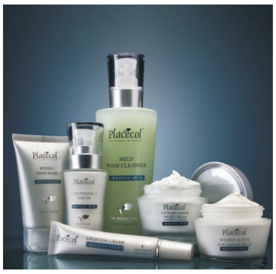
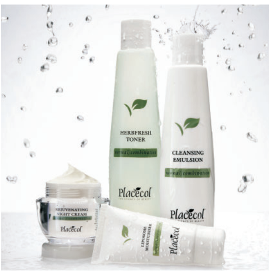
skinwell

investing in wellness



Skinwell Holdings Limited
ANNUAL REPORT
2010



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Overview of Skinwell

Objectives and Vision

- To continuously ensure a healthy franchise network
- To increase the profitability of individual salons
- To establish the Placécol, Dream Nails & Body and World of Beauty brands in South Africa
- To make the best beauty offerings available to consumers
- To broaden and increase our retail offerings in salons without cannibalisation of existing brands

Main Business

Skinwell is a marketing and distribution company of its own health and beauty brands through its own and franchised distribution footprint. Skinwell has at the date of publishing its annual report the following distribution footprint:

Own branded outlet	Franchised	Company owned
Placécol Beauty Centre	48	11
Dream Nails & Body	29	5
World of Beauty	3	
	80	**16**

Skinwell also distributes its Placécol skincare range through Edgars outlets and selected pharmacies. Skinwell has an exclusive agency to distribute Nail Systems International, nail enhancements to its own distribution and independent outlets.

Placécol Beauty Centre

The Placécol skin care brand is more than 13 years' old. Placécol offers a full complement of home skin care products for all skin types as well as salon therapies using the latest state-of-the-art technologies being adopted within the outlets nationwide. The Placécol skin care range has been developed in South Africa and consists of five ranges each containing several skin care products featuring a combination of ground breaking ingredients to cater for skin specific concerns. Typically, a Placécol Beauty Centre would be manned by three or four assistants and would provide the following services:

- Placécol soft laser treatments.
- Placécol wide range of facial treatments.
- Body massages, manicures, tints and waxes.

The beauty therapists are trained to retail Placécol specialised branded products in conjunction with treatments.

At the Franchise Association of South Africa 2009 Awards, the Placécol brand received the following two awards:

- Newcomer Franchisor of the Year.
- Most Promising Female Franchisee of the Year.

Dream Nails & Body salon

This 25-year old brand offers the best in nail enhancements and beauty treatments with retail products through its nationwide salon network.

World of Beauty salon

In a historic event for the Skinwell group, its new concept store which is a combination beauty outlet of a Placécol Beauty Centre and Dream Nails & Body, that also incorporates hair was launched on 19 May 2010 at the Clearwater Mall in Johannesburg. This concept store has been tested by the group for over a year at Placécol Zambezi and has proved to be a very profitable business model. The World of Beauty concept store offers the best in skin care, nail care and hair care in both services and retail offerings to its customers. Since then the group converted its Placécol Beauty Centre in Menlyn and its Dream Nails & Body salon at Princess Crossing into World of Beauty salons.

Turnover Generation

The group mainly generates its revenue from the retail of its own branded products, royalties and to a lesser extent from the roll out of new outlets. Turnover is driven by marketing efforts in the health and beauty category. Due to the fact that the group competes with large multi-nationals it is important for the group to remain innovative with its service and product offerings in its own branded outlets in order to remain competitive.

History

The 2010 year continued to be very challenging, but dynamic, and was marked by on-going restructuring, the completion of a claw-back rights offer for R6.9 million in November 2009 and the disposal of loss making entities such as the manufacturing subsidiary and the training division, as part of the overall turnaround strategy of the company.

The 2010 year was marked by major restructuring which included the cancellation of shares issued to the founders and executive management team. The resignation of the founders and executives of the company in September 2009 and a further restructuring of senior management was required subsequent to the financial year-end (May 2010). Both these events posed further challenges for the overall turnaround strategy of the company.

The closure of more company-owned stores, in underperforming retail centres, that were opened prior to the down-turn in the economy, were inevitable, but part of the turnaround strategy of the company. Certain stores were also defranchised due to non-compliance with franchise agreements. One of the group's ongoing challenges is to find and retain qualified beauty therapists in its own national footprint, which consists of 96 beauty outlets nationwide.

Year to Date Achievements

A new Point of Sale ("POS") system has been rolled out to the majority of the group's outlets to monitor beauty salons gross profits and the success of promotional activity. It is anticipated that the system will be in all the outlets by December 2010. A new gift card system, which is fully integrated with the POS was also implemented on 1 July 2010.

The services of Theresa Niemand (Placécol National Sales Executive) with relevant industry experience who resigned from the company more than a year ago were redeployed, which should have long-term benefits for the organisation. The Logistics Manager, Abri Piekaar who worked for the group for more than 10 years, was also re-employed.

The training team was strengthened and trained approximately 200 therapists in June 2010 prior to the launch of a new treatment (Placécol Active Resurfacing Peel) in the Placécol salons, which resulted in approximately 1 488 of these new treatments being performed in July 2010.

Prospects

On 1 September 2010 the group will launch the new Wayslim brand to its distribution footprint and selected pharmacies which is endorsed by international fashion designer Eric Way who has dressed celebrities for more than 15 years. After losing 75 kilograms in seven months and maintaining his ideal weight now for two years, Eric Way has decided to share his slimming secrets with the world so that others might enjoy the rewards of achieving a healthy weight.

Board of Directors

Executive Director

Esna Colyn *(Chief Executive Officer)* BCom (Hons), (CA)SA, BCom (Hons), Investment Management

Esna has 17 years' experience in investment banking, private equity and corporate finance. She commenced her career at Hoek & Wiehahn, which later became PricewaterhouseCoopers and later became a member of the PWC Corporate Finance Division. She was then invited to join ABN Amro Bank in the Financial Control Department to assist with the establishment of the foreign bank in South Africa. After that she joined Investec Bank Limited for three years in its private equity division and thereafter gained experience as a shareholder and director in a manufacturing concern before she joined Exchange Sponsors (Pty) Ltd more than five years ago. Esna possesses strong execution and deal-making capabilities and was instrumental in various listings and corporate actions.

Financial Director

In order to address the current vacancy, Skinwell employed a financial manager with effect from May 2010. The financial manager has been retained on a contract basis during which her suitability for the Financial Director position will be thoroughly assessed, she will receive further mentorship to prepare her for the role and she will be given time to develop a more detailed understanding of the company and its business. Until such time as the board is ready to make the Financial Director appointment, Esna Colyn in her capacity as Chief Executive Officer will take full responsibility for the functions that would ordinarily be performed by the Financial Director.

Non-executive Directors

Theo Schoeman *(Chairman)* BCom (Computer Science), BCom (Hons), (CA)SA

Theo served his articles with Coopers & Lybrand. He has a corporate finance background and his wide business experience encompasses, *inter alia,* industry consolidation and the set-up of new businesses, involvement with new listings as well as international experience. He received the "Centurion Businessman of the Year" award in 2005. He is currently the Chief Executive Officer of the Centurion Academy.

Mitesh Patel *(Independent) (Chairman of Audit Committee)* BCom (Hons), (CA)SA

Mitesh is a Chartered Accountant (SA) and has extensive experience in the South African auditing environment. Mitesh completed his articles with Deloitte & Touche. In 2007 he was approached by Ernst & Young Inc. where he accepted a partner position. He then joined Nkonki Inc. in 2008 as a partner/director. He is also Chairperson of various Audit Committees and acts as an independent non-executive director on a number of boards. Mitesh has a passion for education and social upliftment and started a bursary fund aimed at disadvantaged students keen on pursuing a career in Chartered Accounting.

Gys van Nieuwenhuizen *(Independent)* (*Chemical Engineer)*

Gys is a Chemical Engineer and has vast experience in new product development, manufacturing and the set-up of new businesses locally, in the US and European markets. He has held the position of managing director to a number of companies. Gys has also been appointed to the group's Product Innovation Committee.

Wessel van der Merwe B Com (Hons), (CA)SA

Wessel has accumulated 16 years' experience in investment banking and corporate finance. He completed his articles with Arthur Andersen before spending three years in investment banking at Gensec Bank. Wessel then founded a corporate finance business and later co-founded a JSE-sponsor business, which was responsible for the most listings on the JSE's Alt^{X} to date. Wessel is experienced in all aspects of corporate finance, but his specific skills lie in deal negotiation and structuring as well as capital raising. He has an extensive network of clients and introduced BEE shareholders into most of the listings undertaken by his business. He currently serves as a member of the JSE's Alt^{X} Advisory Committee.

Report of the Chairman and the Chief Executive Officer

Introduction

During very challenging trading conditions the group was more resilient because it owned its own brands. The year continued to be very challenging, but dynamic, and was marked by on-going restructuring, the completion of a claw-back rights offer for R6.9 million in November 2009 and the disposal of loss-making entities such as the manufacturing subsidiary and the training division, as part of the overall turnaround strategy of the company.

The closure of more company-owned stores, in underperforming retail centres, that were opened prior to the down-turn in the economy, were inevitable, but part of the turnaround strategy of the company. Certain stores were also defranchised due to non-compliance with franchise agreements. One of the group's ongoing challenges is to find and retain qualified beauty therapists in its national footprint.

Skinwell continues to distinguish itself as one of the leading salon groups in South African through its Placécol Beauty Centres, Dream Nails & Body salons and the latest attribution, World of Beauty branded salons, through a national footprint of 96 salons. The main objective is to ensure that we have a healthy network of beauty salons and the viability and sustainability of existing salons will continuously be under scrutiny.

Dream Nails & Body salons being the best in the industry in nail enhancements have made this service offering now also available in Placécol Beauty Centres to enhance the retail trading density in each outlet. It remains a challenge to train the group's beauty therapist and nail technicians to ensure a very high standard of services to our customers that visit our salons and to ensure standardisation across the nationwide footprint.

We are excited about our strategic alliance that was formed to strengthen our research on product development and innovation, which lead to the successful roll out of the Placécol Active Resurfacing Peel in July 2010 to all the Placécol Beauty Centres. As the group is a marketing and sales organisation where brand perceptions are critical, focus will remain on marketing activities.

Financial Overview

Turnover reduced 39% to R70 million mainly as a result of a reduction in sales to independent outlets of 47% and royalties earned instead of gross revenue. Overall sales to independent and franchised outlets (which include corporate stores decreased 27% due to a down-turn in the economy and reduced marketing activity by the group during the year. The group's system-wide sales on retail sales and services rendered on behalf of the Placécol and Dream Nails & Body outlets (franchised and company-owned stores) grew by 14% to R106 million (R93 million: 2009) during difficult trading conditions.

Cost of sales include fair value adjustments for corporate stores recorded in the accounting records of the group to the amount of R8.1 million and operating expenses include the write-off and provision for bad debts to the amount of R8.6 million. Since the restructuring of the group commenced, monthly overhead costs were reduced by more than R2 million per month.

The 2010 year was marked by major restructuring which included the cancellation of shares issued to the founders and executive management team. The resignation of the founders and executives of the company in September 2009 and a further restructuring of senior management was required subsequent to the financial year-end (May 2010). Both these events posed further challenges for the overall turnaround strategy of the company.

Directorate

Various changes were made to the board during the 2010 year and the group still has to appoint a Financial Director in terms of the Alt^{X} JSE Listings Requirements.

Prospects

We expect the challenging market conditions to remain, however the group normally trades better during the summer months which are ahead. It is expected that a further three Placécol Dream Nails & Body salons will be converted into World of Beauty outlets, which also incorporate a hair element. With the implementation of our new Point of Sales system we will be in a position to monitor the success of promotions and continue to provide unique quality offerings in our salons.

Appreciation

To our shareholders a special word of appreciation for their support during the restructuring of the group. To all our colleagues on the board thank you for your expert guidance on the restructuring. We would like to also thank our staff for their extended efforts and our clients for their support during the period.

Theo Schoeman
Non-Executive Chairman

Esna Colyn
Chief Executive Officer

Corporate Governance Report

Introduction

The board of directors and management of Skinwell are firmly committed to sound corporate governance and endorse the principles of fairness, responsibility, accountability and transparency.

During the period under review, the King Report on Corporate Governance for South Africa, 2002 ("King "II") was in place and reporting on the company's governance performance below is made against the recommendations of King II. The King Report of Governance for South Africa, 2009 ("King III") became effective on 1 March 2010. The board is currently in the process of reviewing its governance practices and procedures in order to identify areas for improvement based on the recommendations of King III. Reporting on performance against King III will be done following the end of the current financial year.

Statement of Compliance

The board subscribes to the recommendations and principles as contained in the Code of Corporate Practices and Conduct forming part of King II and has complied with all material recommendations thereof unless otherwise reported below.

Board of Directors

The past year since the company's listing has seen a number of changes to the board of directors. Additional information on the changes to the board during the period under review is presented on page 18 of this annual report. After year-end, the following Directors resigned:

Mr J M Swart

Mr S F Grobbelaar

Mr L J Rudolph

At the date of issuing the annual report the board consisted of four non-executive directors, two of whom are independent, and one executive director. The Board appointed Ms E Colyn, CA(SA) as Chief Executive Officer of the group. There is a clear division of responsibilities on the board which forms part of the policy to ensure a balance of power.

The board, with the assistance of the Remuneration and Nominations Committee is responsible for the appointment of new directors and the appointment of new directors is agreed to by the board as a whole.

The board is chaired by a non-executive director, Mr T J Schoeman.

The board charter as adopted and underwritten by the board sets out the primary functions of the board as being to:

- retain full and effective control of the group;
- review and approve corporate strategy;
- approve and oversee major capital expenditure, acquisitions and disposals;
- review and approve annual budgets and business plans;
- monitor operational performance and management;
- determine the group's purpose and values;
- ensure that the group complies with sound codes of business behaviour;
- ensure that appropriate control systems are in place for the proper management of risk, financial control and compliance with all laws and regulations;
- appoint the Chief Executive Officer and ensure proper succession planning for executive management;
- regularly identify and monitor key risk areas and the management thereof; and
- to oversee the company's disclosure and communication process.

Quarterly board meetings have been included in the board's annual calendar. In addition to the above the board approved a specific governance work plan to ensure that all governance issues are considered and appropriately dealt with in an annual cycle.

Executive directors' service contracts may be terminated with one to three months' notice. The daily management of the group's affairs is the responsibility of the Chief Executive Officer. In addition to the annual work plan, an approvals framework is also in place, setting out the respective responsibilities and levels of authority of the board and executive management.

All directors have access to the advice and services of the company secretary. In appropriate circumstance they may seek independent professional advice about the affairs of the company and the exercise of their functions as directors at the company's expense. The director concerned would initially discuss and clear the matter with the chairman or the company secretary unless this would be inappropriate. The company secretary has vast experience in the company secretarial and governance field and is actively involved in assisting the board in its governance initiatives.

An orientation and induction programme for directors is in place. Directors have unrestricted access to company information and records. A policy dealing with conflicts of interests has been adopted and a register of directors' declarations of interest is retained.

Non-executive directors are expected to contribute an unfettered and independent view on matters considered by the board. All directors have the requisite knowledge and experience required to properly execute their duties, and all participate actively in board meetings.

The board's governance procedures and processes are continuously being reviewed and a number of specific policies have been adopted by the board, expanding on the content of the board charter in the following areas:

- communication on behalf of the company and the board; and
- trading in company shares.

The board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with the International Financial Reporting Standards and for ensuring the maintenance of adequate accounting records and effective systems of internal control. The annual financial statements are prepared from the accounting records based of the consistent use of appropriate accounting policies supported by reasonable and prudent judgements and estimates that fairly present the state of affairs.

Board Committees

The Board has appointed the committees below. Each committee has agreed terms of reference as approved by the board that addresses issues such as composition, duties, responsibilities and scope of authority.

Audit and Risk Committee

Following the changes to the composition of the board, the composition of the Audit and Risk Committee also needed to be reconsidered to not only align it with the recommendations of King II, but also with the requirements of the Corporate Laws Amendment Act of 2006. At the time of publishing the annual report, the composition of the Audit and Risk Committee was as follows:

Mr M M Patel *(Chairman)*

Mr G S J van Nieuwenhuizen

The board is satisfied that both these members meet the definition of non-executive directors, acting independently, as defined in the said Act.

Terms of reference for the Audit and Risk Committee was adopted during the previous financial year, the intention being to ensure compliance with both governance recommendations and statutory requirements. As indicated by the name of the committee, the duties of the committee were agreed in order to also provide assistance to the board in its responsibility for the risk management process. The terms of reference sets out the committee' responsibility in respect of the following areas:

- the external auditors, audit process and annual financial statements;
- internal audit;
- risk management; and
- organisational integrity and ethics.

The committee is responsible for facilitating the relationship with the external auditors and for monitoring the non-audit services provided by the external auditors. The external auditors have direct access to the chairman of the committee and attend all meetings of the committee. The chairman of the committee is expected to attend the annual general meeting in order to answer any questions that shareholders may have relevant to the committee's areas of responsibility.

The board is satisfied that the committee has been equipped to properly fulfil its duties going forward.

Remuneration and Nomination Committee

The board has also established a Remuneration and Nomination Committee. At the time of publishing the annual report, the composition of the Remuneration and Nomination Committee was as follows:

Mr M M Patel *(Chairman)*

Mr G S J van Nieuwenhuizen

The committee is primarily responsible for assisting the board in formulating remuneration and other employment policies and to structure appropriate remuneration packages for executive directors, based on industry standards and the best interests of all parties concerned. The committee also assists the board in the nomination of new board candidates and ensuring regular assessment of board performance.

Attendance at Board and Committee meetings during the year ended 28 February 2010

Attendance of Directors at the Board meetings during the financial year:					
Date of Meeting	**28/05/2009**	**25/08/2009**	**23/09/2009**	**7/12/2009**	**16/2/2010**
C W Moolman	√	√	√	N/A	N/a
T J Schoeman	√	√	√	√	√
C Nkosi	√	√	√	x	N/A
W J de Wet	√	√	√	N/A	N/A
S Morgan	√	N/A	N/A	N/A	N/A
L J Rudolph	N/A	√	√	√	√
M M Patel	N/A	N/A	N/A	√	√
S F Grobbelaar	N/A	N/A	N/A	√	√
J M Swart	N/A	N/A	N/A	√	√
G S J van Nieuwenhuizen	N/A	N/A	N/A	N/A	√
W P van der Merwe	N/A	N/A	N/A	N/A	N/A
E Colyn	N/A	N/A	N/A	N/A	N/A

Key *Present: "√"* *Absent: "x"* *Not Applicable: "N/A"*

Attendance of Directors at the Audit and Risk Committee meetings during the financial year:				
Date of Meeting:	**31/03/2009**	**28/05/2009**	**25/08/2009**	**11/02/2010**
C W Moolman	N/A	N/A	N/A	N/A
T J Schoeman	√	√	√	x
C Nkosi	A	x	√	N/A
W J de Wet	√	√	x	N/A
S Morgan	√	√	N/A	N/A
L J Rudolph	N/A	N/A	√	√
M M Patel	N/A	N/A	N/A	√

Key *Present: "√"* *Absent: "x"* *Not Applicable: "N/A"*

Attendance of Directors at the Remuneration and Nomination Committee meetings during the financial year:		
Date of Meeting:	**06/02/2009**	**11/02/2010**
C W Moolman	N/A	N/A
T J Schoeman	√	√
C Nkosi	√	N/A
W J de Wet	√	N/A
S Morgan	N/A	N/A
L J Rudolph	N/A	√
M M Patel	N/A	N/A
S F Grobbelaar	N/A	√
J M Swart	N/A	√

Key *Present: "√"* *Absent: "x"* *Not Applicable: "N/A"*

Company Secretary

iThemba Governance and Statutory Solutions (Pty) Limited, represented by Ms Annamarie van der Merwe, is the Company Secretary. Ms van der Merwe has more than 18 years' experience as Company Secretary and corporate lawyer in the listed environment. She is also a member of the King Committee and a member of the task team responsible for writing the chapter on Boards and Directors as contained in King III.

Closed Periods

The company complies with the JSE Limited Listings Requirements as far as closed periods are concerned and a specific policy is in the process of being approved to address the procedures in respect of the trading in company shares by directors of the listed entity and its major subsidiaries. Closed periods extend from 31 August and the last day of February, being the commencement of interim and year-end reporting dates up to the date of announcement of the results and include any other period during which the company is trading under cautionary announcement.

Risk Management

The board of directors accepts its responsibility for the total process of risk. For this purpose the Audit and Risk Committee has been specifically tasked to assist the board in fulfilling its duties and responsibilities in this regard. The company is in the process of strengthening its risk management process. The internal control environment has been improved by the introduction of formalised financial and accounting policies. The scope of monthly financial reviews of business units' results against budget and the prior year has been expanded.

A formal process of business risk assessments will be undertaken from time to time to highlight further control actions to be taken. The group's major risks have been identified as follows:

- high interest rates;
- retention and development of human capital;
- recessionary economic climate;
- financial and information systems not keeping pace with growth; and
- appropriate action plans are being implemented where possible and under control of the company to limit potential harm to the business in these areas.

Ethics

The company's Code of Ethics requires all directors and employees to act with honesty and integrity and to maintain the highest ethical standards. The code deals with compliance with laws and regulations, conflict of interest, relationships with customers and suppliers, remuneration of outside employment and confidentiality.

Stakeholder Communication

The board recognises its duty to present a balanced and understandable assessment of the company's position in reporting to stakeholders. Pro-active communication with stakeholders addresses material matters of significant interest to shareowners, other stakeholders and the financial and investment community. The quality of information is based on the guidelines of promptness, relevance, transparency and substance over form.

Investor road shows, presentations and formal announcements are all used to communicate with the market. Shareowners are also encouraged to attend the company's annual general meeting and to make use of such opportunity to engage with the directors on matters concerning the affairs of the group.

Annual Financial Statements

Independent Auditor's Report

To the members of Skinwell Holdings Limited

We have audited the group and company annual financial statements of Skinwell Holdings Limited, which comprise the statement of financial position as at 28 February 2010, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 17 to 73.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the group and company of Skinwell Holdings Limited as at 28 February 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

SAB&T

SAB&T Chartered Accountants Incorporated
Registered Auditors
Per: **Aneel Darmalingam**

Centurion
27 August 2010

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within pre-determined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on page 13.

The annual financial statements set out on pages 17 to 73, which have been prepared on the going concern basis, were approved by the board on 27 August 2010 and were signed on its behalf by:

Theo Schoeman
Non-Executive Chairman

Esna Colyn
Chief Executive Officer

Certification by Company Secretary

In terms of section 268 (G) of the Companies Act 61 of 1973 (Act), as amended, I certify that, to the best of my knowledge and belief, the company has, in respect of the financial year reported upon, lodged with the Registrar of Companies all returns required of a public company in terms of the Act and that all such returns are true.

Ms Annamarie van der Merwe
iThembe Governance and Statutory Solutions (Pty) Limited
Company Secretary
27 August 2010

Audit and Risk Committee Report

The Corporate Laws Amendment Act 24 of 2006 (CLAA), came into effect on 14 December 2007. In compliance with the CLAA, an Audit Committee was appointed by the board of directors. This committee comprises Mr Mitesh Patel *(Chairman)* and Mr Gys van Nieuwenhuizen.

During the financial year ended 28 February 2010, in addition to the duties set out in the Audit and Risk Committee's terms of reference, the Audit and Risk Committee carried out its functions as follows:

- nominated the appointment of SAB&T Chartered Accountants Inc. as the registered independent auditor after satisfying itself through enquiry that SAB&T Chartered Accountants Inc. is independent as defined in terms of the CLAA;
- determined the fees to be paid to SAB&T Chartered Accountants Inc. and their terms of engagement;
- ensured that the appointment of SAB&T Chartered Accountants Inc. complied with the CLAA and any other legislation relating to the appointment of auditors;
- approved a non-audit services policy which determines the nature and extent of any non-audit services which SAB&T Chartered Accountants Inc. may provide to the company. The fee for such services is limited to 20% of the annual audit fee, in terms of this policy.
- pre-approved any proposed contract with SAB&T Chartered Accountants Inc. for the provision of non audit services to the company; and
- satisfied itself with the appropriateness and expertise of the director responsible for finance.

Financial Director

In order to address the current vacancy, Skinwell employed a financial manager with effect from May 2010. The financial manager has been retained on a contract basis during which her suitability for the Financial Director position will be thoroughly assessed, she will receive further mentorship to prepare her for the role and she will be given time to develop a more detailed understanding of the company and its business. Until such time as the board is ready to make the Financial Director appointment, Esna Colyn in her capacity as Chief Executive Officer will take full responsibility for the functions that would ordinarily be performed by the Financial Director.

The Audit and Risk Committee recommended the annual financial statements for the year ended 28 February 2010 for approval to the board. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.

Mitesh Patel
Chairman

Midrand
27 August 2010

Directors' Report

The directors submit their report for the year ended 28 February 2010.

1. REVIEW OF ACTIVITIES

Main business and operations

The group is engaged in being a franchisor and retailer of skin care and nail enhancements of products and services and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net loss of the group was R25 804 880 (2009: R11 602 248 loss), after taxation of (R8 441 057) (2009: (R1 443 580)).

2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the group.

The year continued to be very challenging, but dynamic, and was marked by on-going restructuring, the completion of a clawback rights offer for R6.9 million in November 2009 and the disposal of loss making entities such as the manufacturing subsidiary and the training division, as part of the overall turnaround strategy of the group.

The directors assess the overhead cost structure on an ongoing basis to ensure that the business operate within it sustainable means.

3. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter or circumstance arising since the end of the financial year.

4. DIRECTORS' INTEREST IN CONTRACTS

Other than the interests disclosed in paragraph 5 below, and related party note 30 of the annual financial statements, no directors have any other interest in any transactions of significance with the company or any of its subsidiaries.

There are procedures in place to disclose any potential conflict of interest and any threats in contracts.

Directors' Report

5. DIRECTORS' AND ASSOCIATES' SHAREHOLDING INTERESTS

	Direct	Indirect	Total	Percentage holding
Director				
W P van der Merwe		61 487 655	61 487 655	26.04
C W Moolman*	12 642 581		12 642 581	5.35
W J de Wet*	6 648 464		6 648 464	2.82
S F Grobbelaar*	2 000 000		2 000 000	0.85
L J Rudolph*	2 000 000		2 000 000	0.85
T J Schoeman	70 000		70 000	0.03
E Colyn	20 348 941		20 348 941	8.62

* Resigned

6. AUTHORISED AND ISSUED SHARE CAPITAL

The following change in the issued share capital of the company was made during the year under review:

- repurchased 11 893 332 shares of R0.0001 each for an aggregate price of R1.00 with effect from 17 June 2009;
- repurchased 2 400 000 shares of R0.0001 each for an aggregate price of R1.00 with effect from 17 June 2009;
- repurchased 19 806 322 shares of R0.0001 each for an aggregate price of R1.00 with effect from 23 July 2009;
- issued 137 767 451 shares of R0.0001 each at an issue price of R0.05 with effect from 2 November 2009.

7. BORROWING LIMITATIONS

In terms of the Articles of Association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

8. NON-CURRENT ASSETS

During the year under review the group acquired property, plant and equipment as set out in note 3 of the Annual Financial Statements.

9. DIVIDENDS

No dividends were declared or paid to shareholders during the year.

Directors' Report

10. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Name	Changes
Mr T J Schoeman *(Non-executive Chairman)*	
Mr L J Rudolph	Appointed 20 July 2009, resigned 30 April 2010
Mr S F Grobbelaar	Appointed 29 September 2009, Resigned 11 May 2010
Mr M M Patel *(Independent Non-executive Director)*	Appointed 29 September 2009
Mr J M Swart	Appointed 29 September 2009, Resigned 11 May 2010
Ms C Nkosi	Appointed 25 August 2009, Resigned 9 February 2010
Mr C W Moolman	Resigned 29 September 2009
Mr W J de Wet	Resigned 29 September 2009
Mr G S J van Nieuwenhuizen *(Independent Non-executive Director)*	Appointed 10 February 2010
Mr W P van der Merwe *(Non-executive Director)*	Appointed 8 March 2010
Ms E Colyn *(Chief Executive Officer)*	Appointed 11 May 2010

11. SECRETARY

The secretary of the company is iThemba Governance and Statutory Solutions (Pty) Ltd of:

Business address	Monument Office Park Block 5, Suite 102 79 Steenbock Avenue 0181
Postal address	PO Box 4896 Rietvalleirand 0174

12. INTEREST IN SUBSIDIARIES

Name of subsidiary	Share capital R	Interest 2010 %	Interest 2009 %	Net income/ (loss) after tax R
Direct				
Placécol Cosmetics (Pty) Ltd	1 002 000	100	100	(1 346 474)
Nomic 136 (Pty) Ltd	120	100	100	(3 262 091)
CW Pharmaceuticals (Pty) Ltd	–	–	100	(471 530)
Indirect				
Placécol Skin Care Clinic (Pty) Ltd	100	100	100	(8 708 392)
Placécol Beauty Centre Franchise (Pty) Ltd	120	100	100	(3 127 335)
Placécol Finance and Properties (Pty) Ltd	100	100	100	(205 949)
Salonquip (Pty) Ltd	950	100	100	154 749

Details of the company's investment in subsidiaries are set out in note 6.

Directors' Report

13. SPECIAL RESOLUTIONS

The following special resolutions were registered by the company on 10 July 2009 and 7 October 2009, respectively:

– the repurchase and cancellation of 19 806 322 Skinwell ordinary shares for an aggregate purchase consideration of R1.00 from the relevant shareholders/directors;

– general authority to repurchase the company's shares.

Other than the above, no special resolutions were passed by the company's subsidiaries since the date of the previous directors' report.

14. AUDITORS

SAB&T Chartered Accountants Incorporated were the auditors of the group for the year under review.

15. FINANCIAL STATEMENTS

The consolidated annual results and financial position are contained in the consolidated annual financial statements on pages 21 to 73 of the annual report.

The audited statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), the Listings Requirements of the JSE Limited (JSE) and the Companies Act, 61 of 1973, as amended, remain consistent with those applied in the prior year.

Statement of Financial Position

Rand	Notes	Group 2010	Group 2009	Company 2010	Company 2009
ASSETS					
Non-current assets					
Property, plant and equipment	3	5 109 472	8 632 299	8 093	4 155
Goodwill	4	6 808 807	10 063 732	–	–
Intangible assets	5	79 285	127 665	–	–
Investments in subsidiaries	6	–	–	14 852 665	14 852 665
Loans to group companies	7	–	–	41 805 299	26 156 148
Other financial assets	9	3 223 322	4 306 853	–	–
Deferred tax	10	11 105 555	3 855 657	2 675 320	274 395
		26 326 441	**26 986 206**	**59 341 377**	**41 287 363**
Current assets					
Inventories	11	10 051 023	21 555 696	–	–
Other financial assets	9	9 193 715	13 661 897	312 206	1 254 145
Current tax receivable		164 655	–	–	–
Trade and other receivables	12	11 267 714	16 697 356	–	2 535 503
Cash and cash equivalents	13	120 949	2 028 398	40 260	44 969
		30 798 056	53 943 347	352 466	3 834 617
Total assets		**57 124 497**	**80 929 553**	**59 693 843**	**45 121 980**
EQUITY AND LIABILITIES					
Equity					
Share capital	14	49 830 461	44 083 783	49 830 461	44 083 783
Accumulated loss		(29 838 815)	(4 033 935)	(14 596 587)	(7 506 013)
		19 991 646	**40 049 848**	**35 233 874**	**36 577 770**
Liabilities					
Non-current liabilities					
Loans from group companies	7	–	–	16 707 015	5 124 496
Other financial liabilities	15	5 442 022	5 923 181	850 000	763 391
Finance lease obligation	16	128 755	306 211	–	–
Operating lease liability		181 307	231 458	–	–
Deferred tax	10	2 980	2 980	–	–
		5 755 064	**6 463 830**	**17 557 015**	**5 887 887**
Current liabilities					
Loans from shareholders	8	164 493	–	164 493	–
Other financial liabilities	15	9 343 643	8 325 906	1 644 675	1 280 863
Current tax payable		860 299	2 684 620	3 095	294 350
Finance lease obligation	16	311 870	337 008	–	–
Trade and other payables	17	15 708 077	18 112 451	2 490 787	1 081 110
Deferred income		–	1 642 402	–	–
Bank overdraft	13	4 989 405	3 313 488	2 599 904	–
		31 377 787	34 415 875	6 902 954	2 656 323
Total liabilities		**37 132 851**	**40 879 705**	**24 459 969**	**8 544 210**
Total equity and liabilities		**57 124 497**	**80 929 553**	**59 693 843**	**45 121 980**

Statement of Comprehensive Income

Rand	Notes	Group 2010	Group 2009	Company 2010	Company 2009
Revenue	18	69 894 181	113 760 874	–	2 847 997
Cost of sales	19	(34 351 493)	(39 440 344)	–	–
Gross profit		**35 542 688**	**74 320 530**	**–**	**2 847 997**
Other income		5 311 634	932 517	1 158 196	3 484 493
Operating expenses		(70 480 113)	(78 881 573)	(10 204 899)	(14 329 579)
Impairment of goodwill	4	(2 438 906)	(6 982 336)	–	–
Operating loss	20	**(32 064 697)**	**(10 610 862)**	**(9 046 703)**	**(7 997 089)**
Investment revenue	21	1 521 170	984 644	44 691	274 562
Finance costs	22	(3 702 410)	(3 419 610)	(489 487)	(292 853)
Loss before taxation		**(34 245 937)**	**(13 045 828)**	**(9 491 499)**	**(8 015 380)**
Taxation	23	8 441 057	1 443 580	2 400 925	274 395
Loss for the year		(25 804 880)	(11 602 248)	(7 090 574)	(7 740 985)
Other comprehensive income		–	–	–	–
Total comprehensive loss		**(25 804 880)**	**(11 602 248)**	**(7 090 574)**	**(7 740 985)**
Total comprehensive loss attributable to:					
Owners of the parent		(25 804 880)	(11 602 248)	(7 090 574)	(7 740 985)
Non-controlling interest		–	–	–	–
		(25 804 880)	**(11 602 248)**	**(7 090 574)**	**(7 740 985)**
Loss per share (cents)	34	(16.6)	(8.8)		
Headline loss per share (cents)	34	(13.7)	(3.9)		

Statement of Changes in Net Assets

Rand	Share capital	Share premium	Total share capital	Accumulated loss	Total equity
Group					
Balance at 1 March 2008	**13 010**	**44 070 773**	**44 083 783**	**7 568 313**	**51 652 096**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(11 602 248)	(11 602 248)
Total changes	**–**	**–**	**–**	**(11 602 248)**	**(11 602 248)**
Balance at 1 March 2009	**13 010**	**44 070 773**	**44 083 783**	**(4 033 935)**	**40 049 848**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(25 804 880)	(25 804 880)
Issue of shares	10 607	6 874 596	6 885 203	–	6 885 203
Share issue costs	–	(1 138 525)	(1 138 525)	–	(1 138 525)
Total changes	**10 607**	**5 736 071**	**5 746 678**	**(25 804 880)**	**(20 058 202)**
Balance at 28 February 2010	**23 617**	**49 806 844**	**49 830 461**	**(29 838 815)**	**19 991 646**
Note	14	14	14		

Rand	Share capital	Share premium	Total share capital	Accumulated loss	Total equity
Company					
Balance at 1 March 2008	**13 010**	**44 070 773**	**44 083 783**	**234 972**	**44 318 755**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(7 740 985)	(7 740 985)
Total changes	**–**	**–**	**–**	**(7 740 985)**	**(7 740 985)**
Balance at 1 March 2009	**13 010**	**44 070 773**	**44 083 783**	**(7 506 013)**	**36 577 770**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(7 090 574)	(7 090 574)
Issue of shares	10 607	6 874 596	6 885 203	–	6 885 203
Share issue costs	–	(1 138 525)	(1 138 525)	–	(1 138 525)
Total changes	**10 607**	**5 736 071**	**5 746 678**	**(7 090 574)**	**(1 343 896)**
Balance at 28 February 2010	**23 617**	**49 806 844**	**49 830 461**	**(14 596 587)**	**35 233 874**
Note	14	14	14		

Statement of Cash Flows

		Group		Company	
Rand	**Notes**	**2010**	**2009**	**2010**	**2009**
Cash flows from operating activities:					
Cash used in/generated from operations	25	(15 428 410)	4 353 226	(5 616 729)	(2 815 955)
Interest income		1 521 170	984 644	44 691	274 562
Finance costs		(3 702 410)	(3 419 610)	(489 487)	(292 853)
Tax paid	26	(724 129)	(1 899 134)	(291 255)	–
Net cash from operating activities		**(18 333 779)**	**19 126**	**(6 352 780)**	**(2 834 246)**
Cash flows from investing activities:					
Purchase of property, plant and equipment	3	(1 269 097)	(2 947 511)	(6 129)	(5 499)
Proceeds from disposal of property, plant and equipment	3	906 051	249 932	–	–
Purchase of intangible assets	5	(18 750)	–	–	–
Sale of businesses	27	982 067	–	517 396	–
Loans advanced to group companies		–	–	(15 649 151)	(13 529 097)
Proceeds from loans from group companies		–	–	11 582 519	8 464 618
Loans advanced		–	(12 344 807)	–	–
Decrease/(Increase) in financial assets		4 907 769	–	941 939	(1 254 145)
Proceeds on disposal of business units		–	2 298 971	–	–
Net cash from investing activities		**5 508 040**	**(12 743 415)**	**(2 613 426)**	**(6 324 123)**
Cash flows from financing activities:					
Proceeds on share issue	14	5 746 678	–	5 746 678	–
Net movement on other financial liabilities		3 533 796	702 055	450 421	44 254
Proceeds from shareholders' loan		164 493	–	164 493	–
Finance lease payments		(202 594)	(194 584)	–	–
Net cash from financing activities		**9 242 373**	**507 471**	**6 361 592**	**44 254**
Total cash movement for the year		**(3 583 366)**	**(12 216 818)**	**(2 604 614)**	**(9 114 115)**
Cash at beginning of the year		(1 285 090)	10 931 728	44 969	9 159 084
Total cash at end of the year	13	**(4 868 456)**	**(1 285 090)**	**(2 559 645)**	**44 969**

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests, are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary, both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.1 Consolidation *(continued)*

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business: Combinations, are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5: Non-current Assets Held-For-Sale, and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.2 Significant judgements and sources of estimation uncertainty *(continued)*

Trade receivables

The group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow-moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company;
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.3 Property, plant and equipment *(continued)*

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	60 years
Plant and machinery	5 years
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	6 years
IT equipment	3 years
Computer software	3 years
Leasehold improvements	10 years
Laser equipment	5 years
Promotional equipment	4 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.4 Intangible assets *(continued)*

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Re-assessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally-generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

1.5 Investments in subsidiaries

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.6 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables.
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss. Regular way purchases of financial assets are accounted for at trade date.

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.6 Financial instruments *(continued)*

Loans to/(from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination;
- at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future;
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.7 Tax *(continued)*

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income;
- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1. **PRESENTATION OF ANNUAL FINANCIAL STATEMENTS** *(continued)*

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value.

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.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily inter-changeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period;
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.10 Impairment of assets *(continued)*

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets, other than goodwill, may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill, attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation, other than goodwill, is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.11 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.13 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.13 Provisions and contingencies *(continued)*

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.14 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.14 Revenue *(continued)*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *(continued)*

1.17 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 1 January 2009.

The group has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

IAS 23 (Revised) – Borrowing Costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 1 January 2009.

The group has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS *(continued)*

2.1 Standards and interpretations effective and adopted in the current year *(continued)*

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG 13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) – Presentation of Financial Statements, which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 – (AC 133) Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors

The amendment clarified that Implementation Guidance related to any Standard is only mandatory when it is identified as an integral part of the Standard.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2. NEW STANDARDS AND INTERPRETATIONS *(continued)*

2.1 Standards and interpretations effective and adopted in the current year *(continued)*

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment

The term 'net selling price' has been replaced with 'fair value less cost to sell' in the definition of recoverable amount. The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 18 – Revenue

With regards to financial service fees, the term 'direct costs' have been replaced with 'transaction costs' as defined in IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement. This was in order to remove the inconsistency for costs incurred in originating financial assets and liabilities that should be deferred and recognised as an adjustment to the underlying effective interest rate.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 – Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- when a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation;
- a curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2. NEW STANDARDS AND INTERPRETATIONS *(continued)*

2.1 Standards and interpretations effective and adopted in the current year *(continued)*

May 2008 Annual Improvements to IFRS's: Amendments to IAS 23 – Borrowing Costs (as revised in 2007)

The description of specific components of borrowing costs has been replaced with a reference to the guidance in IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement, on effective interest rate.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 – Financial Instruments: Disclosures; IAS 32 – Financial Instruments: Presentation; IAS 28 Investments in Associates and IAS 31 – Interests in Joint Ventures

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through profit or loss or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) – Investments in Associates and IAS 31 (AC 119) – Interests in Joint Ventures, are required together with the disclosures of IFRS 7 (AC 144) – Financial Instruments: Disclosures; IAS 32 (AC 125) – Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 38 – Intangible Assets

The amendments clarify the circumstances in which an entity can recognise a prepayment asset for advertising or promotional expenditure. Recognition of an asset would be permitted up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.

In addition, wording perceived as prohibiting the use of the unit of production method if it results in a lower amount of accumulated amortisation than under the straight line method has been removed. Entities may use the unit of production method when the resulting amortisation charge reflects the expected pattern of consumption of the expected future economic benefits embodied in an intangible asset.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS *(continued)*

2.2 Standards and Interpretations early adopted

The group has not chosen to early adopt any standards and interpretations not yet effective.

2.3 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2010 or later periods:

IFRS 3 (Revised) – Business Combinations

The revisions to IFRS 3 (AC 140) – Business Combinations, require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 1 July 2009.

The group expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

IAS 27 (Amended) – Consolidated and Separate Financial Statements

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance.
- Changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill.
- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS *(continued)*

2.3 Standards and interpretations not yet effective *(continued)*

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

IAS 7 – Statement of Cash Flows: Consequential Amendments due to IAS 27 (Amended) – Consolidated and Separate Financial Statements

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing transactions.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

IAS 28 Investments in Associates: Consequential amendments due to IAS 27 (Amended) – Consolidated and Separate Financial Statements

When an investment in an associate is reduced but significant influence is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

IAS 12 Income Taxes – Consequential amendments due to IAS 27 (Amended) – Consolidated and Separate Financial Statements

The amendment is as a result of amendments to IAS 27 (AC 132) – Consolidate and Separate Financial Statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2. NEW STANDARDS AND INTERPRETATIONS *(continued)*

2.3 Standards and interpretations not yet effective *(continued)*

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

IAS 39 Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- inflation in a financial hedged item; and
- a one-sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2009 Annual Improvements Project: Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

The amendment specifies that disclosures of other Standards do not apply to non-current assets (or disposal groups) held for sale or discontinued operations, unless specifically required by other Standards or for measurement disclosures of assets and liabilities in a disposal group which are outside the measurement requirements of IFRS 5 (AC 142) – Non-current Assets Held for Sale and Discontinued Operations.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2009 Annual Improvements Project: Amendments to IFRS 8 – Operating Segments

Entities are only required to report segment assets if they are regularly reported to the chief operating decision-maker. The effective date of the amendment is for years beginning on or after 1 January 2010.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2. NEW STANDARDS AND INTERPRETATIONS *(continued)*

2.3 Standards and interpretations not yet effective *(continued)*

2009 Annual Improvements Project: Amendments to IAS 1 – Presentation of Financial Statements

The amendment clarifies that a liability which could, at the option of the counterparty, result in its settlement by the issue equity instruments, does not affect its classification as current or non-current.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2009 Annual Improvements Project: Amendments to IAS 7 – Statement of Cash Flows

The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2009 Annual Improvements Project: Amendments to IAS 17 – Leases

The amendment removes the guidance that leases of land, where title does not transfer, are operating leases. The amendment therefore requires that lease classification for land be assessed in the same manner as for all leases. The amendment is to be applied retrospectively, unless the information is not available. In these cases, existing leases shall be reconsidered based on facts and circumstances existing at the date of adoption of the amendment. The lease asset and lease liability shall, in these cases be recognised at their fair values on that date, with any difference in those fair values recognised in retained earnings.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2009 Annual Improvements Project: Amendments to IAS 18 – Revenue

The amendment provides additional guidance in the determination of whether an entity is acting as an agent or principal in a revenue transaction.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2. NEW STANDARDS AND INTERPRETATIONS *(continued)*

2.3 Standards and interpretations not yet effective *(continued)*

2009 Annual Improvements Project: Amendments to IAS 36 – Impairment of Assets

The amendment now requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 (AC 145) – Operating Segments. Thus the determination is now required to be made before operating segments are aggregated.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2009 Annual Improvements Project: Amendments to IAS 38 – Intangible Assets

The amendment provides guidance on the measurement of intangible assets acquired in a business combination.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2009 Annual Improvements Project: Amendments to IAS 39 – Financial Instruments: Recognition and Measurement

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

2009 Annual Improvements Project: Amendments to IFRIC 9 – Re-assessment of Embedded Derivatives

The amendment excludes form the scope of the Interpretation all embedded derivatives acquired in a business combination, in the combination of entities under common control or the formation of joint ventures.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

Notes to the Annual Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT

Group	2010			2009		
Rand	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Buildings	1 450 000	(78 543)	1 371 457	1 450 000	(54 376)	1 395 624
Plant and machinery	333 888	(35 804)	298 084	1 002 183	(336 878)	665 305
Furniture and fixtures	917 193	(420 850)	496 343	1 640 014	(810 191)	829 823
Motor vehicles	1 991 021	(880 583)	1 110 438	2 347 865	(831 743)	1 516 122
Office equipment	820 495	(203 890)	616 605	1 450 845	(718 539)	732 306
IT equipment	1 421 282	(847 026)	574 256	2 134 166	(1 040 484)	1 093 682
Computer software	10 307	(3 499)	6 808	7 500	(1 000)	6 500
Leasehold improvements	74 296	(30 598)	43 698	780 644	(142 685)	637 959
Laser equipment	2 149 476	(1 558 021)	591 455	4 681 878	(2 933 448)	1 748 430
Promotional equipment	23 104	(22 776)	328	107 801	(101 253)	6 548
Total	**9 191 062**	**(4 081 590)**	**5 109 472**	**15 602 896**	**(6 970 597)**	**8 632 299**

Company	2010			2009		
Rand	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Office equipment	6 129	(724)	5 405	–	–	–
IT equipment	5 499	(2 811)	2 688	5 499	(1 344)	4 155
Total	**11 628**	**(3 535)**	**8 093**	**5 499**	**(1 344)**	**4 155**

Reconciliation of property, plant and equipment – Group – 2010

Rand	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	1 395 624	–	–	(24 167)	1 371 457
Plant and machinery	665 305	373 382	(565 996)	(174 607)	298 084
Furniture and fixtures	829 823	129 985	(274 647)	(188 818)	496 343
Motor vehicles	1 516 122	21 691	(165 147)	(262 228)	1 110 438
Office equipment	732 306	350 207	(338 065)	(127 843)	616 605
IT equipment	1 093 682	215 757	(468 030)	(267 153)	574 256
Computer software	6 500	2 807	–	(2 499)	6 808
Leasehold improvements	637 959	37 631	(536 625)	(95 267)	43 698
Laser equipment	1 748 430	137 067	(1 180 352)	(113 690)	591 455
Promotional equipment	6 548	570	(6 195)	(595)	328
	8 632 299	**1 269 097**	**(3 535 057)**	**(1 256 867)**	**5 109 472**

Notes to the Annual Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Reconciliation of property, plant and equipment – Group – 2009

Rand	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	1 419 791	–	–	–	(24 167)	1 395 624
Plant and machinery	694 700	369 915	–	(265 502)	(133 808)	665 305
Furniture and fixtures	293 299	347 574	(38 472)	387 420	(159 998)	829 823
Motor vehicles	2 197 737	246 005	(531 465)	–	(396 155)	1 516 122
Office equipment	523 259	342 536	(2 280)	20 139	(151 348)	732 306
IT equipment	630 358	762 642	(27 598)	159 839	(431 559)	1 093 682
Computer software	–	7 500	–	–	(1 000)	6 500
Leasehold improvements	130 409	505 991	–	52 556	(50 997)	637 959
Laser equipment	2 231 055	359 313	(79 056)	(450 009)	(312 873)	1 748 430
Promotional equipment	2 308	6 035	–	30 636	(32 431)	6 548
	8 122 916	**2 947 511**	**(678 871)**	**(64 921)**	**(1 694 336)**	**8 632 299**

Reconciliation of property, plant and equipment – Company – 2010

Rand	Opening balance	Additions	Depreciation	Total
Office equipment	–	6 129	(724)	5 405
IT equipment	4 155	–	(1 467)	2 688
	4 155	**6 129**	**(2 191)**	**8 093**

Reconciliation of property, plant and equipment – Company – 2009

Rand	Opening balance	Additions	Depreciation	Total
IT equipment	–	5 499	(1 344)	4 155

	Group		Company	
Rand	**2010**	**2009**	**2010**	**2009**
Assets subject to finance leases and instalment sale agreements				
Property, plant and equipment	1 419 117	2 817 568	–	–

A register containing the information required by paragraph 22(3) of Schedule 4 to the Companies Act is available for inspection at the registered office of the company.

Notes to the Annual Financial Statements

4. GOODWILL

Group	2010			2009		
Rand	**Cost/ Valuation**	**Accumulated impairment**	**Carrying value**	**Cost/ Valuation**	**Accumulated impairment**	**Carrying value**
Goodwill	16 230 050	(9 421 243)	6 808 807	17 046 068	(6 982 336)	10 063 732

Reconciliation of goodwill – Group – 2010

Rand	Opening balance	Disposals through business divestment	Impairment loss	Total
Goodwill	10 063 732	(816 018)	(2 438 907)	6 808 807

Reconciliation of goodwill – Group – 2009

Rand	Opening balance	Impairment loss	Total
Goodwill	17 046 068	(6 982 336)	10 063 732

Based on the assumptions detailed below, goodwill was tested for impairment.

Key assumptions used in value-in-use calculations include budgeted margins and budgeted franchise revenue streams. Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which these units operate.

Based on the above assumptions, management's calculations of recoverable amounts were greater than the carrying amounts.

5. INTANGIBLE ASSETS

Group	2010			2009		
Rand	**Cost/ Valuation**	**Accumulated amortisation**	**Carrying value**	**Cost/ Valuation**	**Accumulated amortisation**	**Carrying value**
Development costs	146 415	(67 130)	79 285	241 891	(114 226)	127 665

Reconciliation of intangible assets – Group – 2010

Rand	Opening balance	Additions	Depreciation	Total
Development costs	127 665	18 750	(67 130)	79 285

Reconciliation of intangible assets – Group – 2009

Rand	Opening balance	Amortisation	Total
Development costs	241 891	(114 226)	127 665

Notes to the Annual Financial Statements

6. INVESTMENTS IN SUBSIDIARIES

Name of company	Percentage holding 2010	Percentage holding 2009	Carrying amount 2010 R	Carrying amount 2009 R
Placécol Cosmetics (Pty) Ltd	100.00	100.00	9 446 240	9 446 240
Nomic 136 (Pty) Ltd	100.00	100.00	5 406 425	5 406 323
CW Pharmaceuticals (Pty) Ltd	–	100.00	–	102
			14 852 665	**14 852 665**

The carrying amounts of subsidiaries are shown net of impairment losses.

	Group		Company	
Rand	**2010**	**2009**	**2010**	**2009**
7. LOANS TO/(FROM) GROUP COMPANIES				
Subsidiaries				
Placécol Skin Care Clinic (Pty) Ltd	–	–	(4 251 660)	(3 162 468)
Placécol Cosmetics (Pty) Ltd	–	–	37 740 840	(1 910 517)
Placécol Beauty Centre Franchise (Pty) Ltd	–	–	(11 849 278)	15 269 694
Nomic 136 (Pty) Ltd	–	–	660 253	7 277 894
CW Pharmaceuticals (Pty) Ltd	–	–	–	1 285 194
Placécol Finance and Properties (Pty) Ltd	–	–	3 404 206	2 323 366
Salonquip (Pty) Ltd	–	–	(606 077)	(51 511)
	–	**–**	**25 098 284**	**21 031 652**

The loans are unsecured, bear no interest and have no fixed terms of repayment, however, are not repayable within the next 12 months.

Non-current assets	–	–	41 805 299	26 156 148
Non-current liabilities	–	–	(16 707 015)	(5 124 496)
	–	**–**	**25 098 284**	**21 031 652**

Loans to group companies past due but not impaired

Loans to group companies have no fixed terms of repayment and are therefore not past due. The maximum exposure to credit risk at the reporting date is the fair value of each class of disclosed above.

Loans to group companies impaired

As at 28 February 2010, no loans to group companies were impaired.

Notes to the Annual Financial Statements

	Group		Company	
Rand	**2010**	**2009**	**2010**	**2009**
8. LOANS TO/(FROM) SHAREHOLDERS				
W van der Merwe	(112 429)	–	(112 429)	–
E Colyn	(37 847)	–	(37 847)	–
Other shareholders	(14 217)	–	(14 217)	–
	(164 493)	**–**	**(164 493)**	**–**

The loans are unsecured, bear interest at the prime lending rate and will be payable as agreed.

	Group		Company	
Rand	**2010**	**2009**	**2010**	**2009**
9. OTHER FINANCIAL ASSETS				
Amortised cost				
Instalment sale agreements	2 642 304	1 533 684	–	–
Instalment sale debtors bear interest at rates between 12.5% and 19.5% per annum repayable in monthly instalments ranging from R2 443 to R4 903 per agreement.				
CW Pharmaceuticals (Pty) Ltd	1 113 905	–	–	–
This loan bears interest at 10.5% per annum and is repayable in monthly instalments of R67 376.				
	3 756 209	1 533 684	–	–
Impairments	(27 725)	–	–	–
	3 728 484	**1 533 684**	**–**	**–**

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
9. OTHER FINANCIAL ASSETS *(continued)*				
Loans and receivables				
Loans made in respect of outlets franchised	2 334 361	2 463 399	312 206	–
The loans are secured by Placécol Beauty Centres sold, interest is charged at prime, commencing 91 days after signature date. The loan is repayable within 48 months from signature date.				
Deed of sale debtor	976 208	2 460 178	–	–
These unsecured loans bears interest at prime plus two and no fixed term of repayment have been agreed upon.				
Loans made in respect of outlets franchised	1 755 065	3 793 939	–	–
These unsecured loans bears interest at prime plus two and no fixed term of repayment have been agreed upon.				
Student loans	3 440 059	5 843 510	–	–
The student loans carries interest at prime and are repayable within three years after completion of the studies.				
Long-term loans	182 860	619 895	–	–
These unsecured loans bear no interest and there were no fixed terms of repayment.				
Buhle Cosmetics (Pty) Ltd	–	1 254 145	–	1 254 145
These unsecured loan bears interest at 14% per annum and there were no fixed terms of repayment.				
	8 688 553	**16 435 066**	**312 206**	**1 254 145**
Total other financial assets	**12 417 037**	**17 968 750**	**312 206**	**1 254 145**
Non-current assets				
Amortised cost	1 783 959	1 043 454	–	–
Loans and receivables	1 439 363	3 263 399	–	–
	3 223 322	**4 306 853**	**–**	**–**
Current assets				
Amortised cost	1 944 525	490 230	–	–
Loans and receivables	7 249 190	13 171 667	312 206	1 254 145
	9 193 715	**13 661 897**	**312 206**	**1 254 145**
	12 417 037	**17 968 750**	**312 206**	**1 254 145**

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
9. OTHER FINANCIAL ASSETS *(continued)*				

Fair value information

There is no difference between the fair value of the loans made and their carrying amounts.

Loans and receivables impaired

As of 28 February 2010, loans and receivables of R27 725 (2009: R Nil) were impaired and provided for. The amount of the provision was R1 174 755 as of 28 February 2010 (2009: R113 438).

The ageing of the student loans is as follows:

Rand	Group 2010	Group 2009	Company 2010	Company 2009
Neither past due, nor impaired	90 571	–	–	–
Past due and not impaired	4 524 243	5 956 948	–	–
Past due and impaired	(1 174 755)	(113 438)	–	–
	3 440 059	**5 843 510**	**–**	**–**

10. DEFERRED TAX

Deferred tax asset

Rand	Group 2010	Group 2009	Company 2010	Company 2009
Accelerated capital allowances for tax purposes	4 045 252	2 650 485	–	–
Tax losses available for set-off against future taxable income	7 057 323	1 202 192	2 675 320	274 395
	11 102 575	**3 852 677**	**2 675 320**	**274 395**

Reconciliation of deferred tax asset/(liability)

Rand	Group 2010	Group 2009	Company 2010	Company 2009
At beginning of the year	3 852 677	2 215 630	274 395	–
Increase in tax losses available for set-off against future taxable income	5 855 131	3 170 028	2 401 093	274 395
Originating temporary difference on tangible fixed assets	–	(132 037)	–	–
Originating temporary difference on operating lease accruals	–	(205 895)	–	–
Originating temporary difference on finance leases	–	151 421	–	–
Originating temporary difference on provision	–	38 003	–	–
Other originating temporary differences	1 394 767	(1 384 473)	(168)	–
	11 102 575	**3 852 677**	**2 675 320**	**274 395**

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
11. INVENTORIES				
Raw materials, components	–	3 931 053	–	–
Finished goods	4 556 553	4 665 106	–	–
Stores held for sale	5 794 470	13 081 064	–	–
	10 351 023	21 677 223	–	–
Provision for obsolete inventory	(300 000)	(121 527)	–	–
	10 051 023	**21 555 696**	**–**	**–**

Inventory pledged as security

Inventories amounting to R3 946 072 (2009: R7 664 530) were pledged as security for instalment sale agreements.

Rand	Group 2010	Group 2009	Company 2010	Company 2009
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	11 009 093	15 105 462	–	2 287 819
Impairment of trade receivables	(1 166 394)	(751 682)	–	–
Net trade receivables	9 842 699	14 353 780	–	2 287 819
Staff loans	127 402	128 948	–	–
Pre-payments	38 367	451 324	–	–
Deposits	695 198	586 359	–	–
VAT	564 048	822 316	–	247 684
Other receivables	–	354 629	–	–
	11 267 714	**16 697 356**	**–**	**2 535 503**

Trade and other receivables pledged as security

Trade and other receivables to the value of R11 121 859 (2009: R14 455 433) were pledged as security for overdraft facilities of R4 700 000 (2009: R3 700 000) for the group. At year-end the overdraft amounted to R4 989 405 (2009: R3 313 488).

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information.

None of the financial assets that are fully performing have been renegotiated in the last year. Trade receivables are non-interest bearing and are generally on 30 days' terms.

Notes to the Annual Financial Statements

	Group		Company	
Rand	**2010**	**2009**	**2010**	**2009**

12. TRADE AND OTHER RECEIVABLES *(continued)*

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 28 February 2010, R6 726 319 (2009: R6 335 005) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Rand	Group 2010	Group 2009	Company 2010	Company 2009
30 – 60 days	2 556 982	2 326 625	–	–
60 – 90 days	1 280 339	1 357 817	–	–
90 –120 days	689 498	809 693	–	–
120+ days	2 199 500	1 840 870	–	–
	6 726 319	**6 335 005**	**–**	**–**

Trade and other receivables impaired

As of 28 February 2010, trade and other receivables at nominal value of R1 166 394 (2009: R750 681) were impaired.

Movements in the provision for impairment of receivables were as follows:

Rand	Group 2010	Group 2009	Company 2010	Company 2009
Opening balance	750 681	702 110	–	–
Provision for the year	1 166 394	677 311	–	–
Utilised in the year	(750 681)	(628 740)	–	–
Closing balance	**1 166 394**	**750 681**	**–**	**–**

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivable mentioned above.

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
13. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	7 000	16 506	–	–
Bank balances	113 949	2 011 892	40 260	44 969
Bank overdraft	(4 989 405)	(3 313 488)	(2 599 904)	–
	(4 868 456)	**(1 285 090)**	**(2 559 644)**	**44 969**
Current assets	120 949	2 028 398	40 260	44 969
Current liabilities	(4 989 405)	(3 313 488)	(2 599 904)	–
	(4 868 456)	**(1 285 090)**	**(2 559 644)**	**44 969**

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. None of the financial institutions with which bank balances are held defaulted in prior periods and as a result a credit rating of high are ascribed to the financial institutions. The group's maximum exposure to credit risk as a result of the bank balances held is limited to the carrying value of these balances as detailed above.

14. SHARE CAPITAL

Rand	Group 2010	Group 2009	Company 2010	Company 2009
Authorised				
500 000 000 ordinary shares of 0.01 cent each	50 000	50 000	–	–
Reconciliation of number of shares issued:				
Reported as at 1 March 2009	132 504 976	132 504 976	–	–
Shares cancelled and repurchased	(34 099 654)	–	–	–
Issue of ordinary shares	137 767 451	–	–	–
	236 172 773	**132 504 976**	**–**	**–**

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Rand	Group 2010	Group 2009	Company 2010	Company 2009
Issued				
Ordinary	23 617	13 010	23 617	13 010
Share premium	49 806 844	44 070 773	49 806 844	44 070 773
	49 830 461	**44 083 783**	**49 830 461**	**44 083 783**

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
15. OTHER FINANCIAL LIABILITIES				
Held at amortised cost				
Instalment sale agreements	7 431 725	9 665 068	–	–
Liabilities under instalment sale agreements bear interest at an average effective rate of 12.83% (2009:16.51%) per annum. The current monthly instalment is R379 683 (2009: R491 238) and are repayable over a period of 48 to 60 months.				
Loans from Giyatri Paper Mills (Pty) Ltd	2 614 331	–	–	–
The loan bears interest at the prime lending rate and is repayable in monthly instalments. The settlement date is 30 November 2010. The loan is secured by a suretyship by W de Wet and W van der Merwe, a pledge of all the shares in Placécol Cosmetics (Pty) Ltd and a second bond over ERF 1438, Campsbay.				
Loans from directors*	339 628	616 858	339 628	616 858
The loans are unsecured and interest free.				
Loan from Business Partners	1 400 000	–	1 400 000	–
The loan is unsecured and interest free and is repayable in monthly instalments of R50 000.				
Absa loan	1 322 679	2 501 718	755 047	1 427 396
Term loans bear interest at prime per annum. The current monthly instalment is R66 530 (2009: R120 959).				
Other long-term loans	–	114 963	–	–
The loans are unsecured and interest free.				
Mortgage bonds	1 677 302	1 350 480	–	–
ABSA mortgage bonds bearing interest at an average rate of 8.7% (2009: 11.98%) per annum. The current monthly instalment is R12 448 (2009: R15 730). The loans are secured by land and buildings with a carrying amount of R1 371 457 (2009: R1 395 624).				
	14 785 665	**14 249 087**	**2 494 675**	**2 044 254**

** These directors have resigned in September 2009.*

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
15. OTHER FINANCIAL LIABILITIES *(continued)*				
Non-current liabilities				
At amortised cost	5 442 022	5 923 181	850 000	763 391
Current liabilities				
At amortised cost	9 343 643	8 325 906	1 644 675	1 280 863
	14 785 665	**14 249 087**	**2 494 675**	**2 044 254**

16. FINANCE LEASE OBLIGATION

Rand	Group 2010	Group 2009	Company 2010	Company 2009
Minimum lease payments due				
– within one year	352 829	400 161	–	–
– in second to fifth year inclusive	174 937	392 793	–	–
	527 766	792 954	–	–
Less: future finance charges	(87 141)	(149 735)	–	–
Present value of minimum lease payments	**440 625**	**643 219**	**–**	**–**
Present value of minimum lease payments due				
– within one year	311 870	337 008	–	–
– in second to fifth year inclusive	128 755	306 211	–	–
	440 625	**643 219**	**–**	**–**
Non-current liabilities	128 755	306 211	–	–
Current liabilities	311 870	337 008	–	–
	440 625	**643 219**	**–**	**–**

It is group policy to lease laser equipment under finance leases.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 3.

Notes to the Annual Financial Statements

		Group		Company	
	Rand	2010	2009	2010	2009
17.	**TRADE AND OTHER PAYABLES**				
	Trade payables	10 304 289	8 355 819	2 470 787	1 065 028
	VAT	414 272	1 022 920	–	–
	Gift card liability	1 807 293	824 030	–	–
	Accrued leave pay	75 690	129 283	–	–
	Salary accrual	324 746	394 366	–	–
	Other accruals	467 367	448 323	–	–
	Deposits received	427 121	567 975	–	–
	Other payables	1 887 299	6 369 735	20 000	16 082
		15 708 077	**18 112 451**	**2 490 787**	**1 081 110**

Fair value of trade and other payables

The carrying amount of trade and other payables represents the fair value.

		Group 2010	Group 2009	Company 2010	Company 2009
18.	**REVENUE**				
	Sale of goods	57 136 554	81 931 897	–	–
	Rendering of services	5 209 154	27 747 509	–	2 847 997
	Royalty income	7 548 473	3 936 268	–	–
	Rental Income	–	145 200	–	–
		69 894 181	**113 760 874**	**–**	**2 847 997**
19.	**COST OF SALES**				
	Sale of goods				
	Cost of goods sold	19 904 145	24 776 339	–	–
	Rendering of services				
	Cost of services	14 447 348	14 664 005	–	–
		34 351 493	**39 440 344**	**–**	**–**

Notes to the Annual Financial Statements

	Group		Company	
Rand	**2010**	**2009**	**2010**	**2009**
20. OPERATING LOSS				
Operating loss for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
• Contractual amounts	7 034 050	10 829 875	517 055	721 983
Equipment				
• Contractual amounts	313 111	387 142	–	–
Lease rentals on operating lease				
• Contractual amounts	–	7 487	–	–
	7 347 161	**11 224 504**	**517 055**	**721 983**
Loss on sale of property, plant and equipment	(1 117 875)	(428 939)	–	–
(Loss)/Profit on sale of subsidiary	(1 140 008)	–	517 396	–
Impairment on trade and other receivables	1 000 000	–	–	–
(Loss)/Profit on exchange differences	(111 188)	57 885	–	–
Amortisation on intangible assets	67 130	114 226	–	–
Depreciation on property, plant and equipment	1 256 867	1 694 338	2 190	1 344
Employee costs	25 821 735	37 524 826	1 332 589	3 909 491
Research and development	42 500	110 039	–	–
21. INVESTMENT REVENUE				
Interest revenue				
Bank	614 152	335 364	44 691	274 562
Interest received	616 825	337 443	–	–
Other interest	290 193	311 837	–	–
	1 521 170	**984 644**	**44 691**	**274 562**
22. FINANCE COSTS				
Non-current borrowings	1 537 748	1 918 882	–	–
Trade and other payables	88 938	13 554	–	–
Bank	1 721 354	1 104 227	489 487	292 853
Current borrowings	43 899	197 297	–	–
Late payment of tax	148 063	–	–	–
Interest paid on mortgage bond	143 404	178 168	–	–
Other interest paid	19 004	7 482	–	–
	3 702 410	**3 419 610**	**489 487**	**292 853**

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
23. TAXATION				
Major components of the tax income				
Current				
Local income tax – current period	(982 596)	(544 512)	–	–
Local income tax – recognised in current tax for prior periods	(130 512)	–	–	–
	(1 113 108)	**(544 512)**	**–**	**–**
Deferred				
Originating and reversing temporary differences	(1 258 998)	(1 397 726)	–	–
Arising from previously unrecognised tax loss/tax credit/temporary difference	(337 564)	(569 611)	–	–
Benefit of unrecognised tax loss/tax credit/ temporary difference used to reduce deferred tax expense	(5 731 387)	1 068 269	(2 400 925)	(274 395)
	(7 327 949)	**(899 068)**	**(2 400 925)**	**(274 395)**
	(8 441 057)	**(1 443 580)**	**(2 400 925)**	**(274 395)**
Reconciliation of the tax expense	**%**	**%**	**%**	**%**
Reconciliation between applicable tax rate and average effective tax rate:				
Applicable tax rate	28.00	28.00	28.00	28.00
Capital gains tax	0.38	2.39	0.76	–
Disallowable charges	(3.73)	(1.83)	(3.46)	(1.44)
Losses not utilised	–	(4.75)	–	–
Other	–	(12.75)	–	(23.13)
	24.65	11.06	25.30	3.43
24. AUDITORS' REMUNERATION				
Fees	**R741 265**	**R1 289 045**	**R236 926**	**R218 464**

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
25. CASH (USED IN)/ GENERATED FROM OPERATIONS				
Loss before taxation	(34 245 937)	(13 045 828)	(9 491 499)	(8 015 380)
Adjustments for:				
Depreciation and amortisation	1 323 997	1 808 564	2 190	1 344
Loss/(Profit) on sale of assets and businesses	2 501 161	388 771	(517 396)	–
Interest received	(1 521 170)	(984 644)	(44 691)	(274 562)
Finance costs	3 702 410	3 419 610	489 487	292 853
Impairment loss	3 738 907	6 982 336	–	6 982 336
Movements in operating lease assets and accruals	(50 151)	(772 781)	–	–
Movements in provisions	414 777	–	–	–
Bad debt	–	187 804	–	–
Profit on sale of intangible assets	–	(932 517)	–	–
Fair value adjustments	(356 506)	444	–	–
Changes in working capital:				
Inventories	7 734 710	(207 558)	–	–
Trade and other receivables	3 880 859	1 078 209	2 535 503	(2 530 553)
Trade and other payables	(909 065)	6 889 353	1 409 677	728 007
Deferred income	(1 642 402)	(458 537)	–	–
	(15 428 410)	**4 353 226**	**(5 616 729)**	**(2 815 955)**
26. TAX (PAID)/REFUNDED				
Balance at beginning of the year	(2 684 620)	(4 390 288)	(294 350)	(294 350)
Current tax for the year recognised in profit or loss	1 113 108	1 443 580	–	–
Adjustment for taxation on disposal of subsidiary	151 738	–	–	–
Adjustment for deferred taxation	–	(1 637 046)	–	–
Balance at end of the year	695 645	2 684 620	3 095	294 350
	(724 129)	**(1 899 134)**	**(291 255)**	**–**

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
27. SALE OF BUSINESSES				
Disposal of subsidiary				
Carrying value of assets sold				
Property, plant and equipment	(1 268 220)	–	–	–
Goodwill	(816 102)	–	–	–
Inventories	(3 469 963)	–	–	–
Trade and other receivables	(1 134 006)	–	–	–
Trade and other payables	1 495 311	–	–	–
Tax assets	73 687	–	–	–
Borrowings	2 997 218	–	–	–
Cash	464 569	–	–	–
Total net assets sold	**(1 657 506)**	**–**	**–**	**–**
Net assets sold	(1 657 506)	–	–	–
Loss/(Profit) on disposal	1 140 008	–	(517 396)	–
Consideration received	**(517 498)**	**–**	**(517 396)**	**–**
Claims recouped	(2 523 133)	–	–	–
Total cash receivable on disposal of subsidiary	**(3 040 631)**	**–**	**(517 396)**	**–**
Consideration receivable				
Cash	1 000 000	–	517 396	–
Equity – 12 642 581 ordinary shares	632 129	–	–	–
Partial payment of CW claims (CW Pharmaceuticals (Pty) Ltd loan account)	(1 114 631)	–	–	–
Claims recouped	2 523 133	–	–	–
	3 040 631	**–**	**517 396**	**–**
Cash receivable on disposal of subsidiary				
Adjusted purchase consideration	517 498	–	–	–
Claims recouped	2 523 133	–	–	–
Total cash receivable	3 040 631	–	–	–
Cash received	(1 926 726)	–	–	–
Total cash receivable at year-end	**1 113 905**	**–**	**–**	**–**
Net cash inflow on disposal				
Cash consideration received	517 498	–	517 396	–
Bank overdraft sold	464 569	–	–	–
	982 067	**–**	**517 396**	**–**

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
28. COMMITMENTS				
Operating leases				
Minimum lease payments due				
– within one year	2 573 545	3 169 835	–	–
– in second to fifth year inclusive	1 504 588	4 835 743	–	–
	4 078 133	**8 005 578**	**–**	**–**

Operating lease payments represents rentals payable by the group for certain of its office properties and outlets. Leases are negotiated for all the subsidiaries, except one, on a year-to-year basis, with no escalation. For Placécol Skincare (Pty) Ltd, leases are negotiated for an average of five years. No contingent rent is payable.

29. CONTINGENCIES

Absa Bank holds unlimited suretyships for credit facilities granted to the group, supplied by:

- Placécol Cosmetics (Pty) Ltd
- Placécol Skincare Clinic (Pty) Ltd
- Nomic 136 (Pty) Ltd
- Placécol Finance and Properties (Pty) Ltd
- Salonquip (Pty) Ltd
- Placécol Beauty Centre (Pty) Ltd
- Skinwell Holdings Limited

30. RELATED PARTIES

Relationships

Subsidiaries:	Refer to note 6
Company with common directors:	Xenon Technologies (Pty) Ltd Elroi Investments (Pty) Ltd
Directors of the company:	W J de Wet C W Moolman W L Rudolph S F Grobbelaar
Other related parties:	U Moolman A de Wet

Notes to the Annual Financial Statements

	Group		Company	
Rand	**2010**	**2009**	**2010**	**2009**
30. RELATED PARTIES *(continued)*				
Related party balances				
Loans to/(from) subsidiaries and fellow subsidiaries				
Nomic 136 (Pty) Ltd	–	–	660 253	7 277 894
CW Pharmaceuticals (Pty) Ltd	–	–	–	1 285 194
Placécol Cosmetics (Pty) Ltd	–	–	37 740 840	(1 910 518)
SalonQuip (Pty) Ltd	–	–	(606 077)	(51 512)
Placécol Beauty Centre Franchise (Pty) Ltd	–	–	(11 849 278)	15 269 694
Skin Care Clinic (Pty) Ltd	–	–	(4 251 660)	(3 162 468)
Placécol Finance and Properties (Pty) Ltd	–	–	3 404 206	2 323 366
Loan accounts owing to related parties				
W J de Wet	(339 628)	(411 239)	(339 628)	(411 239)
C W Moolman	–	(205 619)	–	(205 619)
Related party transactions				
Interest paid to related parties				
W J de Wet	31 316	16 973	31 316	16 973
C W Moolman	14 092	8 487	14 092	8 487
S F Grobbelaar	299	–	299	–
W L Rudolph	168	–	168	–
Rent paid to related parties				
Elroi Investments (Pty) Ltd	1 887 493	3 049 901	1 887 493	3 049 901
Xenon Technologies (Pty) Ltd	840 504	852 536	840 504	852 536
Compensation paid to other related parties				
U Moolman	86 064	207 114	86 064	207 114
A de Wet	86 800	214 976	86 800	214 976
Administration fees paid to/(received from) related parties				
CW Pharmaceuticals (Pty) Ltd	–	–	(504 000)	(933 000)
Placécol Skincare Clinic (Pty) Ltd	–	–	–	(174 000)
Placécol Beauty Centre Franchise (Pty) Ltd	–	–	–	(752 493)
Salonquip (Pty) Ltd	–	–	–	(765 000)
Nomic 136 (Pty) Ltd	–	–	–	(348 000)
Placécol Cosmetics (Pty) Ltd	–	–	–	(469 493)
Skin PHD	–	–	–	135 000
Loans from shareholders				
W van der Merwe	(112 429)	–	–	–
E Colyn	(37 847)	–	–	–
Other shareholders	(14 217)	–	–	–

31. DIRECTORS' EMOLUMENTS

No loans were made to directors during the year under review. There were no material transactions with directors, other than the following.

Executive

Rand	Basic salary	Retirement funds and medical aid contributions	Fringe benefits	Total
2010				
W J de Wet	369 500	29 967	102 326	501 793
C W Moolman	316 686	–	84 000	400 686
S Morgan	520 000	–	25 903	545 903
W J Rudolph	594 000	–	133 746	727 746
F Grobbelaar	646 269	–	128 550	774 819
J M Swart	330 000	–	79 540	409 540
	2 776 455	**29 967**	**554 065**	**3 360 487**
2009				
W J de Wet	1 163 235	200 842	93 903	1 457 980
C W Moolman	1 171 020	198 528	93 903	1 463 451
S Morgan	373 147	33 923	–	407 070
R du Toit	253 691	83 936	–	337 627
	2 961 093	**517 229**	**187 806**	**3 666 128**

Non-executive

Rand	Directors' fees	Basic salary	Retirement funds and medical aid contributions	Fringe benefits	Total
2010					
C Nkosi	38 000	–	–	–	38 000
T J Schoeman	158 000	–	–	–	158 000
	196 000	**–**	**–**	**–**	**196 000**
2009					
S du Toit	45 000	–	–	–	45 000
T Dingaan	33 000	–	–	–	33 000
	78 000	**–**	**–**	**–**	**78 000**

Notes to the Annual Financial Statements

Rand	Group 2010	Group 2009	Company 2010	Company 2009
32. COMPARATIVE FIGURES				
Certain comparative figures have been reclassified.				
The effects of the reclassification are as follows:				
Statement of financial position				
Other financial assets – non-current	–	(1 254 145)	–	(1 254 145)
Other financial assets – current	–	1 254 145	–	1 254 145
	–	**–**	**–**	**–**
Statement of comprehensive income				
Cost of sales	–	85 000	–	–
Other operating expenses	–	(85 000)	–	–
Total	**–**	**–**	**–**	**–**

33. RISK MANAGEMENT

Capital risk management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light if changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the year ended 28 February 2010.

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain the future development of the business. The board of directors monitors the return on capital, which the company defines as total capital and reserves, and the level of dividends to ordinary shareholders.

There are no externally imposed capital requirements.

Financial risk management

The board of directors has the overall responsibility for the establishment and oversight of the group's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and activities.

The group's financial instruments consists mainly of deposits with banks, accounts receivables and payables, loans to and from subsidiaries and instalment sale agreements. The group is exposed to the following risks from financial instruments:

Notes to the Annual Financial Statements

33. RISK MANAGEMENT *(continued)*

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Rand		
Group		
At 28 February 2010	**Less than 1 year**	**Between 1 and 5 years**
Other financial liabilities	9 343 643	5 442 022
Bank overdraft	4 989 405	–
Trade and other payables	15 293 805	–
Financial lease obligation	311 870	128 755
Loans from shareholders	164 493	–
At 28 February 2009	**Less than 1 year**	**Between 1 and 5 years**
Other financial liabilities	8 325 906	5 923 181
Bank overdraft	3 313 488	–
Trade and other payables	17 089 535	–
Financial lease obligation	337 008	306 211
Company		
At 28 February 2010	**Less than 1 year**	**Between 1 and 5 years**
Loans from group companies	–	16 707 015
Other financial liabilities	1 644 675	850 000
Trade and other payables	2 490 787	–
Loans from shareholders	164 493	–
Bank overdraft	2 599 904	–
At 28 February 2009	**Less than 1 year**	**Between 1 and 5 years**
Loans from group companies	–	5 124 496
Other financial liabilities	1 280 863	763 391
Trade and other payables	1 081 110	–

33. RISK MANAGEMENT *(continued)*

At present the group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the group expects the operating activity to generate sufficient cash inflows. In addition, the group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, bank overdrafts, loans receivable and payable. The interest applicable to these financial instruments are on a floating basis in line with those currently available in the market.

The group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments and the increase in interest rates.

The analysis has been performed for floating interest rate financial liabilities and cash. The impact of a change in interest rates on floating interest rate financial liabilities has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses.

The group does not have any fair value sensitivity in respect of fixed rate instruments as at reporting date.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

Financial instruments	**Group**		**Company**	
Rand	**2010**	**2009**	**2010**	**2009**
Other financial assets	12 417 037	17 968 750	312 206	1 254 145
Trade and other receivables	10 665 299	15 423 716	–	2 287 819
Cash and cash equivalents	113 949	2 011 892	40 260	44 969
Loans to group companies	–	–	41 805 299	26 156 148

Notes to the Annual Financial Statements

	Group		Company	
Rand	**2010**	**2009**	**2010**	**2009**

34. EARNINGS PER SHARE

The calculation of earnings per share is based on a loss of R25 804 880 (2009: R11 602 248 loss) and 155 364 544 (2009: 132 504 976) weighted average ordinary shares in issue during the year.

	Group 2010	Group 2009	Company 2010	Company 2009
Earnings from continuing operations attributable to the ordinary equity holders				
Loss for the year	(25 804 880)	(11 602 248)	–	–
Reconciliation of the weighted average number of ordinary shares				
Balance at the end of the year	155 364 544	132 504 976	–	–
Loss per share (cents)	(16.6)	(8.8)	–	–

Headline earnings per share

The calculation of headline earnings per share is based on a loss of R21 348 646 (2009: R5 181 988) and 155 364 544 (2009: 132 504 976) weighted average ordinary shares in issue during the year.

	Group 2010	Group 2009	Company 2010	Company 2009
Reconciliation between earnings and headline earnings				
Loss for the year	(25 804 880)	(11 602 248)	–	–
Adjusted for:				
Loss on disposal of non-current assets	804 870	239 889	–	–
Loss on disposal of subsidiary	1 212 458	–	–	–
Impairment of goodwill	2 438 906	6 982 336	–	–
Profit on sale of intellectual property	–	(801 965)	–	–
	(21 348 646)	**(5 181 988)**	**–**	**–**
Headline loss per share (cents)	(13.7)	(3.9)	–	–

The diluted loss per share is equal to the basic loss per share.

Notes to the Annual Financial Statements

35. SEGMENT INFORMATION

For management purposes, the group is organised into business units based on their products and services, and has two reportable operating segments, as follows:

- The Brand segment which handles the sales and marketing of skin care and nail products through a combination of it's own retail outlets, franchises and third party outlets such as pharmacies and large retail chain stores as well as the sales of beauty franchises.
- The Supply chain and Support segment which handles the manufacturing and distribution of skin care products, the supply and installation of industry-specific equipment, the training of beauty therapists, as well as administrative services.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties.

Year ended 28 February 2010 **Rand**	**Brands**	**Supply chain and support**	**Adjust-ments and eliminations**	**Consolidated**
Revenue				
Third party	55 525 245	14 368 936	–	69 894 181
Inter-segment	1 628 344	–	(1 628 344)	–
	57 153 589	**14 368 936**	**(1 628 344)**	**69 894 181**

Notes to the Annual Financial Statements

35. SEGMENT INFORMATION *(continued)*

Year ended 28 February 2010	Brands	Supply chain and support	Adjust-ments and eliminations	Consolidated
Results				
Depreciation and amortisation	745 765	486 929	24 168	1 256 862
Segment loss	(24 184 900)	(423 260)	(1 196 720)	(25 804 880)
	(23 439 135)	**63 669**	**(1 172 552)**	**(24 548 018)**
Assets and liabilities				
Capital expenditure	764 805	480 923	23 369	1 269 097
Total assets	64 269 324	3 348 302	(10 397 410)	57 220 216
Total liabilities	36 319 165	1 949 003	(1 039 598)	37 228 570
	101 353 294	**5 778 228**	**(11 413 639)**	**95 717 883**

Year ended 28 February 2009	Brands	Supply chain and support	Adjust-ments and eliminations	Consolidated
Revenue				
Third party	85 824 846	20 823 986	7 112 042	113 760 874
Inter-segment	4 616 208	14 375 570	(18 991 778)	–
	90 441 054	**35 199 556**	**(11 879 736)**	**113 760 874**
Results				
Depreciation and amortisation	1 120 988	549 182	24 168	1 694 338
Segment (loss)/profit	(13 255 777)	75 428	1 578 106	(11 602 243)
	(12 134 789)	**624 610**	**1 602 274**	**(9 907 905)**
Assets and liabilities				
Capital expenditure	1 603 684	2 030 378	105 105	3 739 167
Operating assets	47 883 122	13 080 321	(2 663 157)	58 300 286
Operating liabilities	29 287 292	8 904 824	–	38 192 116
	78 774 098	**24 015 523**	**(2 558 052)**	**100 231 569**

Geographical information

The group operates in one geographical segment.

Shareholder Analysis

Register date: 26 February 2010
Issued share capital: 236 172 773 shares

SHAREHOLDER SPREAD	Number of shareholders	Percentage	Number of shares	Percentage
1 – 1 000 shares	13	3.83	4 422	0.00
1 001 – 10 000 shares	73	21.53	390 095	0.17
10 001 – 100 000 shares	139	41.00	5 777 294	2.45
100 001 – 1 000 000 shares	89	26.25	29 012 260	12.28
1 000 001 shares and over	25	7.37	200 988 702	85.10
	339	**100.00**	**236 172 773**	**100.00**

DISTRIBUTION OF SHAREHOLDER	Number of shareholders	Percentage	Number of shares	Percentage
Brokers	2	0.59	855 600	0.36
Close Corporations	10	2.95	2 108 980	0.89
Individuals	294	86.73	114 256 240	48.38
Insurance Companies	1	0.29	545 000	0.23
Medical Aid Schemes	1	0.29	595 800	0.25
Mutual Funds	3	0.88	3 708 000	1.57
Nominees and Trusts	10	2.95	15 567 437	6.59
Other Corporations	3	0.88	218 250	0.09
Private Companies	15	4.42	98 317 466	41.63
	339	**100.00**	**236 172 773**	**100.00**

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	Percentage	Number of shares	Percentage
Non-public shareholders	**7**	**2.06**	**84 848 700**	**35.93**
Directors and associates of the company holdings	6	1.77	23 361 045	9.89
Strategic holdings (10% or more)	1	0.29	61 487 655	26.04
Public shareholders	**332**	**97.94**	**151 324 073**	**64.07**
	339	**100.00**	**236 172 773**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE	Number of shares	Percentage
SA Madiba Investment (Pty) Ltd	61 487 655	26.04
Colyn, E	20 348 941	8.62
I Capital (Pty) Ltd	19 606 100	8.30
De Beer, A M	17 699 613	7.49
Silver Crest Trading 143 (Pty) Ltd	13 939 899	5.90
Moolman, C W	12 642 581	5.35

Shareholder Analysis

Breakdown of Non-Public Holdings

DIRECTORS	Number of shares	Percentage of shares
Moolman, C W*	**12 642 581**	**5.35**
Moolman, C W	6 398 464	2.71
Moolman, C W	6 244 117	2.64
de Wet, W J*	**6 648 464**	**2.82**
de Wet, W J	6 648 464	2.82
Grobbelaar, S F*	**2 000 000**	**0.85**
Grobbelaar, S F	2 000 000	0.85
Rudolph, L J*	**2 000 000**	**0.85**
Rudolph, L J	2 000 000	0.85
Schoeman, T J	**70 000**	**0.03**
Theonelle Beleggings Trust	70 000	0.03
	23 361 045	**9.89**

* Resigned

STRATEGIC HOLDINGS (10% OR MORE)	Number of shares	Percentage of shares
SA Madiba Investment (Pty) Ltd	**61 487 655**	**26.04**

SHAREHOLDERS' DIARY

Financial year-end	**28 February 2010**
Reports and profit announcements	
– Annual Report	27 August 2010
– Interim Report	November 2010
Annual General Meeting	13 October 2010

SKINWELL HOLDINGS LIMITED
(Registration number 2003/025374/06)
Share code: SKW
ISIN: ZAE000135893
("Skinwell" or "the company")

Notice is hereby given that the Annual General Meeting of the members of Skinwell will be held at the company's registered office located at Skinwell, Placécol Boulevard, Samrand Avenue, Kosmosdal, Centurion on Wednesday, 13 October 2010 at 10:00 for the following purposes:

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

ORDINARY RESOLUTIONS

1. **Ordinary resolution 1: Adoption of annual financial statements**

   "RESOLVED that the annual financial statements of the company for the year ended 28 February 2010, including the reports of the directors and auditors, be and are hereby received and adopted."

2. **Ordinary resolution 2: General authority to issue shares for cash**

   "RESOLVED that, subject to not less than 75% of the votes of those shareholders present in person or by proxy and entitled to vote being cast in favour of this resolution, the directors be and are hereby authorised by way of a general authority to allot and issue any ordinary shares for cash, at such times, at such prices and for such purposes as they may determine, at their discretion, provided that any such general authority shall be valid only until the next Annual General Meeting of the company or 15 months from the date of the passing of this resolution, whichever is the earlier and subject to the requirements of the Companies Act, 1973, as amended ("the Act"), and the Listings Requirements of the JSE Limited ("JSE"), including the following limitations:

   - the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE and not to related parties;
   - the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class of shares already in issue;
   - the number of shares issued for cash shall not in the aggregate in any one financial year exceed 50% of the company's issued ordinary share capital, provided that this limitation will not apply to the issue of ordinary shares in terms of any share incentive scheme. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue on the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including the announcement of the final terms) may be included as though they were in issue at the date of application;
   - the maximum discount at which such ordinary shares may be issued is 10% of the weighted average price at which such ordinary shares have traded on the JSE, as determined over the 30 business days immediately preceding the date that the price of the issue is determined or agreed to by the directors of the company; and
   - after the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares for the 30 days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value and earnings per share), or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE as applicable from time to time."

3. **Ordinary resolution 3: Placing unissued shares under the control of the directors**

   "RESOLVED that the authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the directors in terms of section 221 of the Act, until the next Annual General Meeting and that the directors be and are hereby authorised, by way of a general authority, to allot, issue and otherwise dispose of such unissued ordinary shares at their discretion, subject always to the provisions of the Act, the company's articles of association and the Listings Requirements of the JSE."

4. **Ordinary resolution 4: Re-election of retiring director**

   "RESOLVED that T J Schoeman, who retires by rotation in terms of the company's articles of association and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the company."

   A brief *curriculum vitae* of Theo Schoeman is set out on page 4 of the annual report of which this notice forms part.

5. **Ordinary resolution 5: Appointment of director ratified**

   "RESOLVED that the appointment of M M Patel as a director of the company be ratified."

   A brief *curriculum vitae of* Mitesh Patel is set out on page 4 of the annual report of which this notice forms part.

6. **Ordinary resolution 6: Appointment of director ratified**

   "RESOLVED that the appointment of G S J van Nieuwenhuizen as a director of the company be ratified."

   A brief *curriculum vitae* of Gys van Nieuwenhuizen is set out on page 4 of the annual report of which this notice forms part.

7. **Ordinary resolution 7: Appointment of director ratified**

   "RESOLVED that the appointment of W P van der Merwe as a director of the company be ratified."

   A brief *curriculum vitae* of Wessel van der Merwe is set out on page 4 of the annual report of which this notice forms part.

8. **Ordinary resolution 8: Appointment of director ratified**

   "RESOLVED that the appointment of E Colyn as a director of the company be ratified."

   A brief *curriculum vitae* of Esna Colyn is set out on page 4 of the annual report of which this notice forms part.

9. **Ordinary resolution 9: Ratification of Non-executive Directors' fees**

   "RESOLVED that the Non-executive Directors' fees (reflected on page 67) for the past financial year be and are hereby ratified."

10. **Ordinary resolution 10: Non-executive directors' remuneration for the year ending 28 February 2011**

    "RESOLVED that the remuneration of non-executive directors for the year ending 28 February 2011 as set out below be and is hereby approved:

Chairman of the board	–	R100 000 per annum
Chairman of Audit Committee	–	R90 000 per annum
Non-executive director	–	R80 000 per annum"

11. **Ordinary resolution 11: Re-appointment of auditors and fixing of remuneration**

"RESOLVED that the Audit Committee be and is hereby authorised to re-appoint SAB&T (Designated auditor: Aneel Darmalingam) as the auditors of the company and its subsidiaries in accordance with section 270(1) of the Companies Act of 1973, which auditors shall hold their office until conclusion of the company's next Annual General Meeting and, in addition, the Audit Committee be and is hereby authorised to determine and pay the auditor's remuneration."

12. **Ordinary resolution 12: Signature of documents**

"RESOLVED that any director of the company or the company secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of the ordinary and special resolutions which are passed by the shareholders."

SPECIAL RESOLUTION

1. **Special resolution 1: General authority to repurchase company shares**

"RESOLVED that the directors of the company be and are hereby authorised, by way of a general authority, to repurchase on behalf of the company and/or any of its subsidiaries, ordinary shares issued by the company, in terms of sections 85 to 90 of the Act, the company's articles of association and the Listings Requirements of the JSE, and provided that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution;
- an announcement setting out such details as may be required in terms of the Listings Requirements of the JSE will be released on SENS once the company or any of its subsidiaries has acquired ordinary shares constituting, on a cumulative basis, 3% of the initial number of ordinary shares in issue as at the time the general authority was granted and for each 3% in aggregate of the initial number of shares acquired thereafter;
- in terms of the general authority, the acquisition of ordinary shares in any one financial year may not exceed, in aggregate, 20% of the company's issued share capital of that class, at the time the approval is granted, and the acquisition of shares by a subsidiary of the company, in any one financial year, may not exceed, in aggregate, 10% of the number of issued shares of the company of that class;
- in determining the price at which the company's ordinary shares are acquired by the company and/or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average market price at which such ordinary shares are traded on the JSE, as determined over the five days immediately preceding the date of the acquisition of such ordinary shares by the company and/or any of its subsidiaries;
- the company will only appoint one agent to effect any repurchase(s) on its behalf;
- the company, and any of its subsidiaries, will only undertake a repurchase of shares if, after such repurchase, the company still complies with the shareholder spread requirements set out in paragraphs 3.37 to 3.41 of the Listings Requirements of the JSE;
- the company and/or its subsidiaries will not acquire the company's shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period."

Reason for and effect of special resolution 1

The reason for and effect of special resolution 1 is to grant the directors of the company a general authority, up to and including the date of the next Annual General Meeting of the company or the expiration of 15 months from the date of the passing of this special resolution, whichever is the earlier date, for the acquisition by the company, or any of its subsidiaries, of shares issued by the company. A repurchase of shares is not contemplated at the date of this notice, however, the directors believe it to be in the interests of the company that shareholders grant a general authority to provide the board with the flexibility to facilitate the repurchase of company shares as and when the board considers it appropriate.

Please refer to the additional disclosure of information contained elsewhere in this notice required in terms of the Listings Requirements of the JSE.

To transact such other business as may be transacted at an Annual General Meeting.

ADDITIONAL DISCLOSURE REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE LIMITED

The following additional information, some of which might appear elsewhere in the annual report, of which this notice forms part, is provided in terms of the Listings Requirements of the JSE for purposes of considering ordinary resolution 10 and special resolution 1:

- directors and management (refer to page 19 of this annual report);
- major shareholder (refer to page 18 of this annual report);
- directors' interests in securities (refer to page 18 of this annual report);
- share capital of the company (refer to page 57 of this annual report).

Working capital undertaking

The directors of the company undertake that they will not implement the general payments or the repurchase of shares unless, for a period of 12 months following the date of the Annual General Meeting:

- the company and the subsidiaries of the company ("the group") are able to repay their debts as such debts become due in the ordinary course of business;
- the assets of the company and group, fairly valued in accordance with International Financial Reporting Standards and on a basis consistent with the previous financial year, exceed the liabilities of the company and group;
- the company and the group have adequate share capital and reserves for ordinary business purposes;
- the company and the group have sufficient working capital for ordinary business purposes; and
- the sponsor of the company provides a letter to the JSE on the adequacy of working capital in terms of Section 2.12 of the Listings Requirements of the JSE.

Litigation statement

The directors, whose names are given on page 4 of this annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that may have or have had in the recent past, being at least the previous 12 months, a material effect on the financial position of the company or any of its subsidiaries.

Directors' responsibility statement

The directors, whose names are given on page 4 of this annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all information required by law and the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every ordinary share held in the company by such shareholder.

Dematerialised shareholders who have elected "own-name" registration in the sub-register through a Central Securities Depository Participant ("CSDP") and who are unable to attend but wish to vote at the Annual General Meeting, should complete and return the attached form of proxy and lodge it with the transfer secretaries of the company.

Shareholders who have dematerialised their shares through a CSDP or broker rather than through own-name registration and who wish to attend the Annual General Meeting must instruct their CSDP or broker to issue them with the necessary written authority to attend. If such shareholders are unable to attend but wish to vote at the Annual General Meeting they should timeously provide their CSDP or broker with their voting instructions in terms of the agreement entered into between those shareholders and his/her CSDP or broker.

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address below, to be received at least 48 hours prior to the Annual General Meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting should the shareholder subsequently decided to do so.

By order of the Board

MS ANNAMARIE VAN DER MERWE

iThemba Governance and Statutory Solutions (Pty) Limited
Company Secretary

27 August 2010

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000

Administration

Full name	Skinwell Holdings Limited
Registration number	2003/025374/06
JSE abbreviated name	"Skinwell"
JSE code	SKW
ISIN	ZAE000135893
Sector	Alt^{X}
Exchange	Alternative Exchange
Founded	2003
Listed on JSE	21 August 2007
Website	www.placecol.com

Business address

Placécol Boulevard
Samrand Avenue
Kosmosdal
Centurion, 0046
Telephone: (012) 621 3300
Facsimile: (012) 621 3338

Company secretary and registered office

Itemba Governance and Statutory Solutions (Pty) Ltd
Represented by Ms Annamarie van der Merwe
Block 5 – Suite 102, Monument Office Park
79 Steenbok Avenue
Monument Park, 0181
(PO Box 4896, Rietvalleirand, 0174)
Telephone: 086 111 1010
Facsimile: 086 604 1315

Transfer secretaries

Computershare Investor Services (Pty) Ltd
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Telephone: (011) 370 5000
Facsimile: (011) 688 5210

Attorneys

Fluxmans Inc
(Registration number 2000/024775/21)
11 Biermann Avenue
Rosebank, 2196
(Private Bag X41, Saxonwold, 2132)
Telephone: (011) 328 1700
Facsimile: (011) 880 2261

Designated Advisor

Grindrod Bank Ltd
(Registration number 1994/007994/06)
Building Three
1st Floor, North Wing, Commerce Square
39 Rivonia Road (corner Helling Road)
Sandton, 2196
(PO Box 78011, Sandton, 2146)
Telephone: (011) 459 1860
Facsimile: (011) 459 1872

Auditors

SAB&T Inc.
(Registration number 1997/018869/21)
119 Witch-Hazel Avenue
Highveld Technopark
Centurion, 0157
(PO Box 10512, Centurion, 0046)
Telephone: (012) 682 8789
Facsimile: (011) 682 8786

Notes

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SKINWELL HOLDINGS LIMITED

(Registration number: 2003/025374/06)
Share code: SKW
ISIN: ZAE000135893
("Skinwell" or "the company")

FORM OF PROXY

For use at the Annual General Meeting of the members of the company to be held at the company's registered office located at Placécol Boulevard, Samrand Avenue, Kosmosdal, Centurion on Wednesday, 13 October 2010 at 10:00 and at any adjournment thereof.

For use by the holders of the company's certificated ordinary shares ("certificated shareholders") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") or broker who have selected own-name registration ("own-name dematerialised shareholders"). Additional forms of proxy are available from the transfer secretaries of the company.

Not for use by the holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the Annual General Meeting and request that they be issued with the necessary written authorisation to do so, or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person but wish to be represented thereat.

I/We (full name in BLOCK LETTERS)

of (address)

being the registered holder(s) of ordinary shares in the capital of the company, hereby appoint:

1. of or failing him/her,
2. of or failing him/her,
3. the chairman of the Annual General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting of the members of the company which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the Skinwell ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	In favour of*	**Against***	**Abstain***
Ordinary resolutions 1. To adopt the annual financial statements for the year ended 28 February 2010			
2. To approve a general authority to issue shares for cash			
3. To place unissued shares under the directors' control			
4. To re-elect T J Schoeman as a director of the company			
5. To ratify the appointment of M M Patel as a director of the company			
6. To ratify the appointment of G S J van Nieuwenhuizen as a director of the company			
7. To ratify the appointment of W P van der Merwe as a director of the company			
8. To ratify the appointment of E Colyn as a director of the company			
9. Ratification of Non-Executive Directors' fees			
10. To approve the remuneration of non-executive directors for the year ending 28 February 2011			
11. To re-appoint the auditors and fix their remuneration			
12. To authorise directors and/or the company secretary to act and sign documentation			
Special resolution 1. To approve a general authority for the repurchase of company shares			

** Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.*

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) on (date) 2010

Member's signature

Assisted by (where applicable)

Please read the notes on the reverse side.

NOTES TO THE FORM OF PROXY:

1. This form of proxy is to be completed only by those members who:
   (a) hold shares in certificated form; or
   (b) are recorded in the sub-register in electronic form in their "own-name".
2. Members who have dematerialised their shares, other than "own name" dematerialised shareholders, and who wish to attend the Annual General Meeting must contact their CSDP or broker who will furnish them with the necessary written authority to attend the Annual General Meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.
3. Each member is entitled to appoint one or more proxies (who need not be member(s) of the company) to attend, speak and on a poll, vote in place of that member at the Annual General Meeting.
4. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space provided, with or without deleting "the chairman of the Annual General Meeting". The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.
6. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary and special resolutions in respect of which any abstention is recorded may not exceed the total number of to which the member or his/her proxy is entitled.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the Annual General Meeting.
8. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, other than in accordance with these instructions and notes, provided that the chairman is satisfied as to the manner in which a member wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
10. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
12. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.
13. Completed forms of proxy must be lodged with or posted to the transfer secretaries at the address provided below at least 48 prior to the Annual General Meeting.

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000

skinwell
investing in wellness

Skinwell Holdings Limited (Reg. No. 2003/025374/06)

Placécol Boulevard, Samrand Avenue, Kosmosdal, Extension 4, Centurion, 0046
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