

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 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	100% to	-
Profit from activities after tax attributable to the owners of Wellness and Beauty Solutions Ltd	up	100%+ to	7,032
Profit for the half-year attributable to the owners of Wellness and Beauty Solutions Ltd	up	100%+ to	7,032

Dividends

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

Comments

The profit for the consolidated entity after providing for income tax amounted to \$7,032,432 (31 December 2020 loss: \$13,551,000).

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), was 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) was conditional on the Company obtaining Shareholders' approval for the Resolutions contemplated. At the EGM held on 25th October 2021, a resolution to issue 68,000,000 placement shares to Heat Holdings was approved. Following approval of the resolution, completion of the DOCA was made on 31st October 2021

The Company issued 68,000,000 ordinary shares to Heat Holdings at a price of \$0.0063 per share.

On the 21 December 2021, with new directors appointed to the Company, the administrator resigned.

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

3. Net tangible assets

	31 December 2021 Cents	31 December 2020 Cents
Net tangible assets per ordinary security	<u>(0.005)</u>	<u>(0.01)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

The following entities are in the process of being de-registered by the administrators:

True Solutions (Aus) Pty Ltd	In progress
The Giving Brands Company Pty Ltd	In progress
True Solutions (NZ) Ltd	completed 1 February 2022
Micro 19 Pty Ltd	completed 10 February 2022

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)	
	31 December 2021 %	31 December 2020 %	31 December 2021 \$'000	31 December 2020 \$'000
Micro 19 Pty Ltd	50%	50%	-	(121)

Micro 19 was deregistered as at 10 February 2022

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

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were audited by the auditors and qualified audit 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 2021 is attached.

12. Signed

Signed 

Date: 19 April 2022

Wellness and Beauty Solutions Ltd

ABN 43169177866

Interim Report - 31 December 2021

Wellness and Beauty Solutions Ltd
Directors' report
31 December 2021

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 2021.

Directors

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 financial half year to 31 December 2021 consolidated entity provided administration services in preparation of the proposed re-admission of the Company to the official list of ASX.

Review of operations

The consolidated company entered voluntary administration on 30 March 2021 until 21 December 2021. On completion of the Deed of Company Arrangement (DOCA) and the consolidated entity recognised the settlement of outstanding liabilities which principally contributed to half year profit after income tax was \$7,032,000 (Prior half year loss \$13,551,000).

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 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;
- On 19 November 2021 pursuant to the DOCA, the Company issued 68,000,000 shares to Heat Holdings; and
- On 21 December 2021, the administrator resigned.

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

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 Corporate Finance (East Coast) Pty Limited and included in the independent expert's report (IER). The IER will also assess the fairness and reasonableness of the transaction.

Accordingly, upon the proposed re-admission of the Company to the official list of ASX, the Company's main business activities will be the business of distributing 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

19 April 2022

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Wellness and Beauty Solutions Ltd and its controlled entities for the half- year ended 31 December 2021, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Dated: 19 April 2022
Melbourne, Victoria

Wellness and Beauty Solutions Ltd

Contents

31 December 2021

Statement of profit or loss and other comprehensive income	5
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	20
Independent auditor's report to the members of Wellness and Beauty Solutions Ltd	21

Wellness and Beauty Solutions Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Revenue from continuing operations	4	-	2,951
Other income	5	8,018	175
Interest revenue calculated using the effective interest method		-	3
Expenses			
Raw materials and consumables used		-	(2,317)
Contractors		(15)	-
Occupancy expenses		(33)	(53)
Employee benefits expense		-	(1,428)
Depreciation and amortisation expense		-	(278)
Consultants		(273)	(303)
Other expenses		(656)	(520)
Impairment Expense	6	-	(9,610)
Finance costs		(9)	(150)
Profit/(loss) before income tax benefit from operations		7,032	(11,530)
Income tax benefit		-	291
Profit/(loss) after income tax benefit from continuing operations		7,032	(11,239)
Loss after income tax expense from discontinued operations	12	-	(2,312)
Profit/(loss) after income tax benefit for the half-year attributable to the owners of Wellness and Beauty Solutions Ltd		7,032	(13,551)
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		<u>7,032</u>	<u>(13,551)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		7,032	(11,239)
Discontinued operations	12	-	(2,312)
		<u>7,032</u>	<u>(13,551)</u>

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 2021

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Wellness and Beauty Solutions Ltd			
Basic earnings per share	13	5.21	(16.90)
Diluted earnings per share	13	5.21	(16.90)
Earnings per share for loss from discontinued operations attributable to the owners of Wellness and Beauty Solutions Ltd			
Basic earnings per share	13	-	(3.48)
Diluted earnings per share	13	-	(3.48)
Earnings per share for loss attributable to the owners of Wellness and Beauty Solutions Ltd			
Basic earnings per share	13	5.21	(20.38)
Diluted earnings per share	13	5.21	(20.38)

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 2021

		Consolidated	
	Note	31 Dec 2021	30 Jun 2021
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		-	17
Other receivables	7	31	115
Assets held for sale		-	409
Total current assets		<u>31</u>	<u>541</u>
Total assets		<u>31</u>	<u>541</u>
Liabilities			
Current liabilities			
Trade and other payables		593	4,756
Financial liabilities	8	126	3,174
Lease liabilities	9	-	56
Provisions		-	119
Liabilities held for sale	12	-	629
Total current liabilities		<u>719</u>	<u>8,734</u>
Total liabilities		<u>719</u>	<u>8,734</u>
Net liabilities		<u>(688)</u>	<u>(8,193)</u>
Equity			
Issued capital	10	46,595	46,122
Share based reserves		225	225
Accumulated losses		<u>(47,508)</u>	<u>(54,540)</u>
Total deficiency in equity		<u>(688)</u>	<u>(8,193)</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 2021

Consolidated	Issued capital \$'000	Share-based reserves \$'000	Retained profits \$'000	Total equity \$'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	-	-	-	-
Share-based payments	441	168	-	609
Balance at 31 December 2020	<u>46,122</u>	<u>225</u>	<u>(56,169)</u>	<u>(9,822)</u>
Consolidated	Issued capital \$'000	Share-Based reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	46,122	225	(54,540)	(8,193)
Profit after income tax benefit for the half-year	-	-	7,032	7,032
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	7,032	7,032
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	473	-	-	473
Share-based payments	-	-	-	-
Balance at 31 December 2021	<u>46,595</u>	<u>225</u>	<u>(47,508)</u>	<u>(688)</u>

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 2021

	Note	Consolidated	
		31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		44	3,946
Payments to suppliers (inclusive of GST)		(773)	(5,369)
		(729)	(1,423)
Interest received		-	3
Other revenue		-	174
Interest and other finance costs paid		-	(188)
Net cash used in operating activities		(729)	(1,434)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(24)
Proceeds from sale of property, plant and equipment		647	-
Payments for security deposits		-	(14)
Proceeds from release of security deposits		-	51
Net cash from/(used in) investing activities		647	13
Cash flows from financing activities			
Proceeds from issue of shares	10	473	-
Proceeds from borrowings		-	727
Repayment of borrowings		(408)	(161)
Repayment of lease liabilities		-	(123)
Net cash from financing activities		65	443
Net (decrease) in cash and cash equivalents		(17)	(978)
Cash and cash equivalents at the beginning of the financial half-year		17	1,041
Cash and cash equivalents at the end of the financial half-year		-	63

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 2021

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 report was authorised for issue in accordance with a resolution of the directors on the date of the Directors' Report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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'.

The principal accounting policies adopted in the preparation of the financial statements for the interim half-year reporting period ended 31 December 2021 are set out below.

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

Financial statements for the half year end 31 December 2021 have been prepared on a going concern basis at historical cost.. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Comparative information - Financial statements for the half year end 31 December 2020 and year end 30 June 2021 were prepared on a liquidation basis.

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 is no longer appropriate. As a result prior period financial statements were prepared on a liquidation basis.

The current assets at 31 December 2021 have been used to extinguish current liabilities to the extent available upon appointment of the administrator.

All outstanding liabilities were forgiven upon execution of the DOCA.

Note 2. Significant accounting policies (continued)

Basis of preparation (continued)

Comparative information (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 2021, 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 2021 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.

Note 2. Significant accounting policies (continued)

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity had net cash outflows from operating activities of \$729,000 for the half-year ended 31 December 2021. As at that date, the consolidated entity had net current liabilities of \$688,000. Whilst the consolidated entity has recorded a profit before tax of \$7 million for the half year ended, this was the result of \$8.018 million in debt forgiveness, incurred as part of the execution of the DOCA. Further to above, the consolidated entity has not established any new lines of credit and has continued to operate via the support of BRC Capital and its nominee, Heat Holdings Pty Ltd.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- At the date of adoption of the financial report, 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 to raise capital and application for re-admission of the Company to the official list of the ASX. The proposed acquisitions, public offering to raise capital and application for re-admission 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, including the ASX being satisfied that the Company has complied with the requirements in Chapters 1 and 2 of the Listing Rules.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and it is appropriate to adopt the going concern basis in preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Wellness and Beauty Solutions Ltd and its subsidiaries (collectively the consolidated entity).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

b) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

c) Financial liabilities

Note 2. Significant accounting policies (continued)

Financial liabilities are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs and measured at fair value through profit and loss at each reporting date.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

d) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

e) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax from the proceeds. If the entity reacquires its own equity instruments, e.g. as the result of a share buyback, then those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the income statement and the consideration paid, including any direct attributable incremental cost (net of income taxes) is recognised directly in equity.

f) Other taxes

Expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- when receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 3. Operating Segments

The consolidated entity had no operating segment for the half- year ended 31 December 2021.

For the prior period, the consolidated entity operated in a single operating segment i.e. Wellness Beauty and Lifestyle in Australia.

Note 4. Revenue

From continuing operations

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Sales	-	<u>2,951</u>

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

Note 4. Revenue (continued)

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
<i>Major product lines</i>		
Wellness, Beauty and Lifestyle Products	-	2,951
	<u>-</u>	<u>2,951</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	-	2,951
	<u>-</u>	<u>2,951</u>

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.

Note 5. Other income

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Government grants	-	175
Other income – liabilities forgiven upon execution of the DOCA	8,018	-
	<u>8,018</u>	<u>175</u>

DOCA was executed in October 2021 which resulted in debt forgiveness of liabilities totaling \$8.018 million. Secured and Unsecured creditors participated in Convertible notes – refer note 8

Note 6. Impairment expense

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Impairment expense recognized for the period is comprised of:		
Impairment of goodwill	-	2,949
Impairment of intangible assets	-	1,284
Expected credit losses for trade and other receivable	-	740
Expected credit losses for other assets	-	358
Impairment of inventories	-	3,241
Impairment of property, plant and equipment	-	92
Impairment of right-of-use assets	-	946
	<u>-</u>	<u>9,610</u>

As outlined in Note 2 Basis of Preparation, comparative information was prepared on liquidation basis. Accordingly, management had performed an assessment of the net realisable value of the respective assets at 31 December 2020, which resulted in a total impairment charge of \$9,608,075 to the profit or loss in the prior period.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2021

Note 7. Other receivables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Other receivables	31	115

Note 8. Financial liabilities

	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Current		
Borrowings	-	1,357
Convertible notes	126	1,817
Total Financial Liabilities	<u>126</u>	<u>3,174</u>

Convertible notes at 31 December 2021:

Pursuant to the terms of the DOCA, creditors (secured and unsecured) (**DOCA Creditors**) did not participate in a distribution of the deed fund but were issued unsecured convertible notes from respective pools of convertible notes (one pool for secured creditors of \$100,000 and one pool for unsecured creditors of \$100,000) (**DOCA Convertible Notes**). DOCA Creditors participated in the respective pools on a pro rata basis based on admitted claims owed to them by the Company. The DOCA Convertibles Notes convert to equity in the Company upon the successful completion of the proposed Transactions and Public Offer. If the DOCA Convertible Notes do not convert, and instead mature, their principal value will become due and payable by the Company.

The convertible notes include an embedded derivative in relation to the conversion into shares. However, the conversion is at the public offer price, thus note holders have no additional benefit compared to applying for the shares at the issue price, as a result the embedded derivative has a nil value. As a result, the residual value of the convertible notes less the embedded derivative is the financial liability, with a face value of \$200,000 measured at amortised cost. The present value of the financial liability at 31 December 2021 is \$126,000.

Convertible notes at 30 June 2021 the convertible was secured by the CoolSculpting® equipment at cost, classified as Clinic Equipment in the consolidated entity's financial statements.

The terms of the convertible notes as at 30 June 2021 are below:

1. Interest rate is 10% of face value of notes (payable quarterly 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

Note 9. Lease Liabilities

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Current		
Property Lease Liability	-	56

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2021

Note 10. Equity - issued capital

	Consolidated			
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>135,409,259</u>	<u>67,409,259</u>	<u>46,595</u>	<u>46,122</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2021	67,409,259		46,122
Issue of shares to BRC's nominee, Heat Holdings Pty Ltd @ \$0.0063	19 November 2021	68,000,000	\$0.0063	473
Balance	31 December 2021	<u>135,409,259</u>		<u>46,595</u>

Pursuant to the terms of the DOCA, among other items, BRC's nominee, Heat Holdings Pty Ltd (Heat Holdings), was 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

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.

Share buy-back

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

Note 11. Equity - dividends

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

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2021

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 required the satisfactory completion of the conditions specified in the Business Sale Agreement, however the conditions were not achieved and the sale of clinics did not proceed.

Financial performance information

	31 Dec 2020 \$'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	<u>(2,312)</u>
Loss before income tax expense	(2,312)
Income tax expense	<u>-</u>
Loss after income tax expense from discontinued operations	<u><u>(2,312)</u></u>

Cash flow information

Net cash received from/(used in) operating activities	<u>-</u>
---	----------

30 June 2021
\$'000

Carrying amounts of assets and liabilities disposed

Inventories	44
Property, plant and equipment (net of Impairment)	365
Right-of-use assets	<u>-</u>
Total current assets	<u>409</u>
Property lease liability	87
Contract Liability – Loyalty points	374
Employee provisions	141
Other liabilities	274
Total current liabilities	<u>629</u>
Net liabilities	<u><u>(220)</u></u>

Note 13. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Earnings per share for loss from continuing operations		
Profit (Loss) after income tax attributable to owners of Wellness and Beauty Solutions Ltd	<u>7,032</u>	<u>(11,239)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>134,935,539</u>	<u>66,486,322</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>134,935,539</u>	<u>66,486,322</u>
	Cents	Cents
Basic earnings per share	5.21	(16.90)
Diluted earnings per share	5.21	(16.90)
	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of Wellness and Beauty Solutions Ltd	<u>-</u>	<u>(2,312)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>134,935,539</u>	<u>66,486,322</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>134,935,539</u>	<u>66,486,322</u>
	Consolidated	
	31 Dec 2021	31 Dec 2020
	Cents	Cents
Basic earnings per share	-	(3.48)
Diluted earnings per share	-	(3.48)
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Earnings per share for loss attributable to the owners of Wellness and Beauty Solutions Ltd		
Loss after income tax attributable to the owners of Wellness and Beauty Solutions Ltd	<u>7,032</u>	<u>(13,551)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>134,935,539</u>	<u>66,486,322</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>134,935,539</u>	<u>66,486,322</u>
	Cents	Cents
Basic earnings per share	5.21	(20.38)
Diluted earnings per share	5.21	(20.38)

Wellness and Beauty Solutions Ltd
Notes to the financial statements
31 December 2021

Note 14. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principle place of business / Country of incorporation	Ownership interest	
		31 Dec 2021 %	30 Jun 2021 %
True Solutions (Aus) Pty Ltd	Australia	100%	100%
The Giving Brands Company Pty Ltd	Australia	100%	100%
True Solutions (NZ) Ltd	New Zealand	100%	100%
Micro 19 Pty Ltd	Australia	50%	50%

The above entities are in the process of being de-registered by the administrators:

True Solutions (Aus) Pty Ltd	In progress
The Giving Brands Company Pty Ltd	In progress
True Solutions (NZ) Ltd	completed 1 February 2022
Micro 19 Pty Ltd	completed 10 February 2022

Note 15. Contingent assets and liabilities

The consolidated entity had no contingent assets or liabilities as at 31 December 2021.

Note 16. Events after the reporting period

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.

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

Wellness and Beauty Solutions Ltd
Directors' declaration
31 December 2021

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 2021 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

A handwritten signature in black ink, appearing to read 'Garry Hounsell', is written over a horizontal line.

Garry Hounsell
Chairman

19 April 2022

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61(0) 3 9286 8000
F +61(0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT To the Members of Wellness and Beauty Solutions Ltd

Qualified Opinion

We have audited the financial report of Wellness and Beauty Solutions Ltd (the company) and its controlled entities (the consolidated entity) which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the matter referred to in the Basis for Qualified Opinion section of our report the accompanying financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its financial performance for the half-year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Qualified Opinion

The company entered voluntary administration on 30 March 2021. We were unable to obtain sufficient appropriate audit evidence regarding the carrying amount of the borrowings, trade and other payables as at 30 June 2021. On 31 October 2021, the Company, the Deed Administrator and BRC Capital completed the Deed of Company Arrangement (DOCA). This resulted in the extinguishment of borrowings, trade and other payables and a gain from debt forgiveness of \$8 million recognised as Other Income in the profit or loss for the half-year ended 31 December 2021.

Since borrowings, trade and other payables enter the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the gain from debt forgiveness reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating and financing activities reported in the statement of cash flows.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Basis for Qualified Opinion (continued)

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the consolidated entity had net cash outflows from operating activities of \$729,000 for the half-year ended 31 December 2021. As at that date, the consolidated entity's current liabilities exceeded its current assets by \$688,000. As stated in Note 2, these conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not further modified in respect of this matter

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to the Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Financial liabilities Refer to Note 8 in the financial statements	
Pursuant to the Deed of Company Arrangement, the consolidated entity has recognised \$126,000 in financial liabilities in relation to convertible notes issued to secured and unsecured creditors. This was considered a Key Audit Matter because the accounting for the convertible note requires significant judgement in assessing the fair value of the derivative component.	Our audit procedures included: <ul style="list-style-type: none"> • Reviewing the convertible note agreement, to evaluate its terms; • Evaluating the accounting treatment proposed to determine whether it is in compliance with Australian Accounting Standards; • Assessing the fair value of the instrument at inception, and its subsequent measurement at balance date; and • Assessing the appropriateness of the disclosure in respect of the financial liabilities recognised.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Directors' Report for the half-year ended 31 December 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Other Information (continued)

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf
This description forms part of our auditor's report.

**RSM AUSTRALIA PARTNERS****R B MIANO**
Partner

Dated: 21 April 2022
Melbourne, Victoria