

Appendix 4E

16 March 2022

Preliminary Final Report

Company details

Name of entity: Wellness and Beauty Solutions Limited

ACN: 169 177 833

Reporting period: For the financial year ended 30 June 2021

Previous corresponding period: For the financial year ended 30 June 2020

Results for announcement to the market

| | | | \$'000 |
|---|------|--------|---------------|
| Revenues from ordinary activities (sales) | down | 65.84% | 3,649 |
| Loss after income tax (expense) / benefit attributable to the owners of Wellness and Beauty Solutions Limited | up | 1.15% | (11,923) |
| Total comprehensive income for the year attributable to the owner of Wellness and Beauty Solutions Limited | down | 1.15% | (11,923) |

WNB reported revenue from continuing operations of \$3.6 million in the 12 months to 30 June 2021 (FY21). The loss for the consolidated entity after providing for income tax amounted to \$11.92 million (30 June 2020: \$11.79 million). This result included the impairment write down of \$9.8 million of unrecoverable assets associated with the Company's going into administration.

Control gained over entities or businesses

Not applicable.

Loss of control over entities or businesses

Not applicable.

Dividends

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

Dividend reinvestment plans

Not applicable.

Net tangible assets

Net tangible assets (NTA)¹ per ordinary security for the year ended 30 June 2021 was \$0.0080 (30 June 2020: \$0.0069).

¹Includes right-of-use assets, inventories, and other assets.

Details of associates, joint venture entities and dividend income

Not applicable.

Foreign entities

Not applicable.

Audit qualification or review

The financial statements have been audited and a *disclaimer of opinion* has been issued. On 30 March 2021 the Company entered voluntary administration. The consolidated entities borrowings, trade and other payables were carried at \$3.2 million and \$4.8 million respectively in the consolidated financial position as at 30 June 2021. The auditor cited an inability to obtain sufficient appropriate audit evidence regarding the carrying amount of the borrowings and payables as at 30 June 2021 and therefore an inability to determine whether any adjustments were necessary.

Attachments

The Annual Report of the Company for the financial year ended 30 June 2021 is attached.

Consolidated statement of profit or loss and other comprehensive income

Refer to the attached Annual Report.

Consolidated statement of financial position

Refer to the attached Annual Report.

Consolidated statement of cash flows

Refer to the attached Annual Report.

Consolidated statement of changes in equity

Refer to the attached Annual Report.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2021 Financial Report (which includes the Directors' report).

Accounting Standard

This report has been compiled using Australian Accounting Standards.

Events After the Reporting Period

On 9 August 2021, the Company, the Deed Administrator and BRC entered into the DOCA.

Pursuant to the terms of DOCA, among other things, Heat Holdings Pty Ltd (Heat Holdings), as BRC's nominee, was issued with 68,000,000 shares in the capital of the Company (DOCA Shares) at an issue price of \$0.0063 per DOCA Share in consideration of BRC 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). To this effect, Heat Holdings acquired a total of 50.2% of the ordinary shares in the capital of the Company, and existing shareholders of the Company were diluted to 49.8%.

Completion of the DOCA (and the requirement for BRC to pay the Contribution) was conditional on the Company obtaining Shareholders' approval of the issue of the DOCA Shares to Heat Holdings. An

extraordinary general meeting contemplating this resolution was held on 25 October 2021. The resolution was carried. The DOCA subsequently completed on 31 October 2021, and the Company exited voluntary administration.

Pursuant to the terms of the DOCA, creditors (secured and unsecured) 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). Creditors participated in the respective pools on a pro rata basis based on admitted claims owed to them by the Company. The convertible notes convert to equity in the Company upon the successful completion of the proposed Back-Door Listing (see below). If the convertible notes do not convert, and instead mature, their principal value will become due and payable by the Company.

Wellness and Beauty Solutions Ltd

ABN 43169177833

Annual Report - 30 June 2021

Wellness and Beauty Solutions Ltd
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30 June 2021

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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 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 currently in administration, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

398-400 Burke Road
Camberwell Victoria 3124

Principal place of business

11 Dalmore Drive
Scoresby Victoria 3179

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on March 2022. The directors have the power to amend and reissue the financial statements.

Wellness and Beauty Solutions Ltd
Corporate directory
30 June 2021

| | |
|--------------------------------|--|
| Directors | Garry Hounsell (Chairman) Paul Docherty (Non-Executive Director) David Botta (Non-Executive Director) Lyndsey Cattermole (Non-Executive Director) Amber Collins (Non-Executive Director) |
| Company secretary | Hasaka Martin |
| Registered office | 398-400 Burke Road Camberwell Victoria 3124 |
| Principal place of business | 11 Dalmore Drive Scoresby Victoria 3179 |
| Share register | Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford Victoria 3067 Telephone: (03) 9415 5000 |
| Auditor | RSM Australia Partners Level 21, 55 Collins Street Melbourne Victoria 3000 |
| Stock exchange listing | Wellness and Beauty Solutions Ltd shares are currently suspended from trading on the Australian Securities Exchange (ASX code: WNB) |
| Date of Annual General Meeting | The Company is proposing to hold its Annual General Meeting on April 2022. |

Wellness and Beauty Solutions Ltd
Chairman's letter to shareholders
30 June 2021

Dear Shareholders

On 1 February 2021, the Company's securities were suspended from quotation. On 30 March 2021, the directors resolved to place the Company into voluntary administration and Laurence Fitzgerald of William Buck was appointed as the administrator of the Company (**Administrator**).

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 as deed administrator (**Deed Administrator**).

On 9 August 2021, the Company, the Deed Administrator and BRC entered into the DOCA.

Pursuant to the terms of DOCA, among other things, Heat Holdings Pty Ltd (**Heat Holdings**), as BRC's nominee, was issued with 68,000,000 shares in the capital of the Company (**DOCA Shares**) at an issue price of \$0.0063 per DOCA Share in consideration of BRC 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**). Heat Holdings acquired a total of 50.2% of the ordinary shares in the capital of the Company, and existing shareholders of the Company were diluted to 49.8%.

Completion of the DOCA (and the requirement for BRC to pay the Contribution) was conditional on the Company obtaining Shareholders' approval of the issue of the DOCA Shares to Heat Holdings. An extraordinary general meeting contemplating this resolution was held on 25 October 2021 and the approving resolution was carried. The DOCA subsequently completed on 31 October 2021, and the Company exited voluntary administration.

Pursuant to the terms of the DOCA, creditors (secured and unsecured) 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). Creditors participated in the respective pools on a pro rata basis based on admitted claims owed to them by the Company. The convertible notes convert to equity in the Company upon the successful completion of the proposed Back-Door Listing (see below). If the convertible notes do not convert, and instead mature, their principal value will become due and payable by the Company.

Proposed acquisitions and re-admission to official list

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

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

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

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

Yours sincerely



Garry Hounsell
Chairman

Wellness and Beauty Solutions Ltd
Directors' report
30 June 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 year ended 30 June 2021.

Directors

The following persons were directors of Wellness and Beauty Solutions Ltd during the financial year, until 30 March 2021 when the company entered voluntary administration, unless otherwise stated:

Julian Glynn (resigned 19 February 2021)
Michael McCreadie (appointed 19 February 2021. Resigned 30 March 2021)
Christine Parkes (resigned 30 March 2021)
Yitzchok (Yossi) Spigler (appointed 29 October 2020. Resigned 30 March 2021)
Dr Naveen Somia (resigned 27 November 2020)

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

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

Principal activities

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

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$11,923,000 (30 June 2020: \$11,786,000).

Operating Results

WNB reported revenue from continuing operations of \$3.6 million in the 12 months to 30 June 2021 (FY21)

The loss for the consolidated entity after providing for income tax amounted to \$11.92 million (30 June 2020: \$11.79 million). This result included the impairment write down of \$10.9 million of unrecoverable assets associated with the Company's going into administration.

Significant changes in the state of affairs

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

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

Matters subsequent to the end of the financial year

On 9 August 2021, the Company, the Deed Administrator and BRC entered into the DOCA.

Pursuant to the terms of DOCA, among other things, Heat Holdings Pty Ltd (Heat Holdings), as BRC's nominee, was issued with 68,000,000 shares in the capital of the Company (DOCA Shares) at an issue price of \$0.0063 per DOCA Share in consideration of BRC providing a contribution of \$472,763.23 to the deed fund established by the DOCA (Contribution) to recapitalise the Company and facilitate the exit of the Company from voluntary administration (DOCA Placement). To this effect, Heat Holdings acquired a total of 50.2% of the ordinary shares in the capital of the Company, and existing shareholders of the Company were diluted to 49.8%.

Completion of the DOCA (and the requirement for BRC to pay the Contribution) was conditional on the Company obtaining Shareholders' approval of the issue of the DOCA Shares to Heat Holdings. An extraordinary general meeting contemplating this resolution was held on 25 October 2021. The resolution was carried. The DOCA subsequently completed on 31 October 2021, and the Company exited voluntary administration.

Pursuant to the terms of the DOCA, creditors (secured and unsecured) 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). Creditors participated in the respective pools on a pro rata basis based on admitted claims owed to them by the Company. The convertible notes convert to equity in the Company upon the successful completion of the proposed Back-Door Listing (see below). If the convertible notes do not convert, and instead mature, their principal value will become due and payable by the Company.

Likely developments and expected results of operations

It is proposed that the company will acquire The Heat Group Pty Ltd ACN 092 941 430 (Heat) and another complementary business. The vendors of both companies (as well as other relevant associated parties including creditors) will be issued with shares in the Company as consideration for the acquisition of Heat and Aware (Back-Door Listing). It is proposed that the acquisitions will complete in Q3 or Q4 FY22 followed by a public offer and application for re-admission of the Company to the official list of the ASX.

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.

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.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Wellness and Beauty Solutions Ltd
Directors' report
30 June 2021

Information on directors

| | |
|---------------------------|--|
| Name: | Garry Hounsell |
| Title: | Chairman |
| Qualifications: | Fellow of the Australian Institute of Company Directors CA in Australia and New Zealand |
| Experience and expertise: | Mr Hounsell is currently the Chairman of Helloworld Travel Limited (since October 2016) and is a director of the Commonwealth Superannuation Corporation Limited (since July 2021), Findex Group Limited (since January 2020) and Treasury Wines Estates Limited (since 2012). Garry is the former Chairman of PanAust Limited (from July 2008 to August 2015), Myer Holdings Limited (from November 2017 to October 2020, and a director from September 2017 to October 2020), Spotless Group Holdings Limited (Chairman from February 2017 to August 2017, and a director from March 2014 to August 2017) and a former director of Qantas Airways Limited (from January 2005 to February 2015), Integral Diagnostics Limited (from October 2015 to March 2017) and Dulux Group Limited (from July 2010 to December 2017), and has held senior positions at both Ernst & Young and Arthur Andersen. |
| Special responsibilities: | Audit & Risk Committee - Chair; Remuneration & Nomination Committee – Chair |
| Interests in shares: | None |
| Name: | Lyndsey Cattermole AM |
| Title: | Non-Executive Director |
| Experience and expertise: | <p>Lyndsey Cattermole, AM, founded Aspect Computing, the largest Australian Software and Services Company, going on to be a major force in Australian ICT with 1300 employees. She remained as joint Managing Director from 1974 to 2003, before the business was sold. Lyndsey has been at the forefront of the Australian IT Industry including the Australian Computer Society, the Prime Minister's Science and Engineering Council, the Federal Government Electronic, Electrical and Information Industry Board, and the Multimedia Advisory Committee.</p> <p>Lyndsey has held a number of board and membership positions on a range of government, advisory, association and not for profit committees. In particular, Lyndsey helped form the Murdoch Children's Research Institute from the Murdoch and Royal Children's, one of Australia's largest biomedical research institutes.</p> <p>Lyndsey is currently a non-executive Director of Pact Group Holdings Limited (ASX:PHG) and also holds directorships with MPH Agriculture and Melbourne Rebels Rugby Union. With a Bachelor of Science from the University of Melbourne, Lyndsey is a Fellow of the Australian Computer Society.</p> <p>Lyndsey is formerly a director of Treasury Wine Estates, Tatts Group and Fosters Limited.</p> |
| Name: | David Botta |
| Title: | Non-Executive Director |
| Experience and expertise: | David's business career spans over 35 years in customer facing industries, Europe, Asia, UAE and NZ. The Director for Nike Europe, responsible for 2 Nike Towns and 52 factory stores. From there, he became CEO for Jeanswest, where he turned Jeanswest into the leader in denim retailing. David then became CO of Colorado Group. More recently, David owned Qualspec Australia's largest independent quality assurance company with operations across Asia, this business was sold in 2019. |

Wellness and Beauty Solutions Ltd
Directors' report
30 June 2021

Name: **Paul Docherty**
Title: Non-Executive Director
Experience and expertise: Mr Docherty is Founder and Executive Chair of the BRC Group, one of Australia's leading Incubator and Accelerator's. Prior to founding the BRC Group, Paul was the Founder and CEO of Direct Connect, a business that was sold with Lumo Energy to Snowy Hydro in 2014. Paul holds Chairmanships across MedTech, Health, Technology and BRC's Food businesses, and is both the Regional Chair of YPO in Australia and New Zealand, and the Chairman of the Melbourne Rebels.

Name: **Amber Collins**
Title: Non-Executive Director
Experience and expertise: Ms Collins started her career at Saatchi & Saatchi Advertising London working on FMCG brands such as Schweppes and Carlsberg-Tetley before joining Lowe Howard-Spink as the Board Director managing Tesco PLC. Over the next five years Amber worked as a Director of brand consultancy Interbrand in London and the USA. Returning to Australia, she spent nearly 10 years at Coles and Target in multiple management roles with responsibility for product development, brand management, digital marketing, communications and media. Amber joined Australia Post as Chief Marketing Officer in 2019 and is on the board of Foodbank Vic.

Name: **Steven Chaur**
Title: Managing Director and CEO
Experience and expertise: Steven is a transformational leader who has delivered sustainable shareholder value growth in competitive and dynamic sectors such as consumer food products, specialised industrial products and agricultural production across local and international customer markets. Actively driving revenue, operational and margin improvement whilst focussing on building high performing teams, growing customer partnerships and building trusted brands, Steven has proven experience in FMCG strategy leadership, lean manufacturing, global distribution, consumer marketing, ASX financial oversight and governance. He has led organisations operating in Pacific and global markets including New Zealand, Europe, China, UAE, Thailand, Japan, Singapore, Indonesia and the USA.

Steven has held recent Managing Director and Chief Executive Officer roles at Castlegate James Australasia (2019-current), Nutrano Produce Group (2017–2018), Patties Food Limited (2014– 2016) (ASX: PFL), Saint-Gobain Pacific (2010–2014) (EPA: SGO) and has held senior executive roles at George Weston Foods, Findus Australia, National Foods Ltd (ASX: NFL), Simplot Australia and Unilever. He is also a current Non-Executive Director at Wingara AG Limited (2020–current) (ASX: WNR) and is a past Non-Executive Director of Meat & Livestock Australia (2015–2018) and Davies Bakeries (2014–2016)

Wellness and Beauty Solutions Ltd
Directors' report
30 June 2020

Company Secretary

Mr Hasaka Martin, CA

Mr Martin has over 15 years' experience working with listed companies both internally and through corporate service providers, and has worked across multiple sectors including corporate services, resources, biotechnology and universities. Hasaka has held varied roles ranging from corporate secretarial, business development and client servicing through teaching, program management and research. Hasaka is an appointed company secretary for a number of listed and unlisted companies. He is a Chartered Secretary and Fellow of the Governance Institute of Australia. Hasaka holds a Graduate Diploma in Applied Corporate Governance and postgraduate qualifications in corporate and securities law

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

| | Full Board Attended | Held |
|-------------------|------------------------|------|
| Yossi Spigler | 2 | 2 |
| Christine Parkes | 4 | 4 |
| Dr Naveen Somia | 2 | 2 |
| Julian Glynn | 2 | 2 |
| Michael McCreadie | 2 | 2 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- Transparency

Wellness and Beauty Solutions Ltd
Directors' report
30 June 2021

Principles used to determine the nature and amount of remuneration (continued)

The Remuneration and Nomination Committee ("Committee") was established to advise on remuneration and issues relevant to remuneration policies and practices including those for senior management and non-executive Directors. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

At present, given the number and mix of directors, the Committee does not hold separate meetings and its functions are carried out by the Board.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The Company has established a Long Term Incentive Plan (LTIP) that allows for the award of performance-related rights ('Rights') subject to the LTIP Rules. The Plan is designed to assist in the motivation, retention and reward of the Company's Directors and senior executives. In addition, the Plan is designed to align the interests of Directors and senior executives more closely with the interests of shareholders.

To date, no rights have been granted pursuant to the LTIP. The Board will continue to monitor shareholder value and may issue rights under the Plan when considered appropriate.

Consolidated entity performance and link to remuneration

The remuneration of the Managing Director is directly linked to the performance of the consolidated entity. The amount of the Managing Director's cash bonus is dependent on the consolidated entity meeting or exceeding Board-approved forecasts.

Wellness and Beauty Solutions Ltd
Directors' report
30 June 2021

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Wellness and Beauty Solutions Ltd:

- Julian Glynn (appointed Non-executive Chairman 27 March 2020, resigned 19 February 2021)
- Christine Parkes (appointed Managing Director 27 September 2018, resigned 30 March 2021)
- Dr Naveen Somia (appointed Non-executive Director 1 October 2016, resigned 30 March 2021)
- Michael McCreadie (appointed Non-executive Director 19 February 2021, resigned 30 March 2021)
- Yitzchock (Yossi) Spigler (appointed Non-executive Director 29 October 2020, resigned 30 March 2021)

| 30 June 2021 | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|---------------------------------|----------------------|------------|--------------|--------------------------|--------------------|----------------------|---------|
| | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation | Long service Leave | Equity-settled | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Dr Naveen Somia | 30,000 | - | - | - | - | - | 30,000 |
| Julian Glynn | 49,785 | - | - | 4,729 | - | - | 54,514 |
| Michael McCreadie | - | - | - | - | - | - | - |
| Yitzchock (Yossi) Spigler | - | - | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | | |
| Christine Parkes | 218,979 | - | - | 16,796 | - | 167,447 | 403,222 |
| <i>Key Management:</i> | | | | | | | |
| Chantelle Phillips | 98,303 | - | - | 8,665 | - | - | 106,968 |
| Alicia Dyson | 112,500 | - | - | 10,688 | - | - | 123,188 |
| Michelle Stoneman | 117,822 | - | - | 11,193 | - | - | 129,015 |
| | 627,389 | - | - | 52,071 | - | 167,447 | 846,907 |

| 30 June 2020 | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|---------------------------------|----------------------|------------|--------------|--------------------------|--------------------|----------------------|---------|
| | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation | Long service Leave | Equity-settled | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Angelos Giannakopoulos | 80,205 | - | - | - | - | - | 80,205 |
| Dr Naveen Somia | 40,000 | - | - | - | - | - | 40,000 |
| Julian Glynn | 14,261 | - | - | 1,354 | - | - | 15,615 |
| <i>Executive Directors:</i> | | | | | | | |
| Christine Parkes | 285,979 | 62,500 | 22,465 | 23,564 | - | - | 394,508 |
| <i>Other Key Management:</i> | | | | | | | |
| Rodney Kitchen | 70,833 | - | - | 6,301 | - | - | 77,134 |
| | 491,278 | 62,500 | 22,465 | 31,219 | - | - | 607,462 |

Wellness and Beauty Solutions Ltd
Directors' report
30 June 2021

Details of remuneration (continued)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk – STI | | At risk – LTI | |
|---------------------------------|--------------------|--------------|---------------|--------------|---------------|--------------|
| | 30 June 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Dr Naveen Somia | 100% | 100% | - | - | - | - |
| Julian Glynn | 100% | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| Christine Parkes | 100% | 100% | - | - | - | - |

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Options

The terms and conditions of options granted over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of options granted | Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|------------------|---------------------------|------------------|-----------------------------------|------------------|----------------|-------------------------------------|
| Christine Parkes | 3,375,000 | 27 November 2020 | 27 November 2020 | 29 December 2024 | \$0.30 | \$0.04 |

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|-----------|------------------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Christine Parkes | 51,725,552 | - | - | (49,139,274) | 2,586,278 |

Other – Consolidation 1 for 20 on 3 December 2020

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Wellness and Beauty Solutions Ltd under option outstanding at the date of this report.

Wellness and Beauty Solutions Ltd
Directors' report
30 June 2021

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of RSM Australia Partners

There are no officers of the company who are former partners of RSM Australia Partners.

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.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors


Garry Hounsell
Chairman

// March 2022

RSM Australia Partners

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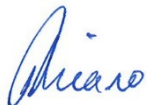
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Wellness and Beauty Solutions Ltd and its controlled entities for the year ended 30 June 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.

A handwritten signature in blue ink, appearing to be "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be "R B Miano".

R B MIANO Partner

Melbourne, Victoria
Dated: 11 March 2022

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Wellness and Beauty Solutions Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

| | Note | Consolidated | |
|---|------|------------------------|------------------------|
| | | 30 June 2021 \$'000 | 30 June 2020 \$'000 |
| Revenue from continuing operations | 5 | 3,649 | 10,682 |
| Other income | 6 | 1,389 | 281 |
| Interest revenue calculated using the effective interest method | | 4 | 6 |
| Expenses | | | |
| Raw materials and consumables used | | (2,671) | (5,894) |
| Contractor expenses | | (36) | (1,025) |
| Occupancy expenses | 7 | (397) | (529) |
| Employee benefits expense | 7 | (1,648) | (4,800) |
| Depreciation and amortisation expense | 7 | (280) | (2,981) |
| Impairment expense | 7 | (9,807) | (2,930) |
| Loss on disposal of assets | | - | (309) |
| Advertising and Promotions | | (333) | (1,263) |
| Director fees | | (85) | (132) |
| Consulting expenses | | (634) | (637) |
| Other expenses | | (266) | (1,809) |
| Finance costs | 7 | (325) | (581) |
| Loss before income tax (expense)/benefit from continuing operations | | (11,440) | (11,921) |
| Income tax (expense)/benefit | 8 | 293 | 135 |
| Loss after income tax (expense)/benefit from continuing operations | | (11,147) | (11,786) |
| Loss after income tax expense from discontinued operations | 9 | (776) | - |
| Loss after income tax (expense)/benefit for the year attributable to the owners of Wellness and Beauty Solutions Ltd | | (11,923) | (11,786) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year attributable to the owners of Wellness and Beauty Solutions Ltd | | <u>(11,923)</u> | <u>(11,786)</u> |
| Total comprehensive income for the year is attributable to: | | | |
| Continuing operations | | (11,147) | (11,786) |
| Discontinued operations | | (776) | - |
| | | <u>(11,923)</u> | <u>(11,786)</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 year ended 30 June 2021

| | Note | Consolidated | |
|---|------|--------------|--------------|
| | | 30 June 2021 | 30 June 2020 |
| | | \$'000 | \$'000 |
| | | Cents | Cents |
| Earnings per share for loss from continuing operations attributable to the owners of Wellness and Beauty Solutions Ltd | | | |
| Basic earnings per share | 40 | (16.65) | (39.97) |
| Diluted earnings per share | 40 | (16.65) | (39.97) |
| Earnings per share for loss from discontinued operations attributable to the owners of Wellness and Beauty Solutions Ltd | | | |
| Basic earnings per share | 40 | (1.16) | - |
| Diluted earnings per share | 40 | (1.16) | - |
| Earnings per share for loss attributable to the owners of Wellness and Beauty Solutions Ltd | | | |
| Basic earnings per share | 40 | (17.81) | (39.97) |
| Diluted earnings per share | 40 | (17.81) | (39.97) |

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 30 June 2021

| | | Consolidated | |
|--------------------------------------|------|------------------------|------------------------|
| | Note | 30 June 2021 \$'000 | 30 June 2020 \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 17 | 1,041 |
| Trade and other receivables | 11 | 115 | 830 |
| Inventories | 12 | - | 3,749 |
| Assets held for Sale | | 409 | - |
| Other assets | 13 | - | 136 |
| Total current assets | | 541 | 5,756 |
| Non-current assets | | | |
| Property, plant and equipment | 14 | - | 753 |
| Right-of-use assets | 15 | - | 2,107 |
| Intangibles | 16 | - | 4,275 |
| Other | 17 | - | 267 |
| Total non-current assets | | - | 7,402 |
| Total assets | | 541 | 13,158 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | 4,756 | 3,771 |
| Borrowings | 19 | 3,174 | 1,641 |
| Lease liabilities | 20 | 56 | 625 |
| Provisions | 21 | 119 | 361 |
| Contract liabilities | 22 | - | 395 |
| Liabilities held for sale | 9 | 629 | - |
| Total current liabilities | | 8,734 | 6,793 |
| Non-current liabilities | | | |
| Borrowings | 23 | - | 947 |
| Lease liabilities | 24 | - | 1,934 |
| Deferred tax | | - | 292 |
| Provisions | 25 | - | 72 |
| Total non-current liabilities | | - | 3,245 |
| Total liabilities | | 8,734 | 10,038 |
| Net assets | | (8,193) | 3,120 |
| Equity | | | |
| Issued capital | 26 | 46,122 | 45,681 |
| Reserves | 27 | 225 | 57 |
| Accumulated losses | 28 | (54,540) | (42,618) |
| Total equity | | (8,193) | 3,120 |

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 year ended 30 June 2021

| Consolidated | Issued Capital \$'000 | Reserves \$'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 benefit 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 (note 26) | 8,971 | - | - | 8,971 |
| Share-based payments | - | 57 | - | 57 |
| Balance at 30 June 2020 | <u>45,681</u> | <u>57</u> | <u>(42,618)</u> | <u>3,120</u> |

| Consolidated | Issued Capital \$'000 | 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 year | - | - | (11,923) | (11,923) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (11,923) | (11,923) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 26) | 441 | - | - | 441 |
| Share-based payments (note 41) | - | 168 | - | 168 |
| Balance at 30 June 2021 | <u>46,122</u> | <u>225</u> | <u>(54,540)</u> | <u>(8,193)</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 year ended 30 June 2021

| Note | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2021 \$'000 | 30 June 2020 \$'000 |
| Cash flows from operating activities | | |
| | 3,975 | 11,024 |
| | (5,508) | (15,721) |
| | (1,533) | (4,697) |
| | 4 | 5 |
| | 462 | 150 |
| | (325) | (515) |
| | | |
| Net cash used in operating activities | 38 | (5,057) |
| Cash flows from investing activities | | |
| | 123 | (119) |
| | (265) | (15) |
| | (91) | (40) |
| | - | 150 |
| | | |
| Net cash from/(used in) investing activities | | (24) |
| Cash flows from financing activities | | |
| | - | 7,528 |
| | 938 | 1,451 |
| | - | (438) |
| | (161) | (2,837) |
| | (176) | (625) |
| | | |
| Net cash from financing activities | | 5,079 |
| | | |
| Net increase/(decrease) in cash and cash equivalents | | (2) |
| | 1,041 | 1,043 |
| | | |
| Cash and cash equivalents at the end of the financial year | 10 | 1,041 |

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
30 June 2021

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 respectively are:

398-400 Burke Road
Camberwell VIC 3124
Australia

11 Dalmore Drive
Scoresby VIC 3179
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 March 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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

The current assets at 30 June 2021 have been used to extinguish current liabilities to the extent available upon appointment of the administrator.

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.

Note 2. Significant accounting policies (continued)

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 year, 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 30 June 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 30 June 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.

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Wellness and Beauty Solutions Ltd ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Wellness and Beauty Solutions Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

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

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Note 2. Significant accounting policies (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Wellness and Beauty Solutions Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Note 2. Significant accounting policies (continued)

Current and non-current classification

In the previous financial year, assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

In the previous financial year, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|-------------------------|---------|
| Computer equipment | 33% |
| Clinic Equipment | 20-25% |
| Leased clinic equipment | 20-25% |
| Leasehold Improvements | 10-15% |
| Motor Vehicles | 15% |
| Right of use | 15%-33% |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Note 2. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Website

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Trademarks and licences

Trademarks and licences are recognised at cost and are amortised using the straight-line method over their estimated useful lives, which range from 3 to 5 years. Trademarks and licences are carried at cost less accumulated amortisation and any impairment losses.

Development Expenditure

Expenditure attributed to the development of the entity's own end to end operational and clinical software, "TESSA", is capitalised to the extent that it relates to the design, construction and testing. Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when the project are expected to deliver future economic benefits and these benefits can be measured reliably.

Amortisation of development expenditure

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. Amortisation of the development expenditure commences from the date of first use over the effective life of the intangible asset.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets 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.

Note 2. Significant accounting policies (continued)

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease.

Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year 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.

Borrowings

Loans and borrowings 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.

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. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 2. Significant accounting policies (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Termination benefits are recognised when a detailed plan of termination has been communicated to affected employees. They are measured as short-term employee benefits when expected to be settled wholly within 12 months of the reporting date or as long-term benefits when not expected to be settled within 12 months of the reporting date.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Note 2. Significant accounting policies (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Wellness and Beauty Solutions Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Basis of preparation

As mentioned in Note 2 Basis of preparation, these financial statements have been prepared on a liquidation basis. Management has exercised judgement to estimate the assets at their net realisable value at 30 June 2021.

Note 4. Operating segments

Identification of reportable operating segments

For the current financial year, the consolidated entity operates in a single operating segment i.e. Wellness, Beauty and Lifestyle. Management had on 20 September 2020 signed a Business Sale Agreement to sell its Clinical and Beauty Treatment segment and consequently, the Clinical and Beauty Treatment has been classified as a Discontinued Operations. Refer to Note 9 for further details.

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

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

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

Types of products and services

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

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

Intersegment transactions were not made during the previous reporting year.

Intersegment receivables, payables and loans

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 Ltd
Notes to the financial statements
30 June 2021

Note 4. Operating segments (continued)

Operating segment information

| Consolidated - 30 June 2020 | Clinical and Beauty Treatments \$'000 | Wellness and Lifestyle Products \$'000 | Total \$'000 |
|---------------------------------------|--|---|-----------------|
| Revenue | | | |
| Sales to external customers | 4,906 | 5,776 | 10,682 |
| Total segment revenue | <u>4,906</u> | <u>5,776</u> | 10,682 |
| <i>Unallocated revenue:</i> | | | |
| Interest Received | | | 6 |
| Total revenue | | | <u>10,688</u> |
| EBITDA | <u>(1,226)</u> | <u>(2,535)</u> | (3,761) |
| Depreciation and amortisation | | | (2,981) |
| Impairment of assets | | | (2,930) |
| Interest revenue | | | 6 |
| Finance costs | | | (581) |
| Unallocated expenses | | | (1,955) |
| Other income | | | 281 |
| Loss before income tax benefit | | | <u>(11,921)</u> |
| Income tax benefit | | | 135 |
| Loss after income tax benefit | | | <u>(11,786)</u> |
| Assets | | | |
| Segment assets | <u>5,585</u> | <u>7,446</u> | 13,031 |
| <i>Unallocated assets:</i> | | | |
| Plant & Equipment | | | 54 |
| Intangible assets | | | 73 |
| Total assets | | | <u>13,158</u> |
| Liabilities | | | |
| Segment liabilities | <u>4,749</u> | <u>2,383</u> | 7,132 |
| <i>Unallocated liabilities:</i> | | | |
| Borrowings – current | | | 1,222 |
| Provisions – current | | | 95 |
| Borrowings - non-current | | | 935 |
| Payables | | | 654 |
| Total liabilities | | | <u>10,038</u> |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 5. Revenue

| | Consolidated | |
|--|--------------|---------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| From continuing operations | | |
| Revenue from continuing operations | <u>3,649</u> | <u>10,682</u> |
| <i>Disaggregation of revenue</i> | | |
| The disaggregation of revenue from contracts with customers is as follows: | | |
| <i>Major product lines</i> | | |
| Clinical and Beauty Treatments | - | 4,906 |
| Wellness and Lifestyle Products | <u>3,649</u> | <u>5,776</u> |
| | <u>3,649</u> | <u>10,682</u> |
| <i>Timing of revenue recognition</i> | | |
| Goods transferred at a point in time | <u>3,649</u> | <u>10,682</u> |

Sales from Treatments

Revenue from treatments are 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 6. Other income

| | | |
|------------------------------------|--------------|------------|
| Net foreign exchange gain | - | 1 |
| Government grants | 113 | 175 |
| Other Income | 286 | 105 |
| Derecognition of lease liabilities | <u>990</u> | <u>-</u> |
| Other income | <u>1,389</u> | <u>281</u> |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 7. Expenses (continued)

Note 7. Expenses

Loss before tax from continuing operations include the following specific expenses:

| | Consolidated | |
|--|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| <i>Depreciation and amortisation expense</i> | | |
| Depreciation | | |
| Leasehold Improvements | 30 | 63 |
| Clinic equipment | - | 856 |
| Clinic equipment - leased | - | 59 |
| Computer equipment | 4 | 20 |
| Office equipment | 9 | 29 |
| | 43 | 1,027 |
| Amortisation | | |
| Development | 6 | 924 |
| Trademarks and licences | 135 | 285 |
| Formulations | 6 | 8 |
| Websites | 24 | 18 |
| | 171 | 1,235 |
| Right-of-use | 66 | 719 |
| | 280 | 2,981 |
| Impairment expense | | |
| Trade and other receivables | 997 | - |
| Inventories | 3,241 | - |
| Property, Plant and Equipment | 92 | - |
| Intangible Assets | 4,233 | 2,930 |
| Right of Use Assets | 946 | - |
| Other Assets | 298 | - |
| | 9,807 | 2,930 |
| Finance Costs | | |
| Interest and finance charges paid/payable on lease liabilities | 74 | 48 |
| Other | 251 | 538 |
| | 325 | 581 |
| Employee benefits expense | | |
| Employment benefits expense excluding superannuation | 1,486 | 4,424 |
| Defined contribution superannuation expense | 162 | 376 |
| | 1,648 | 4,800 |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 7. Expenses (continued)

| | Consolidated | |
|--|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Occupancy Expenses | | |
| Short Term Lease payments | 259 | 283 |
| Repairs and maintenance | 47 | 67 |
| Utilities and other related occupancy expenses | 91 | 179 |
| | <u>397</u> | <u>529</u> |

Note 8. Income tax benefit

(a) Income tax expense/(benefit)

The major components of income tax benefit/ (expense) are:

| | | |
|--|------------|------------|
| Current income tax on profit and loss | | |
| Deferred tax included in income tax benefit comprises: | | |
| Decrease in deferred tax assets | - | - |
| (Increase)/decrease in deferred tax liabilities | 293 | 135 |
| Income tax benefit | <u>293</u> | <u>135</u> |

(b) Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate

| | | |
|--|-----------------|-----------------|
| Loss before income tax (expense)/benefit from continuing operations | (11,147) | (11,786) |
| Loss before income tax expense from discontinued operations | (776) | - |
| | <u>(11,923)</u> | <u>(11,786)</u> |
| Tax benefit at the statutory tax rate of @ 26% (2020 @ 27.5%) | (3,100) | (3,241) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Amortisation of intangibles | 44 | 336 |
| Entertainment expenses | - | 3 |
| Legal expenses | - | 9 |
| Impairment of goodwill | - | 806 |
| Impairment expense | 2,834 | |
| Other non-deductible expenses | - | 12 |
| Other non-allowable items | (75) | (21) |
| Less: | | |
| - Derecognition of lease liabilities | (534) | - |
| - Borrowing expenses | - | (4) |
| - Legal expenses | - | (26) |
| - Cash flow boost | (33) | (48) |
| | <u>(864)</u> | <u>(2,174)</u> |
| Current year tax losses not recognised | 571 | 2,039 |
| Income tax benefit | <u>(293)</u> | <u>(135)</u> |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 8. Income tax benefit (continued)

| | Consolidated | |
|---|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| <i>Tax losses not recognised</i> | | |
| Unused tax losses for which no deferred tax asset has been recognised | 23,742 | 23,742 |
| Potential tax benefit @ 26% (2020 @ 27.5%) | 6,173 | 6,529 |

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Deferred tax assets not recognised

Deferred tax assets not recognised comprises temporary differences attributable to:

| | | |
|----------------------------------|---|-------|
| Provision for leave entitlements | - | 104 |
| Provision for stock obsolescence | - | 36 |
| Property, plant and equipment | - | 217 |
| Leases | - | 703 |
| Others | - | 110 |
| | - | 1,170 |

Deferred tax liability not recognised comprises temporary differences attributable to:

| | | |
|--------------|---|-------|
| Right-of-use | - | (624) |
| Other | - | (11) |
| | - | (635) |
| | - | 535 |

Note 9. Discontinued operations

Description

On 20 September 2020, the consolidated entity was presented with an offer to sell the clinics for total consideration of \$1.1mil. The sale of the clinics did not proceed due to unsatisfactory completion of conditions specified in the Business Sale Agreement.

On 20 March 2021, the directors resolved to place the business into voluntary administration. The Administrator subsequently assessed there to be no satisfactory acquirer of the clinics and placed the assets for sale by auction which was completed on 4 May 2021.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 9. Discontinued operations (continued)

Financial performance information

| | Consolidated | |
|--|---------------------|-----------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Other income – gain on derecognition of lease liabilities | 1,127 | - |
| Impairment expense | (1,095) | - |
| Depreciation and amortisation expenses | (471) | - |
| Consulting Expenses | (151) | - |
| Other Expenses | (186) | - |
| Total expenses | <u>(1,903)</u> | <u>-</u> |
| Loss before income tax expense | (776) | - |
| Income tax expense | <u>-</u> | <u>-</u> |
| Loss after income tax expense | <u>(776)</u> | <u>-</u> |
| Loss on disposal before income tax | - | - |
| Income tax expense | <u>-</u> | <u>-</u> |
| Loss on disposal after income tax expense | <u>-</u> | <u>-</u> |
| Loss after income tax expense from discontinued operations | <u><u>(776)</u></u> | <u><u>-</u></u> |

Cash flow information

| | | |
|---------------------------------------|-----------------|-----------------|
| Net cash used in operating activities | <u><u>-</u></u> | <u><u>-</u></u> |
|---------------------------------------|-----------------|-----------------|

Carrying amounts of assets and liabilities disposed

| | | |
|---|---------------------|-----------------|
| Inventories | 44 | - |
| Other current assets | - | - |
| Property, plant and equipment (net of impairment) | 365 | - |
| Intangibles | - | - |
| Total assets | <u>409</u> | <u>-</u> |
| Property Lease Liability | 87 | - |
| Contract Liability – Loyalty Points | 374 | - |
| Employee provisions | 141 | - |
| Other liabilities | 274 | - |
| Total liabilities | <u>629</u> | <u>-</u> |
| Net assets | <u><u>(220)</u></u> | <u><u>-</u></u> |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 9. Discontinued operations (continued)

Details of the disposal

| | Consolidated | |
|--|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Total sale consideration | - | - |
| Carrying amount of net assets disposed | - | - |
| Disposal costs | - | - |
| | <hr/> | <hr/> |
| Loss on disposal before income tax | - | - |
| | <hr/> | <hr/> |
| Loss on disposal after income tax | - | - |
| | <hr/> <hr/> | <hr/> <hr/> |

Note 10. Current assets - cash and cash equivalents

| | | |
|--------------|-------------|-------------|
| Cash on hand | <hr/> | <hr/> |
| | 17 | 1,041 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note 11. Current assets - trade and other receivables

| | | |
|---------------------------|-------------|-------------|
| Trade receivables | 296 | 666 |
| Less: Impairment | (296) | - |
| Other receivables | 701 | 11 |
| Less: Impairment | (701) | - |
| Other accounts receivable | 31 | 99 |
| BAS receivable | 84 | 54 |
| | <hr/> | <hr/> |
| | 115 | 830 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note 12. Current assets – inventories

| | | |
|----------------------------------|-------------|-------------|
| Stock on hand - at cost | 3,241 | 3,515 |
| Less: Provision for impairment | (3,241) | (133) |
| | <hr/> | <hr/> |
| | - | 3,382 |
| | <hr/> | <hr/> |
| Injectable inventory at cost | - | 167 |
| CoolSculpting® inventory at cost | - | 200 |
| | <hr/> | <hr/> |
| | - | 3,749 |
| | <hr/> <hr/> | <hr/> <hr/> |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 13. Current assets - other assets

| | Consolidated | |
|----------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Prepayments | 24 | 136 |
| Other Current assets | 274 | - |
| Less: Impairment | (298) | - |
| | - | 136 |

Note 14. Non-current assets - property, plant and equipment

| | | |
|--|---------|---------|
| Leasehold improvements - at cost | 457 | 457 |
| Less: Accumulated depreciation | (227) | (227) |
| Reclassified to discontinued operations (Note 9) | (230) | - |
| | - | 230 |
| Plant and equipment - at cost | 3,198 | 3,198 |
| Less: Accumulated depreciation | (2,951) | (2,951) |
| Reclassified to discontinued operations (Note 9) | (247) | - |
| | - | 247 |
| Plant and equipment under lease | 1,500 | 1,500 |
| Less: Accumulated depreciation | (1,326) | (1,326) |
| Reclassified to discontinued operations (Note 9) | (174) | - |
| | - | 174 |
| Computer equipment - at cost | 147 | 143 |
| Less: Accumulated depreciation | (143) | (135) |
| Less: Impairment | (4) | - |
| | - | 8 |
| Office equipment - at cost | 200 | 167 |
| Less: Accumulated depreciation | (112) | (73) |
| Less: Impairment | (88) | - |
| | - | 94 |
| | - | 753 |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 14. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

| Consolidated | Leasehold | Clinic | Leased Clinic | Computer | Office | Total \$'000 |
|--|------------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| | Improvements \$'000 | Equipment \$'000 | Equipment \$'000 | Equipment \$'000 | Equipment \$'000 | |
| Balance at 1 July 2019 | 602 | 1,057 | 223 | 24 | 54 | 1,970 |
| Additions | - | 46 | - | 4 | 69 | 119 |
| Write-off of assets | (309) | - | - | - | - | (309) |
| Depreciation expense | (63) | (856) | (59) | (20) | (29) | (1,027) |
| Balance at 30 June 2020 | 230 | 247 | 174 | 8 | 94 | 753 |
| Additions | - | - | - | - | 33 | 33 |
| Depreciation expense | - | - | - | (4) | (39) | (43) |
| Reclassified to discontinued operations (Note 9) | (230) | (247) | (174) | - | - | (513) |
| Impairment | - | - | - | (4) | (88) | (92) |
| Balance at 30 June 2021 | - | - | - | - | - | - |

Note 15. Non-current assets - right-of-use assets

| | Consolidated | |
|-----------------------------------|-------------------------------|-------------------------------|
| | 30 June 2021 \$'000 | 30 June 2020 \$'000 |
| Land and buildings - right-of-use | 1,032 | 2,826 |
| Less: Accumulated depreciation | (86) | (719) |
| Less: Impairment | (946) | - |
| | - | 2,107 |

Impairment of right-of-use as the consolidated entity entered voluntary administration on 30 March 2021. Following administration, the Administrators had issued notices to respective landlords to disclaim remaining lease contracts.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 16. Non-current assets - intangibles

| | Consolidated | |
|------------------------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Goodwill - at cost | 2,949 | 2,699 |
| Less: Impairment | (2,949) | - |
| | - | 2,699 |
| Development - at cost | 1,506 | 1,498 |
| Less: Accumulated amortisation | (1,337) | (1,244) |
| Less: Impairment | (169) | - |
| | - | 254 |
| Website - at cost | 164 | 164 |
| Less: Accumulated amortisation | (42) | (18) |
| Less: Impairment | (122) | - |
| | - | 146 |
| Other intangibles assets – at cost | 1,513 | 1,556 |
| Less: Accumulated amortisation | (619) | (485) |
| Less: Impairment | (894) | (485) |
| | - | 1,071 |
| Formulations | 120 | 120 |
| Less: Accumulated amortisation | (21) | (15) |
| Less: Impairment | (99) | - |
| | - | 105 |
| | - | 4,275 |

Reconciliations

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

| Consolidated | Goodwill \$'000 | Trademark and Licences \$'000 | Capitalised Development \$'000 | Formulations \$'000 | Website \$'000 | Total \$'000 |
|-------------------------|--------------------|-------------------------------------|--------------------------------------|------------------------|-------------------|-----------------|
| Balance at 1 July 2019 | 5,134 | 1,272 | 1,178 | 113 | 149 | 7,846 |
| Additions | 495 | 84 | - | - | 15 | 594 |
| Impairment of assets | (2,930) | - | - | - | - | (2,930) |
| Amortisation expense | - | (285) | (924) | (8) | (18) | (1,235) |
| Balance at 30 June 2020 | 2,699 | 1,071 | 254 | 105 | 146 | 4,275 |
| Additions | 250 | 7 | 8 | - | - | 265 |
| Disposals | - | (50) | (87) | - | - | (137) |
| Amortisation expense | - | (134) | (6) | (6) | (24) | (170) |
| Impairment of assets | (2,949) | (894) | (169) | (99) | (122) | (4,233) |
| Balance at 30 June 2021 | - | - | - | - | - | - |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 16. Non-current assets - intangibles (continued)

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

Goodwill and intangibles with indefinite useful lives are allocated to the following cash generating units (CGU):

| | Consolidated | |
|--|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Giving Brands | | |
| Goodwill | 2,204 | 2,204 |
| Provision for impairment | (2,204) | - |
| | <u>-</u> | <u>2,204</u> |
| True Solutions | | |
| Goodwill | 495 | 495 |
| Provision for impairment | (495) | - |
| | <u>-</u> | <u>495</u> |
| Organic Nations | | |
| Goodwill | 250 | - |
| Provision for impairment | (250) | - |
| | <u>-</u> | <u>-</u> |
| Carrying amount at the end of the year | <u>-</u> | <u>2,699</u> |

Intangibles and Goodwill were impaired to nil at 30 June 2021 as the consolidated entity has entered into voluntary administration. For further details, refer Note 37 Events after the reporting period.

Note 17. Non-current assets – other

| | | |
|-------------------|----------|------------|
| Security deposits | <u>-</u> | <u>267</u> |
|-------------------|----------|------------|

Note 18. Current liabilities - trade and other payables

| | | |
|--------------------------|--------------|--------------|
| Trade payables | 3,067 | 2,522 |
| Directors Fees Payable | 165 | 158 |
| Other payable & accruals | 482 | 430 |
| PAYG & ATO payables | 1,042 | 661 |
| | <u>4,756</u> | <u>3,771</u> |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 19. Current liabilities - borrowings

| | Consolidated | |
|------------------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Borrowings - current | 1,357 | 561 |
| Convertible notes payable | 1,817 | 1,016 |
| Short term lease liabilities | - | 65 |
| | <u>3,174</u> | <u>1,641</u> |

Refer to note 23 for further information on secured liabilities.

The borrowings comprise a number of loans repayable within one year with interest rates ranging from 5.7% to 15.34%.

Note 20. Current liabilities - lease liabilities

| | | |
|-----------------|-----------|------------|
| Lease liability | <u>56</u> | <u>625</u> |
|-----------------|-----------|------------|

The Administrators of the consolidated entity had issued formal notices to discontinue respective lease arrangements with landlords. Consequently, lease liabilities recognised on the Balance Sheet have been derecognised to Profit and Loss as Other Income. The \$56,000 payable at 30 June 2021 represents lease payments in arrears prior to the appointment of the Administrators on 30 March 2021.

Note 21. Current liabilities – provisions

| | | |
|-------------------|------------|------------|
| Employee benefits | 119 | 361 |
| Onerous lease | - | - |
| | <u>119</u> | <u>361</u> |

Note 22. Current liabilities - contract liabilities

| | | |
|-----------------------------|----------|------------|
| Loyalty payable | - | 294 |
| Revenue received in advance | - | 101 |
| | <u>-</u> | <u>395</u> |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 23. Non-current liabilities – borrowings

| | Consolidated | |
|------------------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Convertible notes | - | 935 |
| Short term lease liabilities | - | 12 |
| Borrowings | - | - |
| | - | 947 |

Total secured liabilities

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

| | | |
|------------------------------|---|-------|
| Convertible notes | - | 935 |
| Short term lease liabilities | - | 12 |
| Lease liability - Current | - | 64 |
| Other loan | - | 183 |
| Convertible notes - current | - | 1,016 |
| | - | 2,210 |

Assets pledged as security

The convertible note is secured by 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 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 2020-21 (\$1,016,000) and 2021-22 (\$935,000)
6. Repossession of clinic equipment under finance in event of default or breach
7. Security cash deposit in accordance with Deed of Set Off to be released over the life of the term. This security deposit has been recognised in receivables.

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.

The Other loan is secured by a general charge over the business and assets of The Giving Brands Company Pty Ltd

Note 24. Non-current liabilities - lease liabilities

| | Consolidated | |
|----------------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Property lease liabilities | - | 1,934 |

Refer to note 20 for further information on lease liabilities.

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

Note 25. Non-current liabilities - provisions

| | | |
|-------------------|---|----|
| Employee benefits | - | 72 |
| | - | 72 |

Note 26. Equity - issued capital

| | Consolidated | | | |
|------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2021 Shares | 30 June 2020 Shares | 30 June 2021 \$'000 | 30 June 2020 \$'000 |
| Ordinary shares - fully paid | 67,409,259 | 1,288,557,112 | 46,122 | 45,681 |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$'000 |
|--|--------------|----------------|-------------|--------|
| Balance | 30 June 2019 | 351,620,733 | | 36,710 |
| Placement to institutional and sophisticated investors | 6-Nov-19 | 45,843,109 | \$0.010 | 458 |
| Issue of True Solutions acquisition-related shares | 6-Dec-19 | 50,000,000 | \$0.010 | 500 |
| Placement to institutional and sophisticated investors | 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 |
| Capital raising costs | | - | \$0.050 | (496) |
| Balance | 30 June 2020 | 1,288,557,112 | | 45,681 |
| Hennessey Capital conversion to equity | 23-Aug-20 | 23,908,890 | \$0.008 | 191 |
| Organic Nation business acquisition | 27-Aug-20 | 35,714,286 | \$0.007 | 250 |
| Consolidation of capital (20:1) | 31-Dec-20 | (1,280,71,029) | | - |
| Balance | 30 June 2021 | 67,409,259 | | 46,122 |

Share consolidation

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

Ordinary shares

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

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

Share buy-back

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

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 26. Equity - issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions.

Note 27. Equity - reserves

| | Consolidated | |
|------------------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Share-based payments reserve | 225 | 57 |

Note 28. Equity - accumulated losses

| | | |
|--|----------|----------|
| Accumulated losses at the beginning of the financial year | (42,618) | (30,397) |
| Adjustment for change in accounting policy | - | (435) |
| Accumulated losses at the beginning of the financial year - restated | (42,618) | (30,832) |
| Loss after income tax (expense)/benefit for the year | (11,923) | (11,786) |
| Accumulated losses at the end of the financial year | (54,540) | (42,618) |

Note 29. Equity – dividends

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

Note 30. Financial instruments

Financial risk management objectives

The consolidated entity is not subject to market risk and liquidity risk as it was placed into voluntary administration on 30 March 2021. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity does not have any material credit risk exposure to other receivables at 30 June 2021.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 30. Financial instruments (continued)

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 31. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Short-term employee benefits | 627,389 | 576,243 |
| Post-employment benefits | 52,071 | 31,219 |
| Other benefits | 167,447 | - |
| | <u>846,907</u> | <u>607,462</u> |

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:

| | | |
|--|---------------|----------------|
| <i>Audit services - RSM Australia Partners</i> | | |
| Audit or review of the financial statements | <u>65,000</u> | <u>125,225</u> |

Note 33. Related party transactions

Parent entity

Wellness and Beauty Solutions Ltd is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current financial year and prior year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 33. Related party transactions (continued)

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

| | Consolidated | |
|-----------------------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Current receivables: | | |
| Loan to key management personnel* | - | 21,499 |

* At 30 June 2021, the consolidated entity impaired the \$21,499 in receivable from previous Managing Director Christine Parkes as this was deemed not recoverable. The loan was advanced to her by The Giving Brands Company Pty Ltd (GBCo) prior to its acquisition by the Company.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|----------------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Loss after income tax | (13,473) | (8,883) |
| Total comprehensive income | (13,473) | (8,883) |

Statement of financial position

| | Parent | |
|------------------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Total current assets | 779 | 844 |
| Total assets | 779 | 14,613 |
| Total current liabilities | 6,318 | 4,301 |
| Total liabilities | 6,318 | 7,230 |
| Equity | | |
| Issued capital | 46,122 | 45,681 |
| Share-based payments reserve | 225 | 57 |
| Accumulated losses | (52,179) | (38,355) |
| Total equity | (5,832) | 7,383 |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

Note 34. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 35. 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 | |
|-----------------------------------|---|--------------------|-----------|
| | | 2021 % | 2020 % |
| True Solutions (Aus) Pty Ltd | Australia | 100% | 0% |
| The Giving Brands Company Pty Ltd | Australia | 100% | 100% |
| True Solutions (NZ) Ltd | New Zealand | 0% | 100% |
| Micro 19 Pty Ltd | Australia | 0% | 100% |

Note 36. Business combinations

Organic Nations

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

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

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

Details of the acquisition are as follows:

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

Note 36. Business combinations (continued)

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

Note 37. Events after the reporting period

On 9 August 2021, the Company, the Deed Administrator and BRC entered into the DOCA.

Pursuant to the terms of DOCA, among other things, Heat Holdings Pty Ltd (**Heat Holdings**), as BRC's nominee, was issued with 68,000,000 shares in the capital of the Company (**DOCA Shares**) at an issue price of \$0.0063 per DOCA Share in consideration of BRC 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**). To this effect, Heat Holdings acquired a total of 50.2% of the ordinary shares in the capital of the Company, and existing shareholders of the Company were diluted to 49.8%.

Completion of the DOCA (and the requirement for BRC to pay the Contribution) was conditional on the Company obtaining Shareholders' approval of the issue of the DOCA Shares to Heat Holdings. An extraordinary general meeting contemplating this resolution was held on 25 October 2021. The resolution was carried. The DOCA subsequently completed on 31 October 2021, and the Company exited voluntary administration.

Pursuant to the terms of the DOCA, creditors (secured and unsecured) 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). Creditors participated in the respective pools on a pro rata basis based on admitted claims owed to them by the Company. The convertible notes convert to equity in the Company upon the successful completion of the proposed Back-Door Listing (see below). If the convertible notes do not convert, and instead mature, their principal value will become due and payable by the Company.

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

Note 38. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|--|----------------|----------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| Loss after income tax (expense)/benefit for the year | (11,923) | (11,786) |
| Adjustments for: | | |
| Depreciation and amortisation | 280 | 2,981 |
| Impairment expense | 10,903 | 2,930 |
| Net loss on disposal of non-current assets | - | 309 |
| Share-based payments | 168 | 57 |
| Interest | - | 66 |
| Gain on derecognition of lease liabilities | (2,055) | - |
| Change in operating assets and liabilities: | | |
| Decrease in trade and other receivables | 715 | 195 |
| Decrease/(increase) in inventories | 159 | (1,330) |
| Decrease/(increase) in prepayments | 136 | 429 |
| Decrease/(increase) in other operating assets | 74 | (69) |
| Increase in trade and other payables | 758 | 1,244 |
| Increase/(decrease) in other provisions | (314) | (5) |
| Increase/(decrease) in deferred tax liabilities | (293) | (78) |
| Net cash used in operating activities | <u>(1,392)</u> | <u>(5,057)</u> |

Note 39. Non-cash investing and financing activities

| | | |
|--|----------|------------|
| Shares issued in relation to business combinations | <u>-</u> | <u>500</u> |
|--|----------|------------|

Note 40. Earnings per share

| | Consolidated | |
|---|-------------------|-------------------|
| | 30 June 2021 | 30 June 2020 |
| | \$'000 | \$'000 |
| <i>Earnings per share for loss from continuing operations</i> | | |
| Loss after income tax attributable to the owners of Wellness and Beauty Solutions Ltd | <u>(11,147)</u> | <u>(11,786)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>66,935,539</u> | <u>29,484,585</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>66,935,539</u> | <u>29,484,585</u> |
| | Cents | Cents |
| Basic earnings per share | (16.65) | (39.97) |
| Diluted earnings per share | (16.65) | (39.97) |

Wellness and Beauty Solutions Ltd
Notes to the financial statements
30 June 2021

| | \$'000 | \$'000 |
|---|---------------|---------------|
| <i>Earnings per share for loss from discontinued operations</i> | | |
| Loss after income tax attributable to the owners of Wellness and Beauty Solutions Ltd | (776) | - |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 66,935,539 | 29,484,585 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 66,935,539 | 29,484,585 |
| | Cents | Cents |
| Basic earnings per share | (1.16) | - |
| Diluted earnings per share | (1.16) | - |
| | \$'000 | \$'000 |
| <i>Earnings per share for loss</i> | | |
| Loss after income tax attributable to the owners of Wellness and Beauty Solutions Ltd | (11,923) | (11,786) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 66,935,539 | 29,484,585 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 66,935,539 | 29,484,585 |
| | Cents | Cents |
| Basic earnings per share | (17.81) | (39.97) |
| Diluted earnings per share | (17.81) | (39.97) |

Note 41. Share-based payments

On 27 November 2020, 3,375,000 options were issued to executive director, Christine Parkes at an exercise price of \$0.30. The below table summarises the options granted:

| Name | Number of options granted | Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|------------------|---------------------------|------------------|-----------------------------------|------------------|----------------|-------------------------------------|
| Christine Parkes | 3,375,000 | 27 November 2020 | 27 November 2020 | 29 December 2024 | \$0.30 | \$0.04 |

Wellness and Beauty Solutions Ltd
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Garry Hounsell
Chairman

ll March 2022

RSM Australia Partners

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

Disclaimer of Opinion

We were engaged to audit the financial report of Wellness and Beauty Solutions Ltd (the company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the declaration by those charged with governance.

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

Basis for Disclaimer of Opinion

The company entered voluntary administration on 30 March 2021. The consolidated entity's borrowings, trade and other payables are carried at \$3.2 million and \$4.8 million respectively in the consolidated statement of financial position as at 30 June 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. As a result, we were unable to determine whether any adjustments were necessary in respect of the borrowings, payables and expenses incurred for the financial year ended 30 June 2021.

Emphasis of Matter – Basis of Preparation

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

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 Company 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 Company or to cease operations, or has no realistic alternative but to do so.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the consolidated entity in accordance with the ethical requirements of the Corporations Act 2001 and 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 on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Wellness and Beauty Solutions Ltd, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



RSM AUSTRALIA PARTNERS



R B MIANO

Partner

Melbourne, VIC

Dated: 16 March 2022

Wellness and Beauty Solutions Ltd
Independent auditor's report to the members of Wellness and Beauty Solutions Ltd

Wellness and Beauty Solutions Ltd
Shareholder information
30 June 2021

The shareholder information set out below was applicable as at 3 March 2022.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary Shares | Number of holders of options over ordinary shares |
|---------------------------------------|---|--|
| 1 to 1,000 | 116 | - |
| 1,001 to 5,000 | 424 | - |
| 5,001 to 10,000 | 267 | - |
| 10,001 to 100,000 | 495 | - |
| 100,001 and over | 89 | 1 |
| | <u>1,3891</u> | <u>1</u> |
| Holding less than a marketable parcel | <u>664</u> | <u>-</u> |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Number held | Ordinary shares % of total shares issued |
|---|--------------------|---|
| HEAT HOLDINGS PTY LIMITED | 68,000,000 | 50.22 |
| UBS NOMINEES PTY LTD | 8,574,472 | 6.33 |
| GBC INVESTMENTS PTY LTD <GBC INVESTMENT A/C> | 2,586,278 | 1.91 |
| DOCTORS FORMULA INTERNATIONAL PTY LTD | 2,364,901 | 1.75 |
| FIP INVESTMENTS (VIC) PTY LTD <FIP INVESTMENT A/C> | 2,250,000 | 1.66 |
| MS KERSTIN GRANT | 1,822,500 | 1.35 |
| ORGANIC NATION PTY LTD | 1,785,715 | 1.32 |
| MR TRENT MILLAR | 1,500,000 | 1.11 |
| MR GEOFFREY RONALD PEARCE <PEARCE FAMILY SETT A/C> | 1,299,469 | 0.96 |
| AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT> | 1,226,729 | 0.91 |
| MR PETER ANDREW PROKSA | 1,187,500 | 0.88 |
| NATIONAL NOMINEES LIMITED | 1,125,000 | 0.83 |
| HENNESSEY CAPITAL PARTNERS PTY LTD | 1,095,445 | 0.81 |
| FACOORY INVESTMENTS (QLD) PTY LTD | 1,000,000 | 0.74 |
| MR BRIAN BRANNIGAN + MRS JANET BRANNIGAN <BRANNIGAN PENSION FUND A/C> | 897,779 | 0.66 |
| MR WILLIAM ERNEST DAFT + MS KAREN ELIZABETH O'CALLAGHAN <O'CALLAGHAN DAFT S/FUND A/C> | 808,762 | 0.60 |
| 478 NOMINEES PTY LTD <PEARCE FAMILY SUPER FUND A/C> | 800,000 | 0.59 |
| 10 BOLIVIANOS PTY LTD | 718,609 | 0.53 |
| RIOTEK PTY LTD <DL ROBERTS FAMILY A/C> | 700,217 | 0.52 |
| MR MARK ANTHONY BROGLIO | 530,000 | 0.39 |
| Totals: Top 20 holders of Issued Capital (Total) | 100,273,376 | 74.05 |
| Total Remaining Holders Balance | 35,135,883 | 25.95 |

Wellness and Beauty Solutions Ltd
Shareholder information
30 June 2021

Equity security holders (continued)

| Convertible Note – Secured Creditors | Units | % Pool |
|---|----------------|---------------|
| CREATIVE CAPITAL GROUP PTY LIMITED | 53,077 | 53.08 |
| BIZCAP AU PTY LIMITED | 23,499 | 23.45 |
| TIGA TRADING PTY LIMITED | 14,036 | 14.04 |
| EGEA PTY LIMITED | 9,438 | 9.44 |
| Top holders of Convertible Notes (Secured)¹ | 100,000 | 100 |

| Convertible Note – Unsecured Creditors | Units | % Pool |
|---|---------------|---------------|
| True Solutions International Pty Ltd | 21,874 | 21.87 |
| S APIKIAN & OTHERS (trading as Gadens Lawyers) | 20,512 | 20.51 |
| Saint Sofia Holdings Pty Ltd ATF Saint Sofia Trust (ABN 74 553 445 957) | 9,273 | 9.27 |
| Glenfare Investments Pty Ltd | 9,273 | 9.27 |
| Comserv (No.461) Pty Ltd as trustee for Gow-Gates Unit Trust | 6,800 | 6.80 |
| Christine Parkes | 6,731 | 6.73 |
| Goldleaf Australian Income Fund Limited | 5,193 | 5.19 |
| Kris Smith | 4,534 | 4.53 |
| Giokir Pty Ltd | 4,121 | 4.12 |
| Formulayte Pty Ltd ATF Formulayte Investment Trust | 2,164 | 2.16 |
| Sidney Ho & Associates Pty Ltd ATF Sidney Ho & Associates Pty Ltd Superannuation Fund | 2,061 | 2.06 |
| Colin James Henry and Andrea Joan Henry ATF Henry Unit Trust (ABN 46 191 799 370) | 1,577 | 1.58 |
| George Thomas Wells ATF The Wells Family Trust (ANB 76 661 436 867) | 791 | 0.79 |
| JM Corporate Services Pty Ltd | 614 | 0.61 |
| Chantelle Philips - Tally Business Solutions | 589 | 0.59 |
| Talisman Licensing Pty Ltd | 586 | 0.59 |
| Ashfords Accountants & Advisory Pty Ltd | 551 | 0.55 |
| DWF Law Australia Pty Ltd | 536 | 0.54 |
| Julian Glynn | 495 | 0.49 |
| Ivan Dalla Costa | 435 | 0.44 |
| Totals: Top holders of Convertible Notes (Secured) | 98,711 | 98.71 |
| Total Remaining Holders Balance | 1,298 | 1.29 |

Substantial holders

Substantial holders in the company are set out below:

| | Ordinary shares | |
|-----------------------|------------------------|---------------------------------|
| | Number held | % of total Shares Issued |
| Heat Holdings Pty Ltd | 68,000,000 | 50.22 |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.