

Wellness and Beauty Solutions Limited

Appendix 4E

Preliminary Full-year report



1. Company details

Name of entity: Wellness and Beauty Solutions Limited
ABN: 43 169 177 833
Reporting period: For the year ended 30 June 2020
Previous period: For the year ended 30 June 2019

2. Results for announcement to the market

				\$'000
Revenue from ordinary activities	up	3.7%	to	10,298
Loss from ordinary activities after tax attributable to the owners of Wellness and Beauty Solutions Limited	down	11.5%	to	(11,786)
Loss for the year attributable to the owners of Wellness and Beauty Solutions Limited	down	11.5%	to	(11,786)

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 \$11,786,000 (30 June 2019: \$13,319,000).

Operating and Financial Review

WNB reported revenue from continuing operations of \$10.30 million in the 12 months to 30 June 2020 (FY20), an increase of 3.7% on the previous corresponding period (PCP) (FY19: \$ 9.93 million).

The loss for the consolidated entity after providing for income tax amounted to \$11.79 million (30 June 2019: \$13.32 million). This result included the write down of \$2.93 million of goodwill associated with the Company's clinic network. The loss was largely attributable to the impact of the NSW/VIC/SA bushfires and the COVID-19 pandemic on the Immersion Clinical Spa Network and to a lesser extent on the Company's Lifestyle Products.

Revenues from the Lifestyle Product divisions - The Giving Brands Company (GBCo) and True Solutions Australia (TSA) during FY20 were \$5.78 million, up from \$1.29 million in FY19. The acquisition of TSA early in FY20 was a key contributor of this revenue growth. Underlying organic growth from the sale of GBCo and TSA products was below the Company's expectations due to the unprecedented difficult industry conditions and retail environment for lifestyle products over the period. The Lifestyle Products segment recorded a EBTDA loss of \$2.5 million in FY20 (FY19: loss of \$1.1M).

During FY20, and as part of WNB's strategy to expand its product range, the Company launched a proprietary anti-bacterial product range - MICRO19. This was in response to the high demand for hand and surface spray sanitiser as a result of the COVID-19 pandemic.

In May 2020, WNB established a 50/50 JV with strategic partners to facilitate the rapid scale-up of MICRO19. Revenues of \$0.22 million (WNB JV share) were received in the last quarter of FY20. WNB has received expressions of interest from domestic and international retailers for MICRO19 and subsequent to the reporting period GBCo executed an exclusive distribution agreement with CARE Distributors (3-year term), with a minimum sales target of \$3M, to supply product to the Australian transport and infrastructure industries.

Revenues from the Company's Immersion Clinical Spa network in FY20 were \$4.52 million, significantly below the PCP (FY19: \$9.02 million) following extended COVID-19 related closures, particularly in Victoria. Following the continued reduction in operating revenues from this segment, a write-down of the Group's clinic network of \$2.93 million was incurred during H1'20. As previously advised, WNB are currently considering options to extract value from this network.

In Q3'20, WNB, under its new Chairman Julian Glynn, announced cost reduction measures and efficiencies across the Company. On an annualised basis, these implemented measures are expected to save at least \$0.4 million across production, personnel, marketing and professional services. Further savings are expected to occur into FY21, particularly as WNB executes its plans to consolidate marketing, digital and online retail channels.

The Company has strengthened its balance sheet in FY20 and as at 30 June 2020 had \$1.04 million of cash on hand. In November 2019 and December 2019, WNB undertook a \$6.0 million institutional placement and in May 2020 raised a further \$1.52 million via a placement and Share Purchase Plan. During Q4'20, the Company also executed a Deed of Variation and Conversion with holders of unlisted convertible notes to convert \$1.4 million of outstanding notes to shares and reached agreement to extend the term of the majority of the remaining notes from June 2020 to 15 October 2021 (principal value \$1.6 million) with quarterly amortisations from October 2020.

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WNB's business strategy is to expand sales and distribution of its core GBCo and TSA product range in FY21. In Q4'20, WNB announced new sales channels and expanded distribution for the ELLE and Jbronze ranges. In FY21 WNB will increase the promotion of its brands and support for retailers. A major upgrade and expansion of its online distribution channels is planned.

AASB 16 Leases

WNB's financials in FY20 have been affected by the first-time adoption of AASB 16 Leases on 1 July 2019. Prior period comparatives in FY19 have not been adjusted. The impact of the new accounting standard has had the following financial impacts on the FY20 results:

- a significant impact on the net current asset position, which was reduced by \$698,157 at 1 July 2019, due to the recognition of current lease liabilities;
- an increase in Accumulated losses of \$435,000; and
- a net increase in current period operating loss of \$14,685.

COVID-19 impact & business continuity

The Coronavirus (COVID-19) pandemic has had a negative impact on WNB's revenues in FY20 as outlined above. To offset this impact, the Company launched its MICRO19 hand sanitiser range in Q3 FY20, which is expected to deliver a growing and sustained revenue stream as consumers embrace the 'new normal' of personal hygiene. WNB has also received the Federal Government's JobKeeper assistance package for eligible staff since its launch in March 2020. WNB expect to continue to be eligible for JobKeeper in the first half of FY21.

WNB has enacted its business continuity plans and management review operations regularly to ensure compliance with the latest State Government directives. Staff who can work from home are supported and encouraged to do so. WNB remain committed to keeping our employees and communities safe during this time. The Company has implemented increased hygiene and safety protocols for employees and contractors that are required to come to work for critical roles.

Issue of Options

On 6 December 2019, 16,200,000 options were issued to Blue Ocean Equities Pty Ltd. Upon exercise, each option will entitle the holder to one fully paid ordinary share in the company at an exercise price of \$0.15 per option, expiring 3 years from grant date.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.09)	(0.44)

4. Control gained over entities

Name of entities (or group of entities)	True Solutions (Aus) Pty Ltd and True Solutions (NZ) Limited	
Date of control gained	29-Aug-19	
		\$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)		(553)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)		-

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 associated and joint venture entities

Details of associated and joint venture entities Micro 19 Pty Ltd

Details of associated and joint venture entities 50%

\$'000

Aggregate share of profits/(losses) of these entities

2

9. Foreign entities

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

Not applicable.

10. Audit qualification of review

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

This report, and the accompanying financial statements, are based upon accounts which are in the process of being audited.

11. Attachments

Details of attachments (if any):

Unaudited summary consolidated financial statements for Wellness and Beauty Solutions Limited and its controlled entities for the year ended 30 June 2020 are attached.

12. Signed

Signed:



Julian Glynn
Chairman

Date:

31 August 2020

Wellness and Beauty Solutions Limited

ABN 43 169 177 833

Preliminary Full Year Report - 30 June 2020

Wellness and Beauty Solutions Limited
Appendix 4E
Preliminary final report
For the year ended 30 June 2020

		Consolidated	
	Note	30 June 2020	30 June 2019
		\$'000	\$'000
Revenue from continuing operations	4	10,298	9,932
Other income		105	-
Government grants and tax incentives		175	-
Interest income		6	35
Expenses			
Non refundable deposits lost		-	-
Raw materials and consumables used		(5,510)	(4,105)
Contractors		(1,157)	(1,515)
Occupancy expenses		(529)	(1,666)
Employee benefits expense		(4,800)	(5,153)
Advertising and promotions		(1,263)	-
Depreciation and amortisation expense		(2,985)	(1,822)
Impairment expense		(2,930)	(5,278)
(Loss)/Gain on disposal of equipment		(309)	(209)
Loss on deferred consideration		-	-
Impairment of receivables		-	(28)
Consultants		(637)	(819)
Other expenses		(1,804)	(2,023)
Finance costs		(581)	(590)
Loss before income tax expense from continuing operations		(11,921)	(13,241)
Income tax expense		135	(78)
Loss after income tax expense from continuing operations		(11,786)	(13,319)
Loss after income tax expense from discontinued operations		-	(233)
Loss after income tax expense for the year attributable to the owners of		(11,786)	(13,552)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of		(11,786)	(13,552)
Total comprehensive income for the year is attributable to:			
Continuing operations		(11,786)	(13,319)
Discontinued operations		-	(233)
		(11,786)	(13,552)

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

Wellness and Beauty Solutions Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

Consolidated	
30 June 2020	30 June 2019
Cents	Cents

Earnings per share for loss from continuing operations attributable to the owners of Wellness and Beauty Solutions Limited

Basic earnings per share	(2.00)	(4.57)
Diluted earnings per share	(2.00)	(4.57)

Earnings per share for loss from discontinued operations attributable to the owners of Wellness and Beauty Solutions Limited

Basic earnings per share	-	(0.10)
Diluted earnings per share	-	(0.10)

Earnings per share for loss attributable to the owners of Wellness and Beauty Solutions Limited

Basic earnings per share	(2.00)	(4.66)
Diluted earnings per share	(2.00)	(4.66)

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

Wellness and Beauty Solutions Limited
Consolidated statement of financial position
As at 30 June 2020

		Consolidated	
	Note	30 June 2020	30 June 2019
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		1,041	1,043
Trade and other receivables		1,129	298
Inventories		3,518	2,188
Other assets		-	714
Total current assets		<u>5,688</u>	<u>4,243</u>
Non-current assets			
Property, plant and equipment		754	1,970
Right of use assets	5	2,108	-
Intangibles	6	4,274	7,846
Other assets		335	376
Total non-current assets		<u>7,471</u>	<u>10,192</u>
Total assets		<u>13,159</u>	<u>14,435</u>
Liabilities			
Current liabilities			
Trade and other payables		3,772	2,865
Borrowings	7	1,642	2,473
Lease Liabilities	8	625	-
Provisions		361	278
Other liabilities		394	480
Total current liabilities		<u>6,794</u>	<u>6,096</u>
Non-current liabilities			
Borrowings	9	947	1,481
Lease Liabilities	10	1,934	-
Provisions		72	174
Deferred Tax Liability		292	371
Total non-current liabilities		<u>3,245</u>	<u>2,026</u>
Total liabilities		<u>10,039</u>	<u>8,122</u>
Net assets		<u>3,120</u>	<u>6,313</u>
Equity			
Issued capital	11	45,681	36,710
Reserves		57	-
Accumulated losses		(42,618)	(30,397)
Total equity		<u>3,120</u>	<u>6,313</u>

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

Wellness and Beauty Solutions Limited
Consolidated statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital \$'000	Share-based payment \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2018	25,854		(16,845)	9,009
Loss after income tax expense for the year	-	-	(13,552)	(13,552)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(13,552)	(13,552)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	10,856	-	-	10,856
Balance at 30 June 2019	36,710	-	(30,397)	6,313
Consolidated	Issued capital \$'000	Share-based payment \$'000	Retained profits \$'000	Total equity \$'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 expense for the year	-	-	(11,786)	(11,786)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(11,786)	(11,786)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	8,972	-	-	8,972
Share-based payments	-	57	-	57
	8,972	57	-	9,029
Balance at 30 June 2020	45,681	57	(42,618)	3,120

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

Wellness and Beauty Solutions Limited
Consolidated statement of cash flows
For the year ended 30 June 2020

Note	Consolidated	
	30 June 2020 \$'000	30 June 2019 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	11,205	11,392
Payments to suppliers and employees (inclusive of GST)	(16,863)	(18,055)
Interest received	5	14
Government grants and tax incentives	150	-
Interest and other finance costs paid	(501)	(375)
Net cash used in operating activities	(6,004)	(7,024)
Cash flows from investing activities		
Payments for investments		(8)
Payments for property, plant and equipment	(91)	(236)
Payments for intangibles	(70)	(147)
Payments for other non-current assets	(108)	-
Proceeds from disposal of businesses	-	1,400
Proceeds from disposal of property, plant and equipment	103	10
Net cash acquired on business acquisition	-	66
Net cash from/(used in) investing activities	(166)	1,085
Cash flows from financing activities		
Proceeds from issue of shares	7,528	8,391
Proceeds from borrowings	2,770	209
Proceeds from issue of convertible notes	-	20
Share issue transaction costs	(438)	(422)
Prepayment of lease liabilities	(854)	-
Repayment of borrowings	(2,838)	(1,450)
Release of security deposit	-	-
Net cash from financing activities	6,168	6,748
Net increase/(decrease) in cash and cash equivalents	(2)	809
Cash and cash equivalents at the beginning of the financial year	1,043	234
Cash and cash equivalents at the end of the financial year	1,041	1,043

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

Wellness and Beauty Solutions Limited
Notes to the consolidated financial statements
30 June 2020

Note 1: General Information

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

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

88 Herald Street
Cheltenham VIC 3192
Australia

Note 2. Significant accounting policies

This financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019, the 31 December 2019 half-year financial report and any public announcements made by the Consolidated entity during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as noted below.

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	Consolidated \$'000
Operating lease commitments as at 1 July 2019 (AASB 117)	1,215
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5% (AASB 117)	(212)
Accumulated depreciation as at 1 July 2019 (AASB 16)	(433)
Inclusion of assumed lease extension periods in lease liability calculation, not included in previous commitment calculation	2,375
Right-of-use assets (AASB 16)	2,945
Lease liabilities - current (AASB 16)	(698)
Lease liabilities - non-current (AASB 16)	(2,682)
Reduction in opening retained profits as at 1 July 2019	(435)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 2. Significant accounting policies (continue)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on differences in products and services provided.

These operating segments are 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 is 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:

- | | |
|------------------------------------|---|
| 1. Clinical and Beauty Treatments | The provision of clinical, skin and wellness services provided via a national network of beauty and wellness clinics. |
| 2. Wellness and Lifestyle Products | Brand Development, product manufacture and wholesale of a range of beauty and lifestyle products. |

Intersegment transactions were not made during the reporting period.

Intersegment receivables, payables and loans

Any intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Wellness and Beauty Solutions Limited
Notes to the consolidated financial statements
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Operating segment information

Note 3. Operating segments (continue)

Consolidated - 30 June 2020

Revenue

Sales to external customers	4,522	5,776	10,298
Total segment revenue	4,522	5,776	10,298

Unallocated revenue:

Interest income			6
Government grants and tax incentives			175
Other income			105
Total revenue			10,584

EBITDA

Impairment Losses	(1,226)	(2,535)	(3,761)
Depreciation and amortisation	(2,930)	-	(2,930)
Loss on disposal			(2,985)
Finance costs			(309)
Unallocated costs			(581)
Interest income			(1,641)
Government grants and tax incentives			6
Other income			175
Loss before income tax expense			105
Income tax expense			(11,921)
Loss after income tax expense			135
			(11,786)

Assets

Segment assets	5,585	7,446	13,031
<i>Unallocated assets:</i>			
Plant and equipment			54
Intangible assets			74
Total assets			13,159

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			655
Total liabilities			10,039

Wellness and Beauty Solutions Limited
Notes to the consolidated financial statements
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Operating segment information

Note 3. Operating segments (continue)

Consolidated - 30 June 2019

Revenue

Sales to external customers	9,023	1,285	10,308
Total segment revenue	9,023	1,285	10,308
<i>Unallocated revenue:</i>			
Interest income			35
Other income			(376)
Total revenue			9,967

EBITDA

Impairment Losses	(737)	(1,128)	(1,865)
Depreciation and amortisation	(5,278)		(5,278)
Loss on disposal			(1,615)
Finance costs			(209)
Unallocated costs			(590)
Operating loss of discontinued operations			(3,952)
Interest Income			233
			35
Loss before income tax expense			(13,241)
Income tax expense			(135)
Loss after income tax expense			(13,376)

Assets

Segment assets	7,251	4,097	11,348
<i>Unallocated assets:</i>			
Other assets - current			2,062
Plant and equipment			64
Intangible assets			961
Total assets			14,435

Liabilities

Segment liabilities	2,624	1,811	4,435
<i>Unallocated liabilities:</i>			
Borrowings - current			2,121
Provisions - current			17
Borrowings - non-current			1434
Payables			115
Total liabilities			8,122

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Therefore, the current and comparative EBITDA are not directly comparable.

Wellness and Beauty Solutions Limited
Notes to the consolidated financial statements
30 June 2020

Note 4. Revenue

From continuing operations

Sales revenue

Consolidated	
30 June 2020	30 June 2019
\$'000	\$'000

10,298	9,932
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Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Major product lines

Clinical and Beauty Treatments

Wellness and Lifestyle Products

Consolidated	
30 June 2020	30 June 2019
\$'000	\$'000

4,522	8,647
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5,776	1,285
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10,298	9,932
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Timing of revenue

Goods and services transferred at a point in time

10,298	9,932
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Sales from treatments

Revenue from treatments is recognised when the treatment has been performed.

Wellness and lifestyle products

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

Note 5. Non-current assets - right-of-use assets

Land and Buildings - right of use

Less: Accumulated Depreciation

Consolidated	
30 June 2020	30 June 2019
\$'000	\$'000

2,827	-
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(719)	-
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2,108	-
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Additions to the right-of-use assets during the year were \$3,491,000, upon initial adoption of AASB 16 Leases as at 1 July 2019.

The consolidated entity leases land and buildings for its offices, warehouses and retail outlets under agreements of between three to six years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Wellness and Beauty Solutions Limited
Notes to the consolidated financial statements
30 June 2020

Note 6. Non-current assets - intangibles

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Goodwill - at cost	2,699	5,134
Capitalised development costs - at cost	1,535	1,498
Less: Accumulated amortisation	(1,281)	(321)
	254	1,177
Website - at cost	164	149
Less: Accumulated amortisation	(18)	-
	146	149
Trademarks, licenses and associated customer relationships	1,472	1,472
Less: Accumulated amortisation	(402)	(200)
	1,070	1,272
Formulations - at cost	120	120
Less: Accumulated amortisation	(15)	(6)
	105	114
	4,274	7,846
	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Goodwill intangibles allocated to cash generating units (Note 7(b)):		
Clinics	-	2,930
Giving Brands	2,204	2,204
True Solutions	495	-
	2,699	5,134
Development costs, trademarks, licenses and associated customer relationships, website	1,575	2,712
	4,274	7,846

Note 6. Non-current assets - intangibles (continued)

Note 6(a)

Reconciliation

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

	Goodwill	Trademarks & Licences & Associated Customer Contracts	Capitalised Development Costs	Formulations	Website	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2019	5,134	1,272	1,177	114	149	7,846
Additions	-	-	37	-	15	52
Additions through business combinations	495	-	-	-	-	495
Disposals	-	-	-	-	-	-
Amortisation expense	-	(202)	(960)	(9)	(18)	(1,189)
Impairment of assets	(2,930)	-	-	-	-	(2,930)
Write off of assets	-	-	-	-	-	-
Balance at 30 June 2020	2,699	1,070	254	105	146	4,274

Goodwill amounts carried forward at 1 July 2019 were in relation to the clinical businesses and The Giving Brands Company acquired by the consolidated entity in previous financial periods. This goodwill has been allocated to cash generating units (CGU's) according to the business combination that gave rise to the goodwill.

The consolidated entity has recognised goodwill as a result of the acquisition of the True Solutions International business. As mentioned in Note 14 Business Combinations, these intangibles are being provisionally measured, pending management's finalisation of their acquisition accounting within the measurement period.

Impairment charges

Based on a discounted cash flow valuation using the assumptions above, the carrying amount of goodwill for the clinic CGUs exceeded its recoverable amount and therefore an impairment charge of \$2,930,000 has been recognised in the current financial period (June 2019: \$5,278,000).

Wellness and Beauty Solutions Limited
Notes to the consolidated financial statements
30 June 2020

Note 6. Non-current assets - intangibles (continued)

Note 6(b)

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
<i>Melbourne Collagen Foundation & Cosmetic Skin Institute</i>		
Goodwill	1,758	1,758
Impairment charge	(1,758)	(1,758)
Melbourne Collagen Foundation & Cosmetic Skin Institute	-	-
<i>Skinovate</i>		
Goodwill	1,237	1,237
Impairment charge	(1,237)	(760)
Skinovate	-	477
<i>Heber Davis</i>		
Goodwill	2,573	2,573
Impairment charge	(2,573)	(967)
Heber Davis	-	1,606
<i>Rejuven8 Penrith</i>		
Goodwill	700	700
Impairment charge	(700)	(486)
Rejuven8 Penrith	-	214
<i>Cozmedics</i>		
Goodwill	7,122	7,122
Impairment charge	(7,122)	(6,489)
Cozmedics	-	633
<i>Facial Artistry</i>		
Goodwill	596	596
Impairment	(596)	(596)
Facial Artistry	-	-
<i>Canberra Cosmedic Medicine Centre</i>		
Goodwill	354	354
Impairment Charge	(354)	(354)
Canberra Cosmedic Medicine Centre	-	-
Total Clinics	-	2,930
<i>Giving Brands</i>		
Goodwill	2,204	2,204
Giving Brands	2,204	2,204
<i>True Solutions</i>		
Goodwill	495	-
Total Solutions	495	-
Carrying amount at the end of the year	2,699	5,134

Wellness and Beauty Solutions Limited
Notes to the consolidated financial statements
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Note 7. Current liabilities - borrowings

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Borrowings - current	562	372
Convertible notes payable	1,016	2,000
Insurance premium funding facility	27	-
Equipment Financing	37	101
	<u>1,642</u>	<u>2,473</u>

Note 8. Current - Property Lease liabilities

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Property Lease liabilities	<u>625</u>	<u>-</u>

Note 9. Non-current liabilities - borrowings

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Borrowings	-	1276
Convertible notes	935	159
Equipment Financing	12	46
	<u>947</u>	<u>1,481</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Convertible notes	1,951	3276
Lease liability	49	147
Other loan	183	200
	<u>2,183</u>	<u>3,623</u>

Assets pledged as security

The convertible note is secured by \$3.3m of 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% 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 November 2020 (\$270,000) and October 2021 (\$1,681,000)
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, revert to the lessor in the event of default.

Note 10. Non-Current Liabilities - lease

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Property lease liabilities	<u>1,934</u>	<u>-</u>

Note 11. Equity - issued capital

	Consolidated			
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>1,288,557,112</u>	<u>351,620,733</u>	<u>45,682</u>	<u>36,710</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1-Jul-18	126,065,644		25,854
Placement to institutional and sophisticated investors	5-Oct-18	140,000,000	\$0.05	7,000
Rights issue	8-Oct-18	27,829,537	\$0.05	1,391
Issue of GBCo acquisition-related shares	8-Oct-18	51,725,552	\$0.05	2,586
Issue of shares pursuant to ambassador agreement	26-Mar-19	2,000,000	\$0.05	100
Issue of shares pursuant to ambassador agreement	12-Apr-19	2,000,000	\$0.05	100
Issue of shares pursuant to ambassador agreement	3-May-19	2,000,000	\$0.05	100
Capital raising costs		-		(421)
Balance	30-Jun-19	351,620,733		36,710
Placement to institutional and sophisticated investors	6-Nov-19	45,843,109	\$0.010	458
Placement to institutional and sophisticated investors	6-Dec-19	50,000,000	\$0.010	500
Issue of True Solutions acquisition-related shares	6-Dec-19	554,156,891	\$0.010	5,542
Con Notes	27-Apr-20	95,942,379	\$0.015	1,439
Placement to institutional and sophisticated investors	14-May-20	163,244,000	\$0.008	1,306
Issue of SPP shares	12-Jun-20	27,750,000	\$0.008	222
				(496)
Balance	30-Jun-20	<u>1,288,557,112</u>		<u>45,681</u>

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 12. Contingent liabilities

There were no contingent liabilities at 30 June 2020.

Note 13. Business combinations

The Giving Brands Company Pty Ltd (GBCo)

On 8 October 2018 the Company acquired 100% of the ordinary shares of The Giving Brands Company Pty Ltd (GBCo) for total consideration transferred of \$2,586,000, comprising 51,725,552 fully paid shares in the Company. There was no cash consideration issued. GBCo is a brand immersion company that owns, licenses and partners with multiple brands in the beauty industry and was acquired to complement and strengthen the Company's existing place within the Australian beauty and wellness industry. Goodwill recognised represents the ability of the consolidated entity to vertically integrate its retail skincare business through the development and rollout by the consolidated entity of a range of skincare products based on GBCo's intellectual property, and the ability of the consolidated entity to diversify and grow its revenue base.

In relation to this business acquisition, the consolidated entity initially performed a provisional assessment of the fair value of the assets and liabilities as at the date of the acquisition. Under Australian Accounting Standards, the consolidated entity had up to 12 months from the date of acquisition to complete its initial acquisition accounting.

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The consolidated entity has carried out this exercise to consider the fair value of intangible assets acquired in the acquisition. This has resulted in Purchase Price Adjustments to the carrying values of identifiable intangible assets, and a restatement of the amortisation of those assets as from the respective dates of acquisition, as set out below. The adjustments have no impact on the aggregate of the net assets or the Consolidated Group's net loss after tax with the exception of any amortisation charges.

Following completion of acquisition accounting the following purchase price adjustments were made:

- an amount of \$1,464,000 was reallocated from goodwill to Licenses and associated customer relationships;
- an amount of \$230,000 was reallocated from formulations to goodwill;
- an amount of \$427,000 was reallocated to the deferred tax liability relating to the acquired intangible assets;
- net of these adjustments decreasing amount allocated to goodwill by \$807,000, from \$3,011,000.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	66
Trade receivables	101
Other receivables	19
Inventories	243
Prepayments	11
Other current assets	8
Plant and equipment	41
Formulations and development costs	120
Licenses and associated customer relationships	1,464
Trade payables	(326)
Other payables	(56)
Accruals	(67)
Employee benefits	(4)
Borrowings	(811)
Deferred Tax Liability	(427)
	<hr/>
Net liabilities acquired	382
Goodwill	2,204
	<hr/>
Acquisition-date fair value of the total consideration transferred	2,586
	<hr/>
Representing:	
Wellness and Beauty Solutions Limited shares issued to vendor	2,586
	<hr/>
Acquisition costs expenses to profit and loss	198
	<hr/>

True Solutions

On 29 August 2019 the Company acquired the business (True Solutions) of skincare and beauty distributor True Solutions International Pty Ltd for total consideration of \$500,000. As originally announced, this consideration was to comprise non-interest bearing convertible notes, however the Company and vendor of True Solutions subsequently agreed that the consideration would comprise 50,000,000 fully paid ordinary shares in the Company. These shares were issued on 6 December 2019.

True Solutions distributes premium and scientifically validated professional and cosmeceutical skincare and makeup brands, along with medi-spa technologies including clinically-proven LED light therapy and micro-needling technology. Founded in 1992, the company supplies more than 1,000 professional aesthetic clinics, beauty salons and spas across Australia and New Zealand. The acquisition is expected to enhance the consolidated entity's product portfolio with a suite of professional use products and technologies, whilst also providing access to True Solutions' customer network as an additional distribution channel for the consolidated entity's brands.

As the acquisition occurred after the end of the financial year ended 30 June 2019, it is not reflected in the statement of financial position as at that date. However, in accordance with the disclosure requirements of AASB 3 Business Combinations details of the acquisition are set out as follows based on the consolidated entity's provisional assessment of the fair values of the assets and liabilities as at the date of the acquisition. Under Australian Accounting Standards, the consolidated entity has up to 12 months from the date of acquisition to complete its initial acquisition accounting. The consolidated entity has already commenced this exercise to consider the fair value of intangible assets acquired. As at the date of this report, this assessment is not complete.

The estimated goodwill of \$472,000 represents the synergies expected to arise due to the extension of the consolidated entity's distribution into True Solutions' network of over 1,000 clinics, beauticians and spas while also enhancing the sales opportunities for True Solutions' suite of professional brands across consolidated entity's existing sales network.

Wellness and Beauty Solutions Limited
Notes to the consolidated financial statements
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Note 13. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value \$'000
Inventories	156
Plant and equipment	27
Formulations and development costs	1
Employee benefits	(174)
Deferred Tax Liability	-
	<hr/>
Net liabilities acquired	10
Goodwill	495
	<hr/>
Acquisition-date fair value of the total consideration transferred	505
	<hr/>
Representing:	
Cash paid or payable to vendor	5
Wellness and Beauty Solutions Limited shares issued to vendor	505
	<hr/>
	510
	<hr/>
Acquisition costs expensed to the profit and loss	-
	<hr/>

Note 14. Events after the reporting period

On 17 August 2020, the Company announced that it had entered into a Distribution Agreement with CARE Distributors, a specialist supplier of automotive and industrial products in Australia, for a 3 year exclusive agreement to distribute MICRO19 hand sanitiser to the Australian transport and infrastructure industries.

On 26 August 2020, the Company announced that it entered into a Business Sale Agreement to acquire the Organic Nation business for initial consideration of \$250,000 in scrip, cash payment of stock expected to be \$120,000 and the remainder subject to a performance milestone in Year 1, to a maximum of \$300,000. The Company issued 35,714,286 fully paid ordinary shares with a deemed issue price of \$0.007 (0.7 cents) per share on 27 August 2020 with a 12 month voluntary escrow placed on the shares.

On 26 August 2020, the Company announced that it had agreed to settle an outstanding loan of \$191,271, provided by Hennessey Capital Partners Pty Ltd (HCP), through the issue of fully paid ordinary shares with an issue price of \$0.008 (0.8 cents) per share. The Company issued 23,908,890 fully paid ordinary shares on 27 August 2020 to settle the outstanding debt.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.