deemed issue price of \$0.007 (0.7 cents) per share on the 27 August 2020 with a 12-month voluntary escrow placed on the shares.

Organic Nations owns an extensive range of organic cosmeceuticals, which are currently sold in more than 100 clinic outlets in Australia and Canada. Organic Nation's products fuse nature with cosmeceutical ingredients. The Organic Nations founders, George and Vanessa Jilly, will join the WNB team as General Manager of Brand Development & Creative (True Solutions AU) and True Solutions product trainer respectively.

Details of the acquisition are as follows:

	Fair value \$'000
Inventories	109
Net assets acquired	109
Goodwill	250
Acquisition-date fair value of the total consideration transferred	<u>359</u>
Cash used to acquire business comprised of:	
Cash and payable	109
Shares issued by Wellness and Beauty Solutions Ltd as part of consideration	<u>250</u>

Note 20. Events after the reporting period

The Company's securities were suspended from official quotation on 1 February 2021 as a consequence of not meeting its quarterly reporting obligations. The Company subsequently entered voluntary administration on 30 March 2021 and Laurence Fitzgerald of William Buck was appointed as the administrator of the Company (Administrator).

At a meeting of creditors held on 19 July 2021, creditors of the Company approved a proposal by BRC Collective Pty Ltd (BRC) for the Company to enter into a Deed of Company Arrangement (DOCA) and approved the appointment of Laurence Fitzgerald of William Buck as deed administrator of the Company (Deed Administrator). On 9 August 2021, the Company, the Deed Administrator and BRC entered into the DOCA.

Pursuant to the terms of DOCA, among other items, BRC's nominee, Heat Holdings Pty Ltd (Heat Holdings), is to be issued with 68,000,000 shares in the capital of the Company (Placement Shares) at an issue price of \$0.0063 per Placement Share in consideration of Heat Holdings providing a contribution of \$472,763 to the deed fund established by the DOCA (Contribution) to recapitalise the Company and facilitate the exit of the Company from voluntary administration (DOCA Placement). As a result of this transaction Heat Holdings will acquire 50.2% of the ordinary shares in the capital of the Company, and existing Shareholders of the Company will be diluted to 49.8%.

At the time of execution of the DOCA, it was the Deed Administrator's assessment that the Company had a negative net worth, and that creditors were highly unlikely to receive any substantive return in respect of their claims if the Company were to be wound up and liquidated.

The DOCA subsequently completed on 31 October 2021 and the Company exited voluntary administration.

Proposed acquisitions and re-admission to official list

It is proposed that the Company will undertake acquisitions to complement and build the business into a leading Australian distributor of sustainable goods. These acquisitions will underpin a public offering and application for re-admission of the

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

Company to the official list of the ASX. As part of the re-admission, creditors will be offered the opportunity to participate in the public offering.

The proposed Back-Door Listing will be subject to the Company obtaining all necessary shareholder approvals required under the Corporations Act and the ASX Listing Rules and all requisite waivers and confirmations necessary to give effect to the acquisition, including ASX being satisfied that the Company has complied with the requirements in Chapters 1 and 2 of the Listing Rules.

An independent expert assessment of the value of the transaction will be undertaken by BDO and included in the independent expert's report (IER). The IER will also assess the fairness and reasonableness of the transaction.

Upon the proposed re-admission of the Company to the official list of ASX, the Company's main business activities will be the distribution of sustainable everyday products.

Note 21. Earnings per share

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Wellness and Beauty Solutions Ltd	<u>(11,239)</u>	<u>(6,517)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>66,486,322</u>	<u>22,409,965</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>66,486,322</u>	<u>22,409,965</u>
	Cents	Cents
Basic earnings per share	(16.90)	(29.08)
Diluted earnings per share	(16.90)	(29.08)
	\$'000	\$'000
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Wellness and Beauty Solutions Ltd	<u>(2,312)</u>	<u>-</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>66,486,322</u>	<u>22,409,965</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>66,486,322</u>	<u>22,409,965</u>
	Consolidated	
	31 Dec 2020	31 Dec 2019
	Cents	Cents
Basic earnings per share	(3.48)	-
Diluted earnings per share	(3.48)	-

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2020

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Wellness and Beauty Solutions Ltd	(13,551)	(6,517)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	66,486,322	22,409,965
Weighted average number of ordinary shares used in calculating diluted earnings per share	66,486,322	22,409,965
	Cents	Cents
Basic earnings per share	(20.38)	(29.08)
Diluted earnings per share	(20.38)	(29.08)

During the reporting period, the Group executed a share consolidation. The weighted average number of ordinary shares for 2019 has been restated for the effect of the share consolidation (20 for 1) completed in December 2020, in accordance with AASB 133 'Earnings per share and the earnings per share prices reflects on like for like basis.

**Wellness and Beauty Solutions Ltd
Directors' declaration**


31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- On the basis of entering into a Deed of Company Arrangement with BRC Collective Pty Ltd and the stated intention to acquire and apply for re-admission to the official list of the ASX, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Garry Hounsell
Chairman

March 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Wellness and Beauty Solutions Ltd

Report on the Half-Year Financial Report

Disclaimer of Conclusion

We were engaged to review the accompanying half-year financial report of Wellness and Beauty Solutions Ltd and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration.

Because of the significance of the matter described in the *Basis for Disclaimer of Conclusion* section of our report, we do not express a conclusion on the accompanying financial report of the consolidated entity. We have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on this interim financial report.

Basis for Disclaimer of Conclusion

The consolidated entities' borrowings, trade and other payables are carried at \$3.2 million and \$4.5 million respectively in the consolidated statement of financial position as at 31 December 2020. We were unable to conduct our review regarding the carrying amount of the borrowings, trade and other payables as at 31 December 2020. As a result, we were unable to determine whether any adjustments were necessary in respect of the borrowings, payables and expenses incurred for the half-year ended 31 December 2020.

Emphasis of Matter – Basis of Preparation

We draw attention to Note 2 in the financial report, which state that the interim financial statements have been prepared on a non-going concern basis, as the consolidated entity ceased trading on 30 March 2021.

Responsibility of the Directors' for the Financial Report

The directors of the Wellness and Beauty Solutions Ltd are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. However, because of the matter described in the Basis for Disclaimer of Conclusion section of our report, we were not able to conduct our review to provide a basis for a conclusion on the financial report.

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



RSM AUSTRALIA PARTNERS



R M MIANO

Partner

Melbourne, Victoria

Dated: 16 March 2022

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