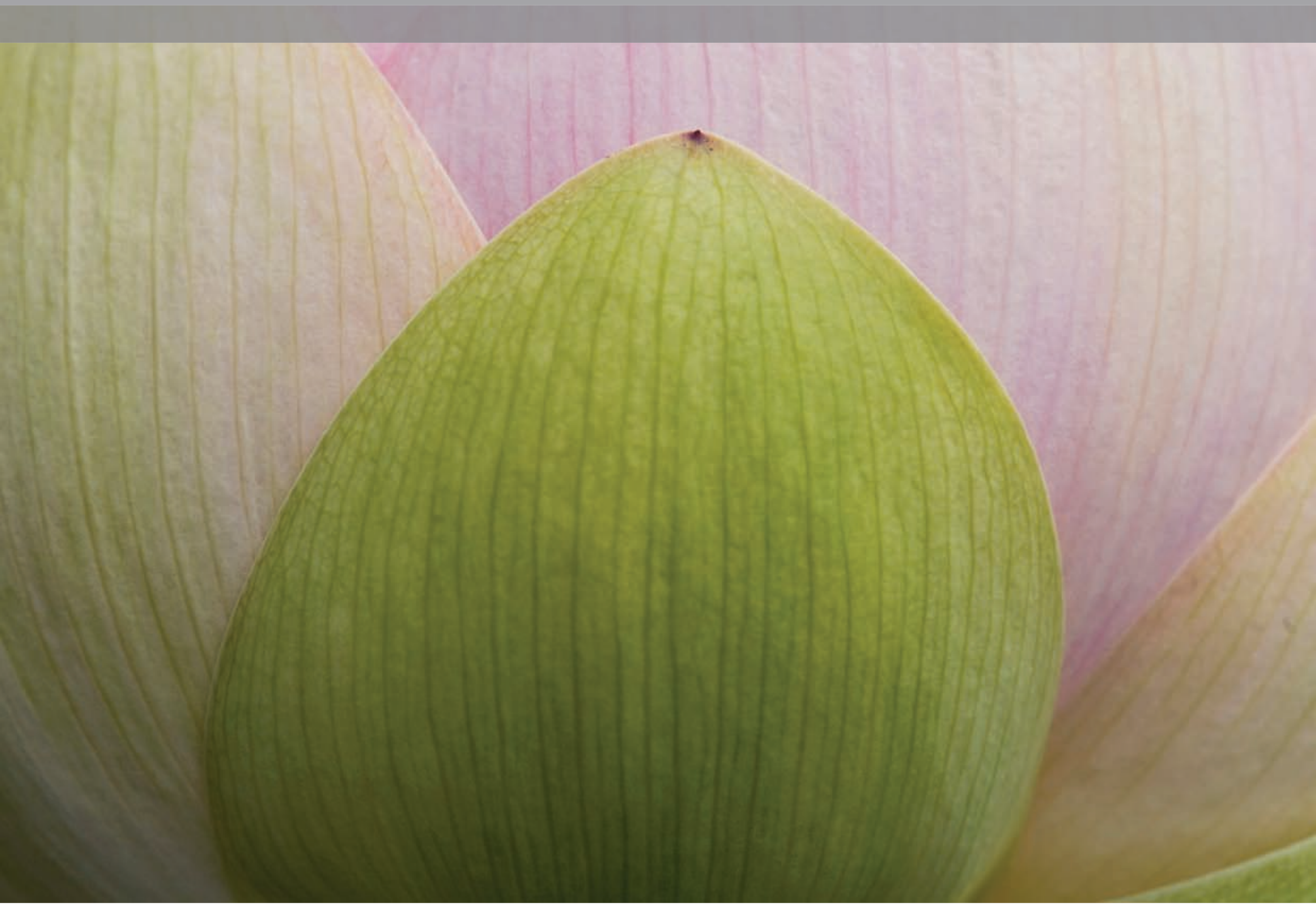
IMBALIE BEAUTY™



INTEGRATED REPORT

for the year ended 28 February 2014

ABOUT US

Imbalie Beauty is a multiple brand franchisor that markets and distributes its own and independent health and beauty brands to its own distribution footprint of more than 150 own and franchised beauty salons, large retailers, independent beauty salons and selected pharmacies.

Our purpose through Imbalie Beauty is to help millions of people to feel better about themselves. We say at Imbalie Beauty that beauty is no longer a guilty treat but a tool for living your life successfully.

CONTENTS

OUR VISION

To be the largest and most desirable beauty franchise group.

OUR MISSION

To make a positive change in the world through self-improvement and self-empowerment, and by increasing the self-esteem of our customers.

OUR VALUES

We live our values of integrity, teamwork, responsibility and accountability.

OUR IMBALIE BEAUTY GUARANTEE

- A world-class structure to provide ongoing business and specialist marketing support.
- World-class systems, integrated with beauty gift cards and loyalty programmes.
- Ongoing business and beauty training.
- Reputable products, technology and treatments.
- Continuous innovation and latest international beauty trends.

AWARDS DURING 2014

Esna Colyn (CEO), Warrick Brown (Outlet operations manager), Melinda Malan (FD), Alicia Kriegler (Marketing manager) and Cheri van Loggenberg (Business developer) with all awards received FASA Awards.

Esna Colyn (CEO) receiving the winner of the Franchisee of the Year award on behalf of Perfect 10 Ballito KwaZulu-Natal.

ELLE AWARDS

Best product
Placecol AHA Exfoliating Cream

WOMAN AND HOME AWARDS

Best product
Placecol Stimugenating Mask

Best product
Empro Eyebrow Liner

FASA AWARDS

Winner Franchisee of the Year
Perfect 10 Ballito, KwaZulu-Natal

Finalist Franchisor of the Year
Dream Nails Beauty

Field Consultant of the Year
Cheri van Loggrenberg

Franchisee of the Year, Esna Colyn of Perfect 10, with Basie Claasen.

KALAI MOODLEY OF PERFECT 10 BALLITO WINS FASA'S FRANCHISEE OF THE YEAR AWARD

Winner of FASA's Franchisee of the Year Award Kalai Moodley has won this top award based on her understanding of the importance of having good systems and structures in place to run a successful franchise operation and by embracing her relationship with her franchisor, Imbalie Beauty. Above all, Kalai invests time and money into her team. She also contributes to her community and makes a difference every day. Says Kalai, "I make a concerted effort to employ excellent staff and supplement this with the intensive training offered by the Imbalie Beauty Group. I also make a point of paying above market-related salaries and commissions, and additionally offer a 13th cheque, which is virtually unheard of in the beauty industry. Creating a winning team has enabled me to attract and retain our large loyal client base. This has ensured that we have become a beauty destination of choice in a very short period of a year and a half."

With Ballito in KwaZulu-Natal being predominantly a 7 – 10 LSM market segment, the Perfect 10 outlet has a client base that cuts across all age groups, mainly female. The needs of their target market are essentially to look and feel good, and they fulfil that need by offering a professional beauty solution. In addition, almost all of Kalai's clients are seeking a quick, professional and excellent service and not a leisurely spa experience. "We cater to that need perfectly", says Kalai. "Our marketing efforts dovetail with those of the franchisor, but where they focus on national marketing, we focus on our local market. Our aim is to double our current client base by incentivising them to invite family and friends to experience a Perfect 10 Ballito experience, offering a variety of incentive promotions. By making sure we are highly visible in our community and also actively involved with them we create maximum outputs for all our marketing initiatives and in this way ensure that we get more feet through the doors."

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Hilda Lunderstedt (48)
Chairman
BSc (Pharm)

Hilda has over 12 years' experience in the health and beauty industry. After growing her healthcare business to a turnover of nine figures annually, it was sold to a large pharmaceutical company. Currently she focuses on investing in the health and beauty industries both locally and internationally and serves as non-executive director on the boards of various organisations. Hilda's strong entrepreneurial, marketing and strategic skills contribute towards the current expertise of the Group.

Theo Schoeman (50)
Lead independent
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 (40)
Independent
(Chairman of audit committee)
BCom Hons; CA (SA)

Mitesh 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.

Pumla Tladi (40)
Pumla has a BCom Degree from the University of Natal (Durban). She has 14 years of banking experience in the personal, SMME and Corporate lending areas of Nedbank, Standard Bank, Rand Merchant Bank (RMB) and Investec. Her specialities include property finance and structured lending.

She held the position of Gauteng Regional chairperson of the Women's Property Network (WPN) from 2008 to 2010 and has been affiliated to bodies such as the South African Institute of Black Property Professionals (SAIBPP) and Women in Finance (WIF). Phumla also holds a post graduate diploma In Property Development (PDP) which she obtained through UCT Graduate School of Business.

Wessel van der Merwe (45)
BCom Hons; CA (SA)

Wessel has accumulated more than 20 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 AltX 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.

EXECUTIVE DIRECTORS

Esna Colyn (47)
Chief executive officer
BCom Hons; CA (SA)

Esna has over 15 years' experience in investment banking, private equity and corporate finance. She started her career at Hoek & Wiehahn (today's PricewaterhouseCoopers) and subsequently joined PWC's corporate finance division. Two years later, Esna moved to ABN Amro Bank's financial control department where she assisted in establishing the company's foreign banking division in South Africa. She also spent three years at Investec Bank Limited's private equity division before gaining experience as a shareholder and director of a manufacturing concern. Esna later joined a small corporate finance business where she was instrumental in listing various companies on the JSE. In 2007 she assisted with the listing of Placecol Holdings Limited (now Imbalie Beauty Limited) and subsequently joined the group in May 2010 as CEO.

Melinda Malan (29)
Financial director
BCom Hons; CA (SA)

Melinda joined Imbalie Beauty in January 2011 and has demonstrated strong execution and leadership qualities.

She completed her articles at KPMG Inc. in December 2010 and joined the Imbalie Beauty Group as financial director. She has a special affinity with the beauty industry and is up to date with all the latest International Financial Reporting Standards.

1. HILDA LUNDERSTEDT

Non-executive chairman
Chairman of nomination committee

2. ESNA COLYN

Chief executive officer

3. MELINDA MALAN

Financial director

4. THEO SCHOEMAN

Lead independent non-executive

5. MITESH PATEL

Independent non-executive
Chairman of audit committee

6. PUMLA TLADI

Non-executive
Chairman of risk committee

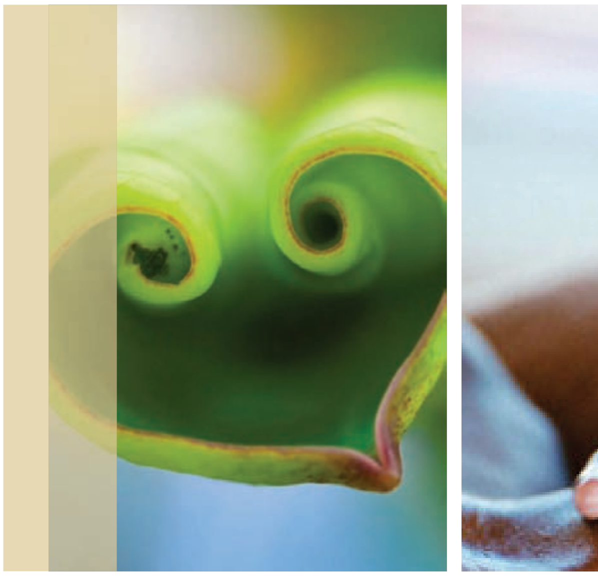
7. WESSEL VAN DER MERWE

Non-executive
Chairman of remuneration committee

COMMITTEE ICONS

Audit committee
Remuneration and nomination committee
Risk committee
Social and ethics committee

REPORT OF THE CHAIRMAN AND CEO



"To educate, uplift and develop leaders and their teams in business..."

REVIEW OF THE YEAR

The year under review was primarily a year where Imbalie Beauty has focused on its existing salon footprint and continued to strengthen the support structures for its franchisees. Imbalie Beauty's focus remained on the implementation of systems and procedures in the Group. The Company is committed to offer great support to its franchisees, which will ensure long-term sustainability.

Imbalie Beauty invested in and improved its support structures during 2014 to sustain and support the growth planned for the roll out of new salons in 2014/2015, in areas such as:

- Training: Imbalie Beauty offers business and beauty training to its franchisees and their employees, with six full time trainers employed by the Group. The Imbalie Beauty Training Academy trains on average 200 franchisees, managers, beauticians and nail technicians per month;
- Customer care: a newly established customer care division, with an emphasis on being a customer centric organisation;
- Marketing: strengthening of the marketing team, with a strong focus on Search Engine Optimisation platforms;
- Franchise business development: to make sure that the franchise business grows significantly during 2015;
- Franchise portal: commencement of the implementation of an Imbalie Beauty franchise portal to improve communication and efficiencies between the franchisor and franchisees;
- Product innovation: launch of cutting edge products, such as mobile applications; and
- Project management: to date the Group has facilitated and completed the renovations of more than 60 beauty salons within its franchise and own salon footprint.

OVERVIEW OF EACH SALON BRAND

Placecol

The Imbalie Beauty Group owns the Placecol skin care brand, a 34 year old skin care brand and the Placecol Skin Care Clinic salon brand. Since 2013 we have worked on "Project Butterflies", a project focusing on the improvement of the product formulations and packaging of the Placecol skin care brand. It is our intention to launch the upgraded skin care product range towards the latter part of the financial year. The Group has invested into innovation with the introduction of hair removal and skin rejuvenation technology into this franchise chain, which has increased the barriers to entry.

Dream Nails Beauty

The Dream Nails Group, which will celebrate its 30th anniversary in 2015, is currently undergoing a name change back from DNB to Dream Nails Beauty. Towards the end of 2012, the Group commenced with the transformation of its Dream Nails Beauty salons in line with its vision to have the most desirable beauty salons. The Dream Nails Beauty franchise chain has grown exceptionally well during the year and the brand was a finalist in the March 2014 FASA awards in the Franchisor of the Year category.

PERFECT 10 NAIL AND BODY STUDIOS

The Perfect 10 brand was launched as a branded "price competitive" modern nail and beauty franchise concept in 2003. Imbalie Beauty has since the acquisition in March 2012 focused on the integration of the Perfect 10 brand. We are comfortable that we have integrated the Perfect 10 franchise group into the Imbalie Beauty stable and are poised for significant growth. Perfect 10 Ballito in KwaZulu-Natal was the winner in the Franchisee of the Year category for FASA in March 2014.

FINANCIAL OVERVIEW

Group revenue increased by 22,2% to R87,4 million (2013: R71,5 million) during the year as a result of increased marketing, the sale of high technology equipment and increased royalty income earned from the existing and newly opened outlets in the Group. Gross profit increased by 21,2% to R53,1 million (2013: R43,8 million) and gross profit margins decreased by 0,5% to 60,8% (2013: 61,3%), due to currency weakening which had a negative effect on gross profit margins.

Operating expenses increased by 23,7% to R49,8 million (2013: R40,2 million), as a result of increased marketing and advertising efforts, which grew by 26% compared to the prior period and the repurchase of franchised stores from non-complying franchisees, which resulted in an increase in turnover, salaries and rent.

The most notable highlights of 2014 year were:

- The increase in Group revenue by 22,2%; and
- The positive impact experienced with the revamping and rebranding of salons, which resulted in an increase in system-wide sales of 14%.

The Group's growth in earnings and headline earnings was modest, as a direct result of the increase in operating expenses from the previous year. Earnings per share increased to 0,63 cents (2013: 0,57 cents), however headline earnings per share increased to 0,68 cents (2013: 0,58 cents).

Corporate outlets to the value of R10 million which are available for resale are included in inventories. It remains a priority for management to sell these outlets to franchisees in order to strengthen the cash flow of the Group.

The Group had no material capital commitments for the purchase of property, plant and equipment as at 28 February 2014.

PROSPECTS (INVESTMENTS AND TRENDS INFLUENCING OUR STRATEGY)

Imbalie Beauty foresees a bright future with the opening of more successful beauty salons, which will create more job opportunities in South Africa. Imbalie Beauty has a strong pipeline for the opening of new beauty salons in 2015.

Imbalie Beauty is on a continuous journey to innovate and offer better marketing, pricing and support structures to its franchisees. New technology will be implemented into the Group during 2015 to improve overall efficiencies and communication between the franchisor and franchisees.

Imbalie Beauty has successfully launched BIOEFFECT, the only product in the world that contains a replica of human growth factors, produced in plants into its one franchise group. Imbalie Beauty will continue to evaluate unique retail offerings for its franchise chains to ensure that the group enhances its overall customer experience.

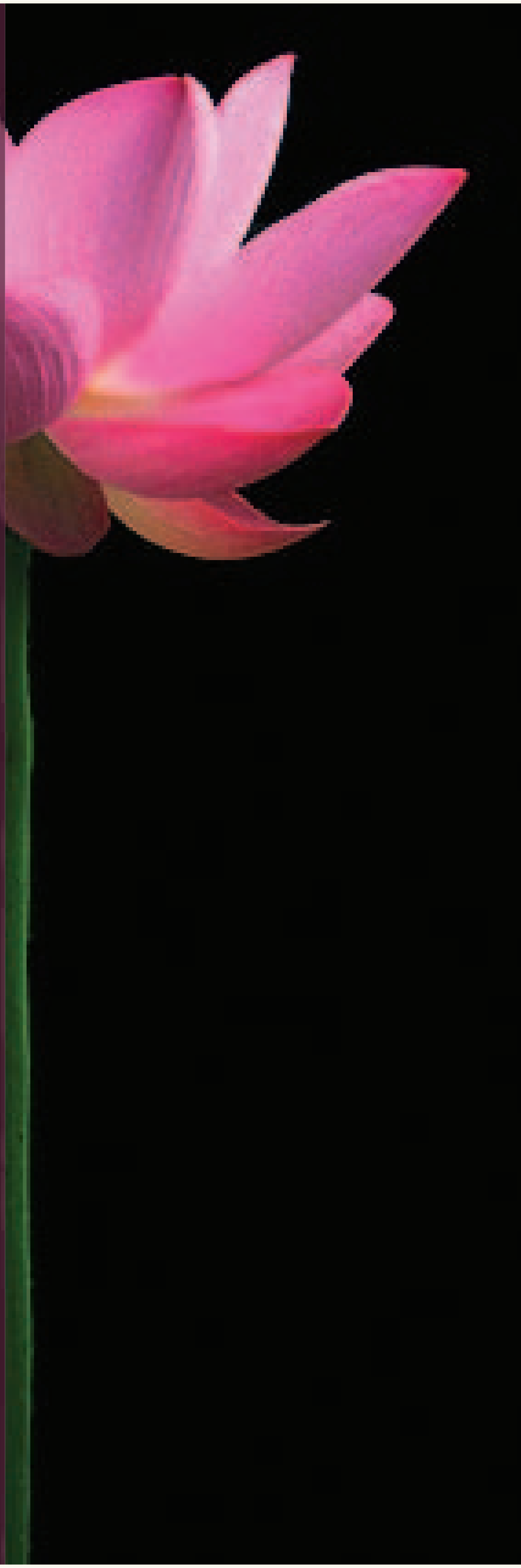
STRATEGY

Our strategy is aligned with our vision to be the largest and most desirable beauty franchise group. The management team is committed towards continuous innovation, the ongoing elevation of our people and our customers, to help them to feel better about themselves. We are here to serve our franchisees and customers and have to give attention to detail, to ensure that the customer has a memorable experience.

Ms HA Lunderstedt
Non-executive chairman

Ms E Colyn
Chief executive officer

Samrand
28 July 2014



GOVERNANCE

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The board of directors of the Company fully supports and subscribes to the principles of fairness, accountability, responsibility and transparency in all its dealings.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

It has been widely recognised that good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to external capital.

The board of directors of the Company fully supports this notion and subscribes to the principles of fairness, accountability, responsibility and transparency in all its dealings. It is acknowledged that these principles provide the platform to ensure quality decision-making and enhance the long-term prosperity of companies. At the same time what is essential for good governance is that directors apply their minds to what is in the best interest of the company from time to time. For this reason, the King Report on Corporate Governance for South Africa, 2009 (King III) is based on the principle of "apply or explain", expecting a board of directors to apply those recommendations it believes best serve the interests of the company and to explain where it does not apply some of the recommendations.

APPLICATION OF KING III WITHIN IMBALIE BEAUTY LIMITED

Imbalie Beauty remains committed to compliance with the regulatory requirements of sound corporate governance principles. The Company endorses the application of the principles recommended in the King III Report, and has been effectively implementing and reporting on a spectrum of governance principles, underpinned by the values of responsibility, accountability, fairness and transparency.

The following matrix was compiled to indicate the level of compliance based on the 27 main principles per Chapter 2 of King III.

A full report of our compliance with each of the King III principles is available on the Imbalie Beauty website: www.imbaliebeauty.co.za.

	Description of principle	Status	Comment
2.1	The board should act as the focal point for and custodian of corporate governance	Applied	The board has a Board Charter in place that details and governs the manner in which the business is to be conducted by the board in accordance with the principles of sound corporate governance.
2.2	The board should appreciate strategy, risk, performance and sustainability are inseparable	Applied	The board approved a strategy that is continuously being monitored by the executive committee.
2.3	The board should provide effective leadership based on an ethical foundation	Applied	The Board Charter regulates and deals with board leadership, and defines the separate responsibilities of the chairman and the chief executive and the role of the lead independent director.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	The social and ethics committee is regulating the responsible corporate citizenship.
2.5	The board should ensure that the company's ethics are managed effectively	Applied	Please see the paragraph on the social and ethics committee as part of the corporate governance report.
2.6	The board should ensure that the company has an effective and independent audit committee	Applied	Please see the paragraph on the audit committee as part of the corporate governance report.
2.7	The board should be responsible for the governance of risk	Applied	Please see the paragraph on the risk committee as part of the corporate governance report.

CORPORATE GOVERNANCE REPORT continued

	Description of principle	Status	Comment
2.8	The board should be responsible for information technology (IT) governance	Explained	The Group's IT structure is a standardised system and therefore the board is committed to comply with best practice. The IT steering committee charter was finalised during the period. The function currently fell within the portfolio of the information technology manager, who reported directly to the executive committee. The IT team was strengthened during the period to ensure the compliance as stated above.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The board as well as all the committees are dedicated to ensure compliance with applicable laws and consider adherence to non-binding rules, codes and standards. Compliance to applicable legislation forms part of the risk committee work plan.
2.10	The board should ensure that there is an effective risk-based internal audit	Explained	Due to the size of the Company and cost constraints, it did not have a formal appointed internal auditor and/or internal audit department. Internal audit related functions were fulfilled and various procedures and controls had been put in place to address discrepancies identified. The risk matrix and the risk committee monitor all internal controls and procedures to develop the combined assurance model. Formal reporting to the audit committee on the processes is done on a regular basis.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	The board notes the Group's stakeholders relationships on a regular basis.
2.12	The board should ensure the integrity of the company's integrated report	Partially applied	The Group is in the process of expanding and improving on sustainability reporting, this will however be a three to five year project.
2.13	The board should report on the effectiveness of the company's system of internal controls	Applied	Please see the paragraph on the audit committee as part of the corporate governance report.
2.14	The board and its directors should act in the best interests of the company	Applied	This forms part of the Board Charter, which is reviewed on an annual basis.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	N/A	Not applicable

	Description of principle	Status	Comment
2.16	The board should elect a chairman of the board who is an independent, non-executive chairman. The CEO of the company should not also fulfil the role of the chairman of the board	Explained	The chairman is not independent and a lead independent non-executive director is appointed.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	The CEO of the Company is Esna Colyn. Please see the report of the CEO on pages 6 and 7.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied	The board comprised seven directors, of whom only two are executive directors and five non-executive directors, three of whom are independent.
2.19	Directors should be appointed through a formal process	Applied	Please see the paragraph on the remuneration and nomination committee as part of the corporate governance report.
2.20	The induction of an on-going training and development of directors should be conducted through formal processes	Partially applied	The board will continue to focus on improvements and attend training courses for overall improvement.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	Please see the paragraph on the Company secretary as part of the corporate governance report.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	Applied	Self-assessments were completed for the period under review and the board will continue to focus on improvements.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	Please see the paragraphs on board committees, part of the corporate governance report.
2.24	A governance framework should be agreed between the group and its subsidiary boards	Applied	The governance framework forms part of the board work plan.
2.25	Companies should remunerate directors and executives fairly and responsibly	Applied	Please see the paragraph on the remuneration and nomination committee, part of the corporate governance report.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	Applied	Please see the annual financial statements.
2.27	Shareholders should approve the company's remuneration policy	Applied	The group's remuneration philosophy as set out on page 17 is included as a non-binding advisory vote.

CORPORATE GOVERNANCE REPORT continued

BOARD OF DIRECTORS

The board is the highest governing authority of the Company. The Board Charter articulates the objectives and responsibilities of the board (see below). Likewise, each of the board sub-committees operates in accordance with written terms of reference, which are regularly reviewed by the board. The board takes ultimate responsibility for the Company's adherence to sound corporate governance standards and sees to it that all business decisions and judgements are made with reasonable care, skill and diligence. 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.

In terms of the MOI, the number of directors shall not be less than four. At the date of issuing the integrated report the board comprised seven directors, of whom only two are executive directors and five non-executive directors, three of whom are independent. Advised by the remuneration and nominations committee, the board ensures that the election of independent directors falls on reputable persons of well-known competence and experience, who are willing to devote a sufficient part of their time to the Company.

Details of the directors in office as on 28 February 2014 appear on page 6 of this integrated report.

The roles of the chairman of the board and the chief executive officer (CEO) are kept separate. There is a clear division of responsibilities on the board which forms part of the policy to ensure a balance of power.

In 2014, GSJ van Nieuwenhuizen resigned as a director of the Company. Ms P Tladi was appointed as a director of the board on 1 April 2014. Ms Tladi was also appointed as member of the audit committee and chairman of the risk committee.

The board reviewed and approved the Board Charter to align it to the recommendation of King III. The Board Charter compels directors to promote the vision of the Company, while upholding sound principles of corporate governance. The Board Charter 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
- Oversee the Company's disclosure and communication process.

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;
- Conflict of interest;
- Access to professional advice;
- Whistleblowing policy; and
- Trading in Company shares.

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.

The board is required to meet at least four times a year. During 2013, it convened four times. 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 the board discharged its duties in a structured manner and that all governance issues are considered and appropriately dealt with in an annual cycle.

Summary attendance table of board meetings during the financial year ended 28 February 2014

Member	30/05/2013	25/06/2013	31/10/2013	06/02/2014
TJ Schoeman	A	P	P	P
MM Patel	P	P	P	P
E Colyn	P	P	P	P
HA Lunderstedt	P	P	P	P
G van Nieuwenhuizen	A	A	A	R
W van der Merwe	P	P#	P	P
M Malan	P	P	P	P

Key
P Present *A Apology* *R Resigned*
P# Via telecom

Executive directors' service contracts may be terminated with three months' notice. The daily management of the Group's affairs is the responsibility of the CEO. 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. The board is kept informed of all developments at the Company, primarily through the executive directors and the Company secretary.

In line with recommendations by King III, a self-assessment of the performance of the board and its committees was done following the year end and the results thereof were considered in order to identify areas for improvement.

COMPANY SECRETARY

The Company secretary is appointed and removed by the board. All directors have access to the advice and services of the Company secretary.

The certificate required to be signed in terms of section 88 of the Companies Act appears on page 26 of the annual financial statements.

iThemba Governance and Statutory Solutions Proprietary Limited (iThemba) is the appointed Company secretary and the board is satisfied that the directors of iThemba are appropriately qualified and competent to fulfil this function. As required in terms of the JSE Listings Requirements, the board has satisfied itself with the competence, qualifications and experience of the Company secretary by way of a formal review of these items. The board is further satisfied that the Company secretary maintained an arm's-length relationship with the board of directors.

CORPORATE GOVERNANCE REPORT continued

Committees operate in accordance with board approved terms of reference, as well as annual work plans, which are reviewed and updated on a regular basis to align them further with best practice.

iThemba is represented by Marianne Fourie (BCom; LLB) an admitted attorney of the High Court with general legal, compliance and company law experience acting as company secretary at board and committee meetings of various listed and other companies.

ROTATION AND RETIREMENT FROM THE BOARD

In accordance with the MOI, one-third of the non-executive directors shall retire from office at each annual general meeting and their re-appointment is subject to shareholders' approval. All non-executive directors are subject to retirement and re-election by shareholders every second year. In addition, all directors are subject to election by shareholders at the first opportunity after their initial appointments. The board, assisted by the remuneration and nominations committee, recommends the eligibility of retiring directors (subject to availability and their contribution to the business) for re-appointment. The directors retiring by rotation at the forthcoming annual general meeting are MM Patel, TJ Schoeman and HA Lunderstedt.

REMUNERATION

Details of directors' fees and remuneration are fully disclosed in note 32 to the financial statements.

In addition, the proposed fees to be paid to non-executive directors for approval by shareholders by way of a special resolution are set out in the notice of the annual general meeting forming part of this integrated report. Non-executive directors only receive remuneration that is due to them as members of the board. Directors serving as members on board sub-committees receive additional remuneration.

Remuneration of executive directors in their capacities as executive members of the management team as approved by the remuneration committee is fully disclosed in note 32 to the financial statements.

MONITORING OF PERFORMANCE

The chairman is appointed on an annual basis by the board, with the assistance of the remuneration and nominations committee. The nominating and governance committee assesses the independence of non-executive directors annually.

In 2013 a detailed self-assessment of the performance of the board and its committees was conducted in line with the latest recommendations by King III and the results thereof were considered in order to identify areas for improvement. The assessments found the structures and processes governing the board and its committees were well established and functioning satisfactorily. It also found that the board had fulfilled its role and responsibilities and had discharged its responsibility to the Company, shareholders and other stakeholders in an exemplary manner.

BOARD COMMITTEES

The board has established a number of standing committees with delegated authority from the board. Each committee has agreed terms of reference as approved by the board that address issues such as composition, duties, responsibilities and scope of authority.

Although the board delegates certain functions to these committees, it retains ultimate responsibility for their activities. Each board committee is chaired by a non-executive director.

Committees operate in accordance with board approved terms of reference, as well as annual work plans, which are reviewed and updated on a regular basis to align them further with best practice. The board appoints the chairmen and the members of these committees. In addition, the committees are required to evaluate their effectiveness and performance on an annual basis and to report the respective findings to the board for consideration. The board has an audit, risk, remuneration and nomination committee as well as a social and ethics committee. All these committees operate under board approved terms of reference.

Audit committee

The committee consisted of three independent non-executive directors throughout the financial year and membership and attendance at meetings is set out on page 16.

At the time of publishing the integrated report, the composition of the audit committee was as follows:

- Mr MM Patel (Chairman), Ms P Tladi and Mr TJ Schoeman.

Ms P Tladi was appointed after the last annual general meeting of the Company. Her appointment to the audit and risk committee is subject to the shareholders confirming her appointment as a director of the Company.

The relevant resolution for the appointment of the audit committee as required by the Act is set out in the notice of the annual general meeting as contained in this integrated report. The board is satisfied that the members as proposed for approval by shareholders meet the definition of non-executive directors, acting independently, as defined in the Act.

The audit committee has updated, formal board approved terms of reference. The board is satisfied that the committee has complied with these terms and with its legal and regulatory responsibilities as set out in the Act, King III and the JSE Listings Requirements. The terms of reference for the audit committee intend to ensure compliance with both governance recommendations and statutory requirements.

The board believes that the members collectively possess the knowledge and experience to exercise oversight of Imbalie Beauty financial management, external auditors, the quality of Imbalie Beauty financial controls, the preparation and evaluation of Imbalie Beauty financial statements and financial reporting. The board has established and maintains internal controls and procedures, which are reviewed on a regular basis. These are designed to manage the risk of business failures and to provide reasonable assurance against such failures but this is not a guarantee that such risks are eliminated.

It is the duty of this committee, among other things, to:

- Integrated reports
  - Evaluate any factors that may predispose the management to present an incomplete or misleading picture of the Company's position, performance or sustainability;
  - Monitor significant judgements and reporting decisions affecting the integrated report made by management;
  - Consider any evidence that comes to its attention that brings into question any previously published financial or sustainability information, including complaints about this information; and
  - Review forward-looking statements of financial or sustainability information to ensure that the information provides a proper appreciation of the key drivers that will enable the Company to achieve these forward-looking goals;
- Financials
  - Comment on the financial statements, the accounting practices and the internal financial control of the Company responsible for evaluating the significant judgements and reporting decisions affecting the Company;
  - Incorporate the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information and prospectuses, trading statements, circulars and similar documents;
  - Resolve the disagreements on auditing or accounting matters between the management and the external auditors; and
  - Make a statement on the going concern status of the Company;

CORPORATE GOVERNANCE REPORT continued

- Sustainability
  - Oversee the integrity of the integrated report; and
  - Assist the board in approving the disclosure of sustainability issues in the integrated report;
- Consider whether the external auditor should perform assurance procedures on interim results;
- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities;
- Satisfy itself of the expertise, resources and experience of the Company's finance function;
- Responsible for overseeing of internal audit;
- Oversee financial risk management and controls;
- Recommend the appointment of the external auditor and oversee the external audit process;
- Report to the board and shareholders on how it has discharged its duties;
- Review reports of external auditors;
- Evaluate the performance of the chief financial officer;
- Review and monitor the adequacy and effectiveness of the Company's enterprise-wide risk management policies, processes and mitigating strategies;
- Govern information technology (IT) and the effectiveness of the Company's information systems;
- Review and monitor quarterly and annual financial and operational reports, the annual financial statements and all other widely distributed documents; and
- Review and monitor compliance with applicable legislation, requirements of appropriate regulatory authorities.

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, ensuring that auditors are able to maintain their independence. 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 committee is responsible for recommending the appointment of a firm of external auditors to the board who in turn will recommend the appointment to the shareholders. The committee is also responsible for determining that the designated appointee has the necessary experience, qualifications and skills and that the audit fee is adequate.

The committee has, in addition to its other duties, also satisfied itself as to the appropriateness of the experience and expertise of the financial director as required in terms of the JSE Listings Requirements.

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

The statutory report of the committee as required by the Act can be found on page 25 of the integrated report.

Summary attendance table of members at the audit committee meetings during the financial year ended 28 February 2014

Member	23/05/2013	20/06/2013	24/10/2013	06/02/2014
MM Patel	P	P	P	P
TJ Schoeman	P	P	P	P
G van Nieuwenhuizen	A	A	A	P

Key
P Present *A Apology*

Remuneration and nomination committee

At the time of publishing the integrated report, the composition of the remuneration and nomination committee was as follows:

- Mr WP van der Merwe (chairman), Mr MM Patel and Ms HA Lunderstedt.

The committee is primarily responsible for assisting the board in formulating remuneration and other employment policies as well as the remuneration philosophy of Imbalie Beauty 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. The chairman of the board act as chairman of the combined committee in the event of the committee dealing with nomination related matters.

During 2014, it convened three times. The attendance of remuneration and nomination committee meetings during the past financial year is disclosed below.

Our salary structure is in accordance with Imbalie Beauty's overall reward philosophy.

Summary attendance table of members at the remuneration and nomination committee meetings during the financial year ended 28 February 2014

Member	23/05/2013	24/10/2012	06/02/2014
WP van der Merwe	P	P	P

Member	23/05/2013	24/10/2012	06/02/2014
MM Patel	P	P	P

Key
P Present

Remuneration philosophy

Our salary structure is in accordance with Imbalie Beauty's overall reward philosophy and is designed to:

- Enable the Company to attract, retain and motivate the right calibre of individuals so as to ensure that a consistent and high level of performance is achieved;
- Provides guidelines so that decisions are made timeously with confidence and integrity;
- Maintain fair, consistent and equitable total remuneration practices in alignment with Imbalie Beauty's core values;
- Foster individual development and teamwork;
- Encourage internal development of talent;
- Be flexible enough to adjust to changing economic conditions or market pressures and to the various operating unit needs; and
- Reinforce roles and accountabilities.

Risk committee

The main purpose of the risk committee is to assist the board in ensuring that management has an effective enterprise wide risk management process that identifies and monitors the management of the key risks facing the Company in an integrated and timely manner. It further provides oversight and advice to the board in relation to current and potential future risk exposures of the Group and future risk strategy, including determination of risk appetite and tolerance.

In line with corporate governance requirements, an annual assessment of the performance of the committee was conducted and reported back on 21 May 2014. The outcome of the assessment highlighted a small number of areas where improvement is warranted, particularly that the Company does not have an internal audit. The committee is comfortable that due to the size of the Company and the fact that the internal audit related functions were fulfilled through various procedures and controls, this risk is to a large extent, mitigated, in addition, the external auditors will in future include control testing as part of the annual audit and provide the committee with a formal report. The committee has resolved that all matters in which it scored a rating below 3 (satisfactory) out of a

CORPORATE GOVERNANCE REPORT continued

possible score of 4, required active focus and will be improved upon during the new financial year.

At the time of publishing the integrated report, the composition of the risk committee was as follows:

- Ms P Tladi (chairman), Ms E Colyn, Ms M Malan and Mr MM Patel.

Summary attendance table of members at the risk committee meetings during the financial year ended 28 February 2014

Member	24/10/ 2013	06/02/ 2014
MM Patel	P	P
E Colyn	P	P
M Malan	P	P
G van Nieu- wenhuizen	A	P

Key
P Present A Apology

Risk management
The risk committee is responsible for the governance of risk. The risk committee monitors the effectiveness of the Group's risk management processes.

Risks are identified by the key personnel and EXCO (Head of each department) is accountable and responsible for the management of the risks identified.

The Company's risk framework had been developed during the year. This culminated in the formation of the Company's risk management policy. In its initial phase, the policy was developed around active management of the Company's internal risks however, external (macro economic) risks are recognised and monitored.

A risk mitigation plan was developed to ensure the risks are managed and addressed on a regular basis. Each responsible person is in the process of performing detail testing on the risks. The risk committee together with management will also get an independent person/firm to perform testing and both parties will provide detailed feedback on the findings. The findings will be presented to the risk committee.

The risk matrix is developed for all key business areas including:

- Sales (revenue and sales);
- Outlet operations (customer care, IT and training);
- Distribution;
- Finance;
- Human resources;
- Franchise business development;
- Marketing
- Chief executive officer; and
- Board.

The risks identified in these key areas are documented (risk matrix), measured (risk mitigation plan, risk tolerance, materiality and heat map) and managed to ensure the risks are adequately addressed and action plans are already in place to mitigate the risks.

The tolerance levels as well as the internal materiality are approved and agreed upon to manage the effectiveness of the mitigation controls in place and to ensure these mitigation controls stay in place in the day-to-day operations of the business and the overall strategy of the business.

Risks are reported on a monthly basis to EXCO and on a quarterly basis to the risk committee. The information technology (IT) risks identified are also reported and included in the IT governance report that is reviewed by the risk committee.

Management is committed to continuously identify risks, improve on mitigation of the risks identified and to report to all relevant parties on a regular basis.

Social and ethics committee

The committee is statutory in terms of the Act.

It is the responsibility of this committee, to ensure, among other things, that:

- The Company discharges its statutory duties in respect of section 72 of the Act dealing with the structure and composition of board sub-committees;
- The Company upholds the goals of the Organisation of Economic Co-operation and Development (OECD) recommendations regarding corruption;
- The Company complies with the Employment Equity Act (as amended) and the Broad Based Black Economic Empowerment Act (as amended);
- The Company's directors and staff comply with the Company's Code of Ethics;
- The Company practises labour and employment policies that comply with the terms of the International Labour Organisation (ILO) protocol on decent work and working conditions;
- The Company ensures the continued training and skills development of its employees; and
- The Company performs its responsibilities in respect of social and ethics matters in line

with relevant policies and that these policies are reviewed on an annual basis, or as required.

At the time of publishing the integrated report, the composition of the social and ethics committee was as follows:

- Mr WP van der Merwe (chairman), Ms E Colyn and Ms M Malan.

Summary attendance table of members at the social and ethics committee meetings during the financial year ended 28 February 2014

Member	24/10/2013	06/02/2014
W van der Merwe	P	P
E Colyn	P	P
M Malan	P	P

Key

P Present

CLOSED PERIODS

The Company complies with the JSE Listings Requirements as far as closed periods are concerned and a specific policy has been 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 28 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.

STAKEHOLDER COMMUNICATION

The board recognises its duty to present a balanced and understandable assessment of the Company's position in reporting to stakeholders. Proactive 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 this opportunity to engage with the directors on matters concerning the affairs of the Group.

CODE OF CONDUCT

The Company's code of ethics requires all executives and employees to maintain the highest ethical standards. An anonymous whistle blowing facility allows for any unethical, fraudulent or dishonest behaviour to be reported. During the year no reports were received through this facility.

The Company takes ethical behaviour across all its operations very seriously and aims to create an environment where open communication is encouraged.

SOCIAL RESPONSIBILITY

People are at the core of the Imbalie Beauty Group. Our mission is to make a positive change in the world through self-improvement and self-empowerment, and by increasing the self-esteem of our customers. We aim to do this not only through services offered in our franchised beauty salons, but also by making a positive change by investing in our people, community and environment.

Any organisation is reliant on its employee, community and environment to make it successful. At Imbalie Beauty we strive to manage these relationships to produce an overall positive impact on society and to make a positive change in the world through self-improvement and self-empowerment, and by increasing the self-esteem of our customers.

Imbalie Beauty ensures its social sustainability by focusing on three prominent factors:

- Employee welfare
  - Labour practices and decent work environment
  - Human rights
- Community welfare
- The environment

EMPLOYEE WELFARE

At Imbalie Beauty we strive to keep our employees happy, as they are our beauty force, focused on our values and on achieving results. We value employee participation, we allow room for growth and promotion within and contribute to educational growth opportunities. We strive to make a positive change in their lives, so they can help us achieve our goals. We strive to make our employees happy by taking the following measures:

Labour practices and decent work environment

Employment: The Imbalie Beauty group has 201 employees spread throughout South Africa. All full-time employees have access to a pension fund.

Occupational health and safety: Imbalie Beauty complies with the regulatory requirements of employment and labour law for South African companies in terms of the International Labour Organisation Protocol on decent work and working conditions.

Training and education: Imbalie Beauty recognises the importance of ongoing development and training of its staff and continuously sends staff for training such as, VIP, HeadStart, Pastel, etc. Employees that show initiative and a passion for growth and development into a certain department are granted opportunities where Imbalie Beauty funds their studies in return for signing a working agreement for a certain period of time, or alternatively funding the course and making deductions from their salary on a month to month basis. For beauty therapists, nail technicians and franchisees the Company offers continuous training at our in-house training facility based in Centurion; this also includes the NSI learnership programme as described under the corporate social investment section of this integrated report. Employees have access to

study leave in order to take paid time off during exam periods. Management is freely approachable by all employees to discuss and investigate further education and training.

Human rights

Imbalie Beauty ensures it is compliant in terms of the Human Rights Principles, as set out by the United Nations Global Compact Principles. Imbalie Beauty supports and respects the protection of internationally proclaimed human rights. In future Imbalie Beauty will develop an explicit Company policy on human rights and provide effective training for their managers and their staff in international human rights and standards. Imbalie Beauty is not complicit in human rights abuse and endeavours to ensure that all suppliers that are used are not in any way complicit in human rights abuses and if any are, to sever all ties with them and report them to the authorities.

COMMUNITY WELFARE

Imbalie Beauty invests in the community by making a positive change in the world whilst working on achieving business goals.

Imbalie Beauty invests in the community through the following actions:

Learnership Programme: The Imbalie Beauty Learnership Programme is designed to give a learning opportunity to those who cannot afford to pay for any studies. The candidates who are chosen attend entry level nail system training including manicures and pedicures training, which progresses to NSI acrylic and gel systems. After they have trained and been carefully evaluated, Imbalie Beauty places these candidates in one of our desirable beauty salons such as Placecol Skin Care Clinic, Dream Nails Beauty Salon and Perfect 10 Nail and Body Studio.

Employment solutions: Imbalie Beauty utilises Employment Solutions for the packaging of treatment packs that are utilised in the salons during facial treatments. Employment Solutions is a unique non-profit organisation that supplies training and creates employment possibilities for persons with a variety of disabilities, including physical disabilities, mental challenges and hearing impairment, across all borders of our society.

Reach for a Dream

Reach for your Slippers and Reach for a Dream: Reach for a Dream approached Imbalie Beauty to be part of their "Reach for your Slippers" campaign for 2013 that was held on 2 August. Franchisees were encouraged to purchase stickers from head office at R10 per sticker. Head office invoiced the salons directly and paid the monies over to Reach for a Dream. At the franchisees' own discretion the stickers were sold to clients and staff at each outlet. All employees at head office also took part and made sure to wear slippers on the day. A total of over R11 340,00 was raised for the charity through this initiative. We will be participating in this campaign again in 2014.

Princess for a day and Reach for a Dream: Imbalie Beauty in association with Reach for a Dream had a special day where we treated 15 young underprivileged girls to a day of pampering resulting in creating 15 beautiful little princesses. The girls were treated to manicures

SOCIAL RESPONSIBILITY continued

and pedicures along with beautifully made up faces. We will be participating in this campaign again in 2014.

Saving the Rhino: We are aware that South Africa's rhinos are in crisis. Statistics show that since the start of the poaching epidemic in 2008 South Africa has lost over 2 600 rhinos. We are approaching the point where the number of rhinos poached a year are exceeding the number of new births. The sheer vastness and cruelty of what is happening out there is soul destroying. Imbalie Beauty is in the process of partnering with the SAB Boucher Rhino conservation foundation which is managed by SAB and Mark Boucher. The Imbalie Beauty group performs an average of 120 000 beauty treatments per month. Our proposal is to advertise a new "add on" beauty treatment to our current treatment menu of which R8,00 per treatment will be a contribution towards the SAB Boucher conservation programme.

The Tomorrow Trust: The Tomorrow Trust is a non-profit organisation providing education and holistic support to orphaned and vulnerable children in South Africa. Through a network of schools and grassroots-level organisations, or "key" organisations, the Tomorrow Trust identifies the children and youth most in need of educational intervention. These youth are then brought into the Tomorrow Trust's programmes where they receive personal attention to their individual learning and psychosocial needs, thereby filling the gaps in their education. By the time a learner leaves the Tomorrow Trust, he or she is a mature, career-ready individual. Imbalie Beauty shares the goals of the Tomorrow Trust and has recently formed a special relationship with the Tomorrow Trust and in future looks forward to helping the trust reach its goals.

Giving back: Imbalie Beauty enjoys contributing to a variety of other charity organisations such as CANSA, Tekkie Tax, POWA and Caring Daisies.

THE ENVIRONMENT

At Imbalie Beauty we strive to be sustainable in terms of reducing our impact on the environment and focusing on a total green environment. We strive to create a working environment where our employees focus on saving paper, recycling and minimising electricity usage and to be a completely paperless company in the near future.

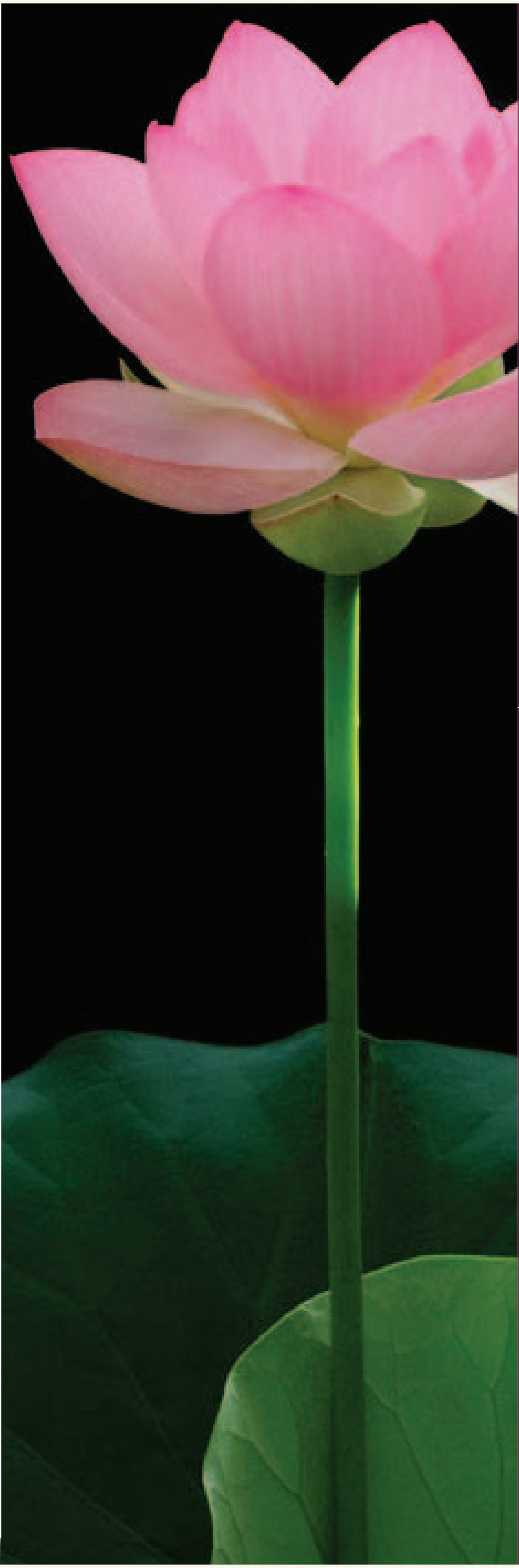
Materials, services and products: The materials used within the skin care ranges or services offered are not harmful to the environment or to the consumer and are in no way tested on animals. The formulas are scientifically developed and consumer orientated to ensure outcomes as stipulated and desired for each different product.

Energy: South Africa has seen a steep increase in the demand for electricity. The Department of Energy and Eskom have embarked on a campaign to reduce the use of electricity and create awareness on managing electricity. As part of this campaign Imbalie Beauty is aware of our responsibility to reduce our electricity consumption. Employees are urged to save on electricity by ensuring that electrical items are switched off when not in use and when leaving the office all non-essential electrical items are switched off.

Water: Similar plans for the use of water are and need to be continuously implemented within Imbalie Beauty. Each individual should be aware of his/her responsibility to save water and not waste this valuable resource. The Imbalie Beauty Exco is in the process of launching a head office campaign to improve overall business acumen, to train everyone to be aware of their individual usage of electricity, water and paper etc. This will not only help with profits but also assist with the Imbalie Beauty's initiative to start going green.

Imbalie Beauty ensures it is compliant in terms of the environment principles, as set out by the United Nations Global Compact Principles. Imbalie Beauty will in future endeavour to develop a code of conduct or practice for its operations and products that confirms commitment to care for health and the environment. Imbalie Beauty endeavours to work with suppliers to improve environmental performance, extending responsibility up the product chain and down the supply chain and co-operating with industry partners to ensure that use of environmentally sound technologies is implemented.

To conclude Imbalie Beauty is aware that social sustainability is an ongoing process and is constantly monitoring and assessing the impact of the business activity on social and environmental ecosystems to ensure we are reaching our business goals.



FINANCIALS

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 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 integrated 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 and their interpretations adopted by the International Accounting Standards Board, the Financial Reporting Guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants, Listings Requirements of the JSE and the Companies Act. 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 their interpretations adopted by the International Accounting Standards Board, the Financial Reporting Guides issued by the Accounting Practices Committee of South African Institute of Chartered Accountants and financial pronouncements as issued by the Financial Reporting Standards Council, Listing Requirements of the JSE and the Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 of directors 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 predetermined 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 auditing 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 29.

The annual financial statements set out on pages 30 to 72, which have been prepared on the going concern basis, were approved by the board of directors on 26 May 2014 and were signed on its behalf by:

Ms HA Lunderstedt
Non-executive chairman

Ms E Colyn
Chief executive officer

Samrand
28 July 2014

AUDIT COMMITTEE REPORT

BACKGROUND

The committee presents its report for the financial year ended 28 February 2014 as recommended by the King III report on Corporate Governance and in line with the Companies Act of South Africa, 2008 (Act 71 of 2008).

OBJECTIVE AND SCOPE

The overall objectives of the committee are as follows:

- To review the principles, policies and practices adopted in the preparation of the accounts of companies in the Group and to ensure that the annual financial statements of the Group and any other formal announcements relating to the financial performance comply with all statutory, regulatory and Imbalie Beauty Limited requirements as may be required;
- To ensure that the consolidated financial statements of the Group comply with all statutory, regulatory and Imbalie Beauty Limited requirements and similarly, that the financial information contained in any consolidated submissions to Imbalie Beauty Limited is suitable for inclusion in its consolidated financial statements;
- To annually assess the appointment of the external auditors and their independence, recommend their appointment and approve their fees;
- To review the work of the Group's external auditors to ensure the adequacy and effectiveness of the Group's financial controls;
- To review the management of risk and the monitoring of compliance effectiveness within the Group; and
- To perform duties that are attributed to it by the Act, the JSE and in future King III.

The committee performed the following activities:

- Received and reviewed reports from external auditors concerning the effectiveness of the internal control environment, systems and processes;
- Reviewed the reports of external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed;
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings;
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence; and
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - the audited results for the year ended 28 February 2014; and
  - the interim results for the six months ended 31 August 2013.

The audit committee is of the opinion that the objectives of the committee were met during the year under review.

Where weaknesses in specific controls had been identified, management undertook to implement appropriate corrective actions to mitigate the weakness identified.

MEMBERSHIP

During the course of the year, the membership of the committee comprised solely independent non-executive directors. They are Mitesh Patel (chairman), Theo Schoeman and Pumla Tladi.

EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditor of Imbalie Beauty Limited is independent as defined by the Act. The committee, in consultation with executive management, agreed to an audit fee for the 2014 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time.

There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services, and each engagement letter for such work is reviewed in accordance with set policy and procedure.

Meetings were held with the auditor where management was not present, and no matters of concern were raised.

The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Nexia SAB&T as the external auditor for the 2014 financial year.

ANNUAL FINANCIAL STATEMENTS

The audit committee has evaluated the consolidated annual financial statements for the year ended

AUDIT COMMITTEE REPORT continued

28 February 2014 and considers that it complies, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

COMPANIES ACT

The audit committee together with the board and management has taken appropriate steps to ensure that the Company has processes in place to comply fully with the Companies Act of South Africa, 2008 (Act 71 of 2008), before financial year ended 28 February 2014.

Mitesh Patel
Audit committee chairman

Samrand
28 July 2014

DECLARATION BY THE COMPANY SECRETARY

I certify, in my capacity as Company secretary and in accordance with section 88 of the Companies Act of South Africa, 2008 (Act 71 of 2008), as amended, that for the year ended 28 February 2014 the Company has lodged with the Registrar of Companies all such returns as are required from a public company in terms of the Act and that these returns are true, correct and up to date.

Marianne Fourie
For: iThemba Governance and Statutory Solutions Proprietary Limited
Company secretary

Samrand
28 July 2014

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of Imbalie Beauty Limited and its subsidiaries for the year ended 28 February 2014.

NATURE OF BUSINESS

Imbalie Beauty Limited and its subsidiaries is a franchisor, retailer and service provider of skin care, nail care and other beauty products incorporated in South Africa.
The Group operates principally in South Africa.

REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

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

AUTHORISED AND ISSUED SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

DIVIDENDS

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

DIRECTORS

The directors in office at the date of this integrated report are as follows:

Directors

Ms HA Lunderstedt	Non-executive chairman
Mr TJ Schoeman	Lead independent non-executive director
Mr MM Patel	Independent non-executive director
Mr GSJ van Nieuwenhuizen	Independent non-executive director (resigned 6 February 2014)
Mr WP van der Merwe	Non-executive director
Ms E Colyn	Chief executive officer
Ms M Malan	Financial director

DIRECTORS' INTERESTS IN COMPANY SHARES

The following directors of the Company held direct and indirect interest in the issued share capital of the Company at 28 February 2014 as set out below:

Interests in shares

	2014		
	Direct	Indirect	Percentage holding
Director			
Ms HA Lunderstedt (Non-executive chairman)	–	78 125 000	22,6
Mr TJ Schoeman (Lead independent non-executive director)	–	73 500	–
Mr WP van der Merwe (Non-executive director)	–	66 965 675	19,4
Ms E Colyn (Chief executive officer)	35 171 549	–	10,1
Ms M Malan (Financial director)	83 334	–	–
	35 254 883	145 164 175	52,1

There were no movements on the above since the date of the integrated report.

NON-CURRENT ASSETS

There were no significant changes in non-current assets during the financial year under review.

DIRECTORS' REPORT continued

INTERESTS IN SUBSIDIARIES

	Interest 2014 %	Interest 2013 %	Net income/(loss) after tax 2014 R
Name of subsidiaries			
Placecol Fresh Beauty Proprietary Limited	**100**	100	**1 188 489**
Placecol Skin Care Clinic Proprietary Limited	**100**	100	**(550 262)**
Dream Nails Beauty Proprietary Limited	**100**	100	**410 362**
Enjoy Beauty Proprietary Limited	**100**	100	**963 050**
Imbalie Innovvation Proprietary Limited	**100**	100	**82 866**
Imbalie Beauty Training Academy Proprietary Limited	**100**	100	**27 105**

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

BORROWING LIMITATIONS

In terms of the Memorandum of Incorporation of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate.

SPECIAL RESOLUTIONS

Special resolutions passed for Imbalie Beauty Limited and its subsidiaries:

- Special Resolution 1: General authority to repurchase shares
- Special Resolution 2: Directors' remuneration
- Special Resolution 3: Financial assistance to related and inter-related companies.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter or circumstance arising since the end of the financial year that has a material impact on the annual financial statements.

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.

AUDITORS

Nexia SAB&T Registered auditors continued in office in accordance with section 90 of the Companies Act.

SECRETARY

The Company secretary is iThemba Governance and Statutory Solutions Proprietary Limited.

Postal address
PO Box 25160
Monument Park 0105

Business address
Monument Office Park Block 5
Suite 5, 79 Steenbok Avenue
Monument Park 0105

FINANCIAL STATEMENTS

The annual results and financial position of the Group and Company are set out on pages 30 to 72.

The audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), the Financial Reporting Guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants and financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited (JSE) and the Companies Act, remain consistent with those applied in the prior year.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Imbalie Beauty Limited and its subsidiaries

We have audited the consolidated and separate annual financial statements of Imbalie Beauty Limited and its subsidiaries, as set out on pages 30 to 72, which comprise the statement of financial position as at 28 February 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate annual financial statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate annual financial statements present fairly, in all material respects, the financial position of the Group and Company as at 28 February 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate annual financial statements for the year ended 28 February 2014, we have read the directors' report, the audit committee's report and Company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate annual audited financial statements. These reports are the responsibility of the respective preparer. However, we have not audited these reports and accordingly do not express an opinion thereon.

Nexia SAB&T

Nexia SAB&T
Registered auditors
Per: Aneel Darmalingam

Centurion
26 May 2014

STATEMENT OF FINANCIAL POSITION

as at 28 February

		GROUP		COMPANY	
Figures in Rand	Note	**2014**	2013	**2014**	2013
ASSETS					
Non-current assets		**36 107 499**	37 705 453	**18 739 246**	18 979 348
Property, plant and equipment	3	**3 792 555**	4 380 142	**–**	–
Goodwill	4	**6 808 807**	6 808 807	**–**	–
Intangible assets	5	**15 756 803**	15 610 592	**82 360**	85 237
Investments in subsidiaries	6	**–**	–	**16 570 376**	16 570 376
Other financial assets	8	**–**	770 052	**–**	–
Deferred tax	10	**9 749 334**	10 135 860	**2 086 510**	2 323 735
Current assets		**32 137 856**	28 060 730	**36 285 005**	35 350 759
Inventories	11	**19 789 386**	15 561 816	**–**	–
Loans to group companies	7	**–**	–	**36 234 004**	35 122 461
Other financial assets	8	**1 389 867**	2 117 793	**50 000**	227 298
Current tax receivable	10	**86 276**	86 276	**–**	–
Trade and other receivables	12	**10 575 218**	9 959 625	**–**	–
Cash and cash equivalents	13	**297 109**	335 220	**1 001**	1 000
Total assets		**68 245 355**	65 766 183	**55 024 251**	54 330 107
EQUITY AND LIABILITIES					
Equity		**43 855 880**	41 662 567	**54 940 113**	54 330 107
Share capital	14	**67 330 461**	67 330 461	**67 330 461**	67 330 461
Reserves	15	**162 665**	162 665	**–**	–
Accumulated loss		**(23 637 246)**	(25 830 559)	**(12 390 348)**	(13 000 354)
Liabilities					
Non-current liabilities		**5 893 469**	8 460 955	**–**	–
Other financial liabilities	16	**5 657 160**	8 395 943	**–**	–
Deferred tax	10	**236 309**	65 012	**–**	–
Current liabilities		**18 496 007**	15 642 661	**84 137**	–
Other financial liabilities	16	**4 211 834**	3 269 212	**–**	–
Current tax payable		**–**	9 097	**–**	–
Operating lease liability		**369 625**	222 141	**–**	–
Trade and other payables	17	**9 614 744**	8 217 208	**–**	–
Bank overdraft	13	**4 299 804**	3 925 003	**84 137**	–
Total liabilities		**24 389 476**	24 103 616	**84 137**	–
Total equity and liabilities		**68 245 356**	65 766 183	**55 024 250**	54 330 107

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February

		GROUP		COMPANY	
Figures in Rand	Note	**2014**	2013	**2014**	2013
Revenue	19	**87 381 064**	71 486 512	**1 113 664**	2 421 270
Cost of sales	20	**(34 238 139)**	(27 652 691)	**–**	–
Gross profit		**53 142 925**	43 833 821	**1 113 664**	2 421 270
Other income		**1 120 676**	1 363 184	**–**	–
Operating expenses		**(50 639 486)**	(41 170 097)	**(265 686)**	(927 250)
Operating profit	21	**3 624 115**	4 026 908	**847 978**	1 494 020
Investment revenue	22	**38 629**	69 845	**1**	27 340
Finance costs	23	**(911 605)**	(1 080 012)	**(748)**	–
Profit before taxation		**2 751 139**	3 016 741	**847 231**	1 521 360
Taxation	24	**(557 826)**	(1 031 682)	**(237 225)**	(431 036)
Profit for the year		**2 193 313**	1 985 059	**610 006**	1 090 324
Other comprehensive income:					
Revaluation surplus net of taxation		**–**	162 665	**–**	–
Total comprehensive income for the year		**2 193 313**	2 147 724	**610 006**	1 090 324
Earnings per share					
Basic earnings per share (cents)	26	**0,63**	0,57	**–**	–
Diluted earnings per share (cents)	26	**0,63**	0,57	**–**	–

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February

Figures in Rand	Share capital	Share premium	Total share capital	Revaluation reserve	Accumu-lated loss	Total equity
GROUP						
Balance at 1 March 2012	23 617	49 806 844	49 830 461	–	(27 815 618)	22 014 843
Profit for the year	–	–	–	–	1 985 059	1 985 059
Other comprehensive income:						
Revaluation surplus on property, plant and equipment	–	–	–	162 665	–	162 665
Total comprehensive income for the year	–	–	–	162 665	1 985 059	2 147 724
Issue of shares	17 500 000	–	17 500 000	–	–	17 500 000
Total contributions by and distributions to owners of Company recognised directly in equity	17 500 000	–	17 500 000	–	–	17 500 000
Balance at 1 March 2013	**17 523 617**	**49 806 844**	**67 330 461**	**162 665**	**(25 830 559)**	**41 662 567**
Profit for the year	**–**	**–**	**–**	**–**	**2 193 313**	**2 193 313**
Other comprehensive income:	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**2 193 313**	**2 193 313**
Balance at 28 February 2014	**17 523 617**	**49 806 844**	**67 330 461**	**162 665**	**(23 637 246)**	**43 855 880**
Note(s)	14	14	14	15		
COMPANY						
Balance at 1 March 2012	23 617	49 806 844	49 830 461	–	(14 090 678)	35 739 783
Profit for the year	–	–	–	–	1 090 324	1 090 324
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	1 090 324	1 090 324
Issue of shares	17 500 000	–	17 500 000	–	–	17 500 000
Total contributions by and distributions to owners of Company recognised directly in equity	17 500 000	–	17 500 000	–	–	17 500 000
Balance at 1 March 2013	**17 523 617**	**49 806 844**	**67 330 461**	**–**	**(13 000 354)**	**54 330 107**
Profit for the year	**–**	**–**	**–**	**–**	**610 006**	**610 006**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**610 006**	**610 006**
Balance at 28 February 2014	**17 523 617**	**49 806 844**	**67 330 461**	**–**	**(12 390 348)**	**54 940 113**
Note(s)	14	14	14	15		

STATEMENT OF CASH FLOWS

for the year ended 28 February

		GROUP		COMPANY	
Figures in Rand	Note	**2014**	2013	**2014**	2013
Cash flows from operating activities					
Cash generated from operations	27	**1 380 511**	3 217 688	**857 736**	1 506 368
Interest income		**38 629**	69 845	**1**	27 340
Finance costs		**(911 605)**	(1 040 616)	**(748)**	–
Tax paid	28	**(9 100)**	(365 973)	**–**	–
Net cash from operating activities		**498 435**	1 880 944	**856 989**	1 533 708
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(365 831)**	(231 215)	**–**	–
Proceeds from disposal of property, plant and equipment		**86 442**	163 432	**–**	–
Purchase of intangible assets	5	**(333 776)**	(925 254)	**(6 881)**	(1 811 975)
Loans to Group companies		**–**	–	**(1 111 543)**	(12 818 056)
Proceeds from financial assets		**1 497 979**	92 114	**177 298**	–
Net cash from/(used in) investing activities		**884 814**	(900 923)	**(941 126)**	(14 630 031)
Cash flows from financing activities					
Proceeds from share issue		**–**	3 150 000	**–**	17 500 000
Repayment of other financial liabilities		**(1 796 161)**	–	**–**	(244 000)
Proceeds from other financial liabilities		**–**	2 077 492	**–**	–
Repayment of shareholders' loan		**–**	(5 218 398)	**–**	(4 198 398)
Repayment of finance lease obligations		**–**	(39 396)	**–**	–
Net cash (utilised in)/from financing activities		**(1 796 161)**	(30 302)	**–**	13 057 602
Total cash movement for the year		**(412 912)**	949 719	**(84 137)**	(38 721)
Cash at the beginning of the year		**(3 589 783)**	(4 539 502)	**1 000**	39 721
Total cash at the end of the year	13	**(4 002 695)**	(3 589 783)	**(83 137)**	1 000

ACCOUNTING POLICIES

for the year ended 28 February 2014

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretations adopted by the International Accounting Standards Board, the Financial Reporting Guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants, the Listings Requirements of the JSE Limited and the Companies Act. The annual financial statements have been prepared on the historical cost basis, except for the cash flow information which is measured on a cash basis, and land and buildings, which is measured at fair value, and incorporate the principal accounting policies set out below.

Except for the adoption of the new and revised accounting standards, the principal accounting policies of the Group are consistent with those applied in the audited consolidated financial statements for the year ended 28 February 2013.

The annual financial statements are presented in South African Rands, which is the Company's functional currency.

Standards and Interpretations effective in 2015

A full list of standards that will become effective in the next financial year is disclosed in note 2.

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 over the investee, exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of the investor's returns.

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 the 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

Imbalie Beauty Limited and its subsidiaries determines whether a transaction or other event is a business combination by applying the definition in accordance with IFRS 3 which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the reporting entity accounts for the transaction or other event as an asset acquisition.

The Group accounts for each business combination by applying the acquisition method. Applying the acquisition method requires:

- identifying the acquirer;
- determining the acquisition date;
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- recognising and measuring goodwill or a gain from a bargain purchase.

The Company (acquirer) measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

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.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not effected against goodwill, unless they can be accurately measured in the period.

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.

The Group reconsiders the application of acquisition accounting for business combinations in accordance with IFRS 3. Major changes relating to the measurement of the non-controlling interests, the accounting for business combinations are achieved in stages; this will include treatment of contingent consideration and acquisition-related costs. Non-controlling interests are measured at their fair value (full-goodwill method). Any previously held equity interest in the acquiree identified in these stages is revalued to its acquisition date fair value. Any changes to contingent consideration classified as a liability at the acquisition date are recognised in profit and loss. Acquisition-related costs are expensed in the period incurred.

The Group recognises as of the acquisition date a contingent liability assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

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.

For each business combination, the acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

- fair value; or
- the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRS.

Non-controlling interests arising from a business combination are 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 in 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.

Upon disposal, the attributable carrying value of goodwill is included in the calculation of the profit or loss on disposal.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. Investments in subsidiaries are carried at cost less impairment adjustments in the Company's separate financial statements.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and

ACCOUNTING POLICIES continued

for the year ended 28 February 2014

assumptions that affect the amounts represented in the annual financial statements and related disclosures. Management uses the most relevant information that is available 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:

Trade receivables and loans and receivables

The Group assesses its trade receivables and loans and 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.

The impairment for trade receivables and loans and receivables is calculated on an asset by asset basis, based on historical loss ratios and other indicators present at the reporting date that correlate with defaults on the portfolio.

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 is made. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The carrying values 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 17% that are available to the Group for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Goodwill

Goodwill is initially measured at cost, being the excess of the purchase consideration over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Subsequently, goodwill is carried at a cost less any accumulated impairment. Goodwill is tested annually for impairment. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Property, plant and equipment and intangible assets

Management has applied its judgement in assessing the useful life and the residual value of property, plant and equipment and intangible assets as presented in the accounting policies. The residual values, useful lives and depreciation methods applied to assets are reviewed at each financial year-end based on relevant market information and management consideration.

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; and
- 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.

Revaluations are made with sufficient regularity with regard to land and buildings such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised initially against the revaluation surplus and once the total revaluation surplus is utilised the remainder against profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Land and buildings is revalued once a year.

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

Item	Average useful life
Land	Indefinite
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
Leasehold improvements	Period of lease
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

ACCOUNTING POLICIES continued

for the year ended 28 February 2014

are attributable to the asset will flow to the entity; and

- the cost of the asset can be measured reliably.

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

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; and
- 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.

Reassessing 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.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values, which are assessed annually, as follows:

Item	Useful life
Trademark and website costs	10 years
Perfect 10 trademark and franchise agreements	Indefinite
Computer software	3 years

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.

1.6 Financial instruments

Classification

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

- Loans and receivables; and
- 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.

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.

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

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when its contractual obligations are discharged or cancelled or expire.

Fair value determination

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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.

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 measured at amortised cost.

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

Loans to shareholders

These financial assets are classified as loans and receivables and are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost.

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable 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 measured at fair value and subsequently at amortised cost.

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

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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.

Other financial liabilities

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

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; and
- 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; and
- 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 to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The directors assessed that the tax losses will be recovered based on profitability forecasts.

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.

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; 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 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.

Any contingent rents are expensed in the period they are incurred.

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 is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Inventory consists of stock on hand and stores held for sale in the ordinary course of business.

When inventories are sold, the carrying amounts 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, is 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; and
- 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 to the extent of any revaluation asset surplus recognised on the asset.

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.

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.

The 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.

Ordinary shares are classified as equity.

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.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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; and
- 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. Future expenditure is discounted at the pre-tax discount rate reflecting the market assessment of the time value of money adjusted for risks associated with the obligation.

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 the entity has a contract that is onerous, the present obligation under the contract shall be recognised at the lower of costs to fulfil the contract and measured as a provision.

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 30.

1.14 Earnings per share and headline earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for any dilutive effects.

The calculation of headline earnings per share is based on the net profit attributable to equity holders, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year.

The presentation of headline earnings is not an IFRS requirement, but is required by the JSE Limited.

1.15 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.

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.

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

1.16 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.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings; and
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the

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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; and
- 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.

1.19 Statement of cash flows

The statement of cash flows is prepared on the indirect method.

1.20 Segmental reporting

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker.

Therefore the Group determines and presents its operating segments based on the information that is internally provided to the chief executive officer, who is the chief operating decision maker.

Furthermore a segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of the other segments.

The Group does not have different operating segments. The business is conducted in South Africa and is managed at a central head office with no branches. The Group is managed as one operating unit.

All revenues from external customers originate in South Africa.

The standard on segment reporting will not be implemented as Imbalie Beauty Limited has only one segment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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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:

IFRS 10 Consolidated Financial Statements

The standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

The effective date of the standard is for years beginning on or after 1 January 2013.

The Group has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

IAS 27 Separate Financial Statements

Consequential amendment as a result of IFRS 10. The amended standard now only deals with separate financial statements.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non Monetary Contributions by Venturers. The standard defines a joint arrangement as existing only when decisions about relevant activities require the unanimous consent of the parties sharing joint control in terms of a contractual arrangement. The standard identifies two types of joint arrangements as:

- joint operations which exist when the entities sharing joint control have direct rights to the assets and obligations for the liabilities of the joint arrangements. In such cases the joint operators recognise their share of the assets and liabilities and profits and losses of the joint arrangements in their financial statements; and
- joint operations which exist when the entities sharing joint control have direct rights to the assets and obligations for the liabilities of the joint arrangements. In such cases the joint operators recognise their share of the assets and liabilities and profits and losses of the joint arrangements in their financial statements.

The effective date of the standard is for years beginning on or after 1 January 2013.

The Group has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

IFRS 12 Disclosure of Interests in Other Entities

The standard sets out disclosure requirements for investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 1 January 2013.

The Group has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRSs.

The effective date of the standard is for years beginning on or after 1 January 2013.

The Group has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

IAS 1 Presentation of Financial Statements

The amendment now requires items of other comprehensive income to be presented as:

- those which will be reclassified to profit or loss; and
- those which will not be reclassified to profit or loss.

The related tax disclosures are also required to follow the presentation allocation.

In addition, the amendment changed the name of the statement of comprehensive income to the statement of profit or loss and other comprehensive income.

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for the year ended 28 February 2014

The effective date of the amendment is for years beginning on or after 1 July 2012 and 1 January 2013.

The Group has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IAS 19 Employee Benefits Revised

- Requires recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements;
- Introduces enhanced disclosures about defined benefit plans;
- Modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affects the recognition and measurement of termination benefits; and
- Clarification of miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendment requires additional disclosures for financial assets and liabilities which are offset and for financial instruments subject to master netting arrangements.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IAS 16 Annual Improvements for 2009 – 2011 cycle

Spare parts, stand-by equipment and servicing equipment should only be classified as property, plant and equipment if they meet the definition.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IAS 32 Annual Improvements for 2009 – 2011 cycle

Tax effects of distributions made to holders of equity instruments. Income tax relating to distributions made to holders of equity instruments and tax effects of transaction costs of equity transactions must be accounted for in accordance with IAS 12 Income Taxes.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IAS 34 Annual Improvements for 2009 – 2011 cycle

Clarification on reporting of segment assets and segment liabilities in interim financial reports. Such reporting is only required when it is regularly reported to the chief operating decision maker, and when there has been a material change from the previous annual financial statements.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

2.2 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 2014 or later periods:

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost;
- Financial assets at amortised cost are those financial assets

where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value;

- Under certain circumstances, financial assets may be designated as at fair value;
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply;
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model;
- Financial liabilities shall not be reclassified;
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment;
- IFRS 9 does not allow for investments in equity instruments to be measured at cost; and
- The classification categories for financial liabilities remain unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liability's credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group expects to adopt the standard for the first time in the 2019 annual financial statements.

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

IAS 16 Annual Improvements for 2010 – 2012 cycle

Amendments to the revaluation method – proportionate restatement of accumulated depreciation.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRSs.

The effective date of the standard is for years beginning on or after 1 July 2014.

The Group expects to adopt the standard for the first time in the 2016 annual financial statements.

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

IAS 24 Related Party Disclosures (Revised)

Annual Improvements 2010 – 2012 cycle: amendments to the definitions and disclosure requirements for key management personnel.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

IFRS 2 Share-based Payments

Annual Improvements 2010 – 2012 cycle: Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

IFRS 3 Business Combinations

Annual Improvements 2010 – 2012 cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9.

Annual Improvements 2011 – 2013 cycle: Amendments to the scope paragraph for the formation of a joint arrangement.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

IFRS 8 Operating Segments

Annual Improvements 2010 – 2012 cycle: Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

IAS 19 Employee Benefits

Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

IAS 38 Intangible Assets

Annual Improvements 2010 – 2012 cycle: Amendments to the revaluation method – proportionate restatement of accumulated depreciation.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

IAS 40 Investment Property

Annual Improvements 2011 – 2013 cycle: Amendments to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

3. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	2014 Cost/ valuation	2014 Accumulated depreciation	2014 Carrying value	2013 Cost/ valuation	2013 Accumulated depreciation	2013 Carrying value
GROUP						
Land and buildings	**1 700 000**	**–**	**1 700 000**	1 700 000	–	1 700 000
Plant and machinery	**–**	**–**	**–**	369	–	369
Furniture and fixtures	**991 282**	**(573 596)**	**417 686**	944 980	(569 560)	375 420
Motor vehicles	**927 062**	**(535 114)**	**391 948**	1 056 074	(602 673)	453 401
Office equipment	**739 030**	**(536 675)**	**202 355**	828 721	(526 097)	302 624
IT equipment	**944 854**	**(685 237)**	**259 617**	1 262 862	(930 290)	332 572
Leasehold improvements	**50 811**	**(27 835)**	**22 976**	71 599	(43 340)	28 259
Laser equipment	**3 093 281**	**(2 347 813)**	**745 468**	3 732 980	(2 574 865)	1 158 115
Promotional equipment	**52 505**	**–**	**52 505**	53 779	(24 397)	29 382
Total	**8 498 825**	**(4 706 270)**	**3 792 555**	9 651 364	(5 271 222)	4 380 142
COMPANY						
Office equipment	**–**	**–**	**–**	6 129	(6 129)	–
IT equipment	**–**	**–**	**–**	5 499	(5 499)	–
Total	**–**	**–**	**–**	11 628	(11 628)	–

Reconciliation of property, plant and equipment – Group – 2014

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	**1 700 000**	**–**	**–**	**–**	**1 700 000**
Plant and machinery	**369**	**–**	**(369)**	**–**	**–**
Furniture and fixtures	**375 420**	**157 469**	**(24 416)**	**(90 787)**	**417 686**
Motor vehicles	**453 401**	**141 524**	**(116 149)**	**(86 828)**	**391 948**
Office equipment	**302 624**	**5 052**	**(11 913)**	**(93 408)**	**202 355**
IT equipment	**332 572**	**19 566**	**(49 316)**	**(43 205)**	**259 617**
Leasehold improvements	**28 259**	**–**	**(223)**	**(5 060)**	**22 976**
Laser equipment	**1 158 115**	**–**	**(65 681)**	**(346 966)**	**745 468**
Promotional equipment	**29 382**	**42 220**	**(19 097)**	**–**	**52 505**
	4 380 142	**365 831**	**(287 164)**	**(666 254)**	**3 792 555**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 28 February

3. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment – Group – 2013

Figures in Rand	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land and buildings	1 500 000	–	–	200 000	–	1 700 000
Plant and machinery	369	–	–	–	–	369
Furniture and fixtures	365 842	87 057	(479)	–	(77 000)	375 420
Motor vehicles	612 096	70 175	(120 482)	–	(108 388)	453 401
Office equipment	402 431	4 596	–	–	(104 403)	302 624
IT equipment	390 129	40 128	(27 192)	–	(70 493)	332 572
Leasehold improvements	33 442	–	–	–	(5 183)	28 259
Laser equipment	1 553 165	–	(15 279)	–	(379 771)	1 158 115
Promotional equipment	123	29 259	–	–	–	29 382
	4 857 597	231 215	(163 432)	200 000	(745 238)	4 380 142

Reconciliation of property, plant and equipment – Company – 2013

Figures in Rand	Opening balance	Depreciation	Total
Office equipment	3 320	(3 320)	–
IT equipment	1	(1)	–
	3 321	(3 321)	–

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Pledged as security				
Carrying value of assets pledged as security:				
Details of properties				
Sandolien Complex Unit no 49 The Hoewes Ext 187, Centurion				
Land: cost	**180 000**	180 000	**–**	–
Building: cost	**420 000**	420 000	**–**	–
Revaluation	**150 000**	150 000	**–**	–
Balance at year-end	**750 000**	750 000	**–**	–
Carnegie Park Unit no 24 Hennopspark Ext 9, Centurion				
Land: cost	**250 000**	250 000	**–**	–
Building: cost	**650 000**	650 000	**–**	–
Revaluation	**50 000**	50 000	**–**	–
Balance at year-end	**950 000**	950 000	**–**	–

3. PROPERTY, PLANT AND EQUIPMENT continued

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
The carrying values of the assets encumbered are as follows:				
Land and buildings	**1 700 000**	1 700 000	**–**	–
Motor vehicles	**391 948**	453 401	**–**	–
IT equipment	**259 617**	71 464	**–**	–
	2 351 565	2 224 865	**–**	–

The effective date of the revaluations was 28 February 2014. Revaluations were performed by an independent valuer, Absa Bank Limited who is independent from the Group, at 28 February 2013. The directors performed a valuation at 28 February 2014.

4. GOODWILL

	2014			2013		
Figures in Rand	**Cost**	**Accumulated impairment**	**Carrying value**	Cost	Accumulated impairment	Carrying value
GROUP						
Goodwill	**6 808 807**	**–**	**6 808 807**	6 808 807	–	6 808 807

Reconciliation of goodwill – Group – 2014

	2014		2013	
Figures in Rand	**Opening balance**	**Total**	Opening balance	Total
Goodwill	**6 808 807**	**6 808 807**	6 808 807	6 808 807

Goodwill was tested for impairment, based on the assumptions detailed below:

Key assumptions used in value-in-use calculations include budgeted margins and budgeted franchise revenue streams relating to the specific brand below. The assumptions are based on all historical results for the brand as well as the individual branded salons adjusted for the anticipated future growth of 9% per annum which is the average growth factor per management's judgement over a period of five years and at a discounted rate of 17%.

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. Goodwill arose as a result of:

Acquisition of Placecol Fresh Beauty Proprietary Limited	**R3 249 163**
Acquisition of Dream Nails Beauty Proprietary Limited	**R3 559 644**
Total	**R6 808 807**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 28 February

5. INTANGIBLE ASSETS

Figures in Rand	2014 Cost/ valuation	2014 Accumulated amortisation	2014 Carrying value	2013 Cost/ valuation	2013 Accumulated amortisation	2013 Carrying value
GROUP						
Perfect 10 trademark and franchise agreements	**14 340 000**	**–**	**14 340 000**	14 340 000	–	14 340 000
Computer software	**207 014**	**(136 763)**	**70 251**	192 529	(88 851)	103 678
Trademark and website costs	**1 562 086**	**(215 534)**	**1 346 552**	1 254 629	(87 713)	1 166 916
Total	**16 109 100**	**(352 297)**	**15 756 803**	15 787 158	(176 564)	15 610 594
COMPANY						
Trademark and website costs	**1011 45**	**(18 785)**	**82 360**	94 264	(9 027)	85 237

Reconciliation of intangible assets – Group – 2014

Figures in Rand	Opening balance	Additions	Amortisation	Total
Perfect 10 trademark and franchise agreements	**14 340 000**	**–**	**–**	**14 340 000**
Computer software	**103 678**	**27 119**	**(60 546)**	**70 251**
Trademark and website costs	**1 166 916**	**306 657**	**(127 021)**	**1 346 552**
Total	**15 610 594**	**333 776**	**(187 567)**	**15 756 803**

Reconciliation of intangible assets – Group – 2013

Figures in Rand	Opening balance	Additions	Additions through business combinations	Amortisation	Total
Perfect 10 trademark and franchise agreements	–	–	14 340 000	–	14 340 000
Computer software	59 911	100 998	–	(57 231)	103 678
Trademark and website costs	474 140	824 256	–	(131 480)	1 166 916
Total	534 051	925 254	14 340 000	(188 711)	15 610 594

5. INTANGIBLE ASSETS continued

Reconciliation of intangible assets – Company – 2014

Figures in Rand	Opening balance	Additions	Amortisation	Total
Trademark and website costs	**85 237**	**6 881**	**(9 758)**	**82 360**

Reconciliation of intangible assets – Company – 2013

Figures in Rand	Opening balance	Additions	Total
Trademark and website costs	–	85 237	85 237

Other information

Recoverability of the intangible assets with an indefinite useful life:

The Perfect 10 business is a Beauty Franchised Group of 57 beauty studios nationally. The franchise is eight years old and growing rapidly. The trademark and franchise agreements are tested for impairment on a yearly basis.

A impairment test was done at year end using the discounted cash flow method over a period of five years. Revenue growth was calculated at 9% and expenses at a growth of 6% and a discounted rate of 17%. No impairment was attributed to the Perfect 10 trademark and franchise agreements.

Cash flows were projected on actual operating results. Cash flows were extrapolated into perpetuity using a related and applicable terminal growth rate per intangible. Management believes that this was justified due to the nature of the industries in which the Group and its subsidiaries operate. Tax rate and discounted rates utilised in the calculation varied as per the applicable calculation.

6. INVESTMENTS IN SUBSIDIARIES

Name of company	**2014** % holding	2013 % holding	**2014** Carrying amount R	2013 Carrying amount R
Placecol Fresh Beauty Proprietary Limited	**100,00**	100,00	**11 163 951**	11 163 951
Dream Nails Beauty Proprietary Limited	**100,00**	100,00	**5 406 425**	5 406 425
Placecol Skin Care Clinic Proprietary Limited	**100,00**	100,00	**–**	–
Enjoy Beauty Proprietary Limited	**100,00**	100,00	**–**	–
Imbalie Innovvation Proprietary Limited	**100,00**	100,00	**–**	–
Imbalie Beauty Training Academy Proprietary Limited	**100,00**	100,00	**–**	–
			16 570 376	16 570 376

The carrying amounts of subsidiaries are shown net of impairment losses. There was no impairment of subsidiaries.

It is management's policy to review each investment annually for impairment by assessing the carrying value of the investment against the value in use.

7. LOANS TO/(FROM) GROUP COMPANIES

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Subsidiaries				
Placecol Fresh Beauty Proprietary Limited	**–**	–	**36 234 004**	35 122 461
The loans are unsecured, bear no interest and have no fixed repayment terms.				
Non-current assets	**–**	–	**–**	–
Current assets	**–**	–	**36 234 004**	35 122 461
	–	–	**36 234 004**	35 122 461

Credit quality of loans to Group companies

The credit quality of loans to Group companies are assessed with reference to the repayment history of the companies. The companies have not defaulted on any contractual obligations in prior periods, a credit rating of high has been ascribed to the companies. The cash is receivable only at management's request as the company is a 100% controlled subsidiary and thus the risk that the subsidiary would not repay the funds at the insistence of management is remote. The companies' maximum exposure to credit risk with regard to the loans to Group companies are as detailed above.

Fair value of loans to and from Group companies

As no repayment terms exist, therefore the Group loans are short-term in nature. The carrying values of the loans to Group companies approximate their fair values. The loans to the Group companies have not been pledged as security for any other financial obligations.

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 loans disclosed above.

The loans to Group companies are considered to be neither past due nor impaired and subsequently no provisions were created for the irrecoverability of any portion (or the whole) of the loans to Group companies. The terms of the loans to Group companies have not been renegotiated during the year.

Loans to Group companies impaired

As of 28 February 2014, no loans to Group companies were impaired.

8. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Loans and receivables				
Student loans	**432 726**	699 004	**–**	–
The student loans bear no interest and are repayable within three years after completion of the studies. All student loans will be due during the next twelve months.				
Loans made in respect of outlets franchised	**957 141**	1 418 789	**50 000**	227 298
No interest is charged, the loans are payable within 12 months.				
Dream Nails Beauty Stoneridge and Placecol Norwood	**–**	770 052	**–**	–
The loans bear interest at a fixed amount of R2 444 per month (2013: R2 444). Loans were repaid in full.				
	1 389 867	2 887 845	**50 000**	227 298
Non-current assets				
Loans and receivables	**–**	770 052	**–**	–
Current assets				
Loans and receivables	**1 389 867**	2 117 793	**50 000**	227 298
	1 389 867	2 887 845	**50 000**	227 298

Fair value information

There are no differences between the fair value of the loans and their carrying amounts.

Loans and receivables past due but not impaired

Loans and receivables which are less than three months past due are not considered to be impaired.
At 28 February 2014, no loans were past due and impaired.

Reconciliation of provision for impairment of loans and receivables

There are no provisions made (allowance accounts) for the impairment of the loans and receivables, therefore there are no movements for allowance.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The Group does not hold any collateral as security

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates, and therefore is assessed as medium. The medium risk is attributable to the risk that some of the loans might not be recoverable over the long term due to the tough economic environment and due to students who are low income employees that pay off their loans over a longer period. The risks are however addressed on a regular basis and if necessary provisions for bad debt will be created.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 28 February

8. OTHER FINANCIAL ASSETS continued

Instalment sales debtors (Dream Nails Beauty Stoneridge and Placecol Norwood)

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Payments due within one year	**–**	326 773	**–**	–
Payments due in second to fifth year inclusive	**–**	490 179	**–**	–
Less: Future finance income	**–**	(46 900)	**–**	–
	–	770 052	**–**	–

9. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables		Total	
Figures in Rand	**2014**	2013	**2014**	2013
GROUP				
Other financial assets	**1 389 867**	2 887 845	**1 389 867**	2 887 845
Trade and other receivables	**9 963 818**	9 959 625	**9 963 818**	9 959 625
Cash and cash equivalents	**297 109**	335 220	**297 109**	335 220
	11 650 794	13 182 690	**11 650 794**	13 182 690
COMPANY				
Loans to Group companies	**36 234 004**	35 122 461	**36 234 004**	35 122 461
Other financial assets	**50 000**	227 298	**50 000**	227 298
Cash and cash equivalents	**1 001**	1 000	**1 001**	1 000
	36 285 005	35 350 759	**36 285 005**	35 350 759

10. DEFERRED TAX

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Deferred tax asset				
Capital gains	**–**	(27 677)	**–**	–
Tax losses	**9 498 425**	9 985 484	**2 086 510**	2 323 735
Provision for doubtful debt	**78 954**	62 495	**–**	–
Leave pay	**68 460**	86 682	**–**	–
Lease straightlining	**103 495**	1 199	**–**	–
Revaluation of land and buildings	**(37 335)**	(37 335)	**–**	–
Capital allowances	**(7 832)**	–	**–**	–
Prepayments	**(191 142)**	–	**–**	–
	9 513 025	10 070 848	**2 086 510**	2 323 735

10. DEFERRED TAX continued

	GROUP		COMPANY	
Figures in Rand	2014	2013	2014	2013
Reconciliation of deferred tax asset/(liability)				
At the beginning of the year	**10 070 848**	11 139 865	**2 323 735**	2 754 771
Decrease in tax losses available for set-off against future taxable income	**(487 059)**	(1 277 514)	**(237 225)**	(431 036)
Other originating and reversing temporary differences	**(70 764)**	208 497	**–**	–
	9 513 025	10 070 848	**2 086 510**	2 323 735
Recognition of deferred tax asset				
The directors assessed that the deferred tax assets will be recovered based on profitability forecasts.				
Deferred tax assets/liabilities				
Non-current assets	**9 749 334**	10 135 860	**2 086 510**	2 323 735
Non-current liabilities	**(236 309)**	(65 012)	**–**	–
	9 513 025	10 070 848	**2 086 510**	2 323 735

11. INVENTORIES

	GROUP		COMPANY	
Figures in Rand	2014	2013	2014	2013
Stock on hand	**9 753 412**	8 070 854	**–**	–
Stores held for sale	**10 035 974**	7 490 962	**–**	–
	19 789 386	15 561 816	**–**	–

12. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
Figures in Rand	2014	2013	2014	2013
Trade receivables	**9 584 196**	9 591 909	**–**	–
Deposits	**308 372**	367 716	**–**	–
Prepaid expenses	**682 650**	–	**–**	–
	10 575 218	9 959 625	**–**	–

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, therefore the credit ratings of the trade and other receivables are assessed as medium. Trade receivables are non-interest bearing.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates its carrying value due to its short-term nature.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
for the year ended 28 February

12. TRADE AND OTHER RECEIVABLES continued

Trade and other receivables past due but not impaired

At 28 February 2014 trade and other receivables of R5 018 256 (2013: R6 622 696) were past due but not impaired.

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

	GROUP	
Figures in Rand	2014	2013
30 – 60 days	**2 466 893**	2 458 482
60 – 90 days	**697 797**	633 385
90 – 120 days	**750 103**	1 164 287
120+ days	**1 103 463**	2 366 542
Total	**5 018 256**	6 622 696

Trade and other receivables provided for

As of 28 February 2014, trade and other receivables of R375 697 (2013: R197 814) were impaired and provided for.

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

	GROUP		COMPANY	
Figures in Rand	2014	2013	2014	2013
Opening balance	**197 814**	51 369	**–**	–
Provision for the year	**571 067**	197 814	**–**	–
Utilised during the year	**(393 184)**	(51 369)	**–**	–
Closing balance	**375 697**	197 814	**–**	–

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

13. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
Figures in Rand	2014	2013	2014	2013
Cash and cash equivalents consist of:				
Cash on hand	**115 474**	96 830	**–**	–
Bank balances	**181 635**	238 390	**1 001**	1 000
Bank overdraft	**(4 299 804)**	(3 925 003)	**(84 137)**	–
	(4 002 695)	(3 589 783)	**(83 136)**	1 000
Current assets	**297 109**	335 220	**1 001**	1 000
Current liabilities	**(4 299 804)**	(3 925 003)	**(84 137)**	–
	(4 002 695)	(3 589 783)	**(83 136)**	1 000

Placecol Skin Care Clinic Proprietary Limited has an approved facility for guarantees to the value of R1 517 884 as reviewed and updated on 28 February 2014.

13. CASH AND CASH EQUIVALENTS continued

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 is 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.

Fair value of cash and cash equivalents

There are no difference between the fair value of the cash and cash equivalents and their carrying value.

14. SHARE CAPITAL

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Authorised				
500 000 000 ordinary shares of 1 cent each	**50 000**	50 000	**–**	–
Reconciliation of number of shares issued:				
Reported as at 1 March	**345 547 773**	236 172 773	**–**	–
Issue of shares – ordinary shares	**–**	109 375 000	**–**	–
	345 547 773	345 547 773	**–**	–
There were no changes in the authorised share capital of the Company during the year under review.				
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.				
Issued				
Ordinary	**17 523 617**	17 523 617	**17 523 617**	17 523 617
Share premium	**49 806 844**	49 806 844	**49 806 844**	49 806 844
	67 330 461	67 330 461	**67 330 461**	67 330 461

15. REVALUATION RESERVE

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
The asset revaluation reserve is used to account for revaluations of land and building.				
Revaluation surplus net of taxation	**162 665**	162 665	**–**	–

16. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Held at amortised cost				
Other bank loans	**1 009 659**	708 433	**–**	–
These loan agreements bear interest at an average effective rate of 13,45% (2013: 12,46%) per annum. The current monthly instalment is R107 577 (2013: R68 723) and is repayable over a period of 48 to 60 months.				
Instalment sale agreements	**3 222 247**	2 663 782	**–**	–
These instalment sale agreements bear interest at an average effective rate of 9,34% per annum. The current monthly instalment is R66 192 and is repayable over a period of 48 to 60 months.				
BHW Consulting Proprietary Limited	**3 464 320**	5 000 000	**–**	–
BHW loan is repayable in 36 months and bears interest at the rate of 8%. The rate will always exceed the call deposit rate of Investec Bank Limited by at least 50 basis points.				
Centurion Academy Proprietary Limited	**–**	134 819	**–**	–
The loan is unsecured and interest free.				
Giyatri Paper Mills Proprietary Limited	**538 219**	1 904 322	**–**	–
The loan bears interest at the prime lending rate and is repayable in monthly instalments. The loan is secured by a suretyship by W de Wet and WP van der Merwe and a pledge of all the shares in Placecol Fresh Beauty Proprietary Limited.				
Mortgage bonds	**1 115 840**	1 174 078	**–**	–
Absa mortgage bonds bearing interest at an average rate of 6,95% (2013: 6,95%) per annum. The current monthly instalment is R11 326 (2013: R11 326). The loans are secured by land and buildings with a carrying amount of R1 700 000 (2013: R1 700 000).				
Franchise stores: Placecol Richardsbay, Placecol Riversquare, Placecol Flamwood, Placecol Vaal Mall and Dream Nails Eastgate	**518 709**	79 721	**–**	–
These loans are payable at a fixed monthly instalment of R98 500 per month, bear no interest and are repayable between six to 12 months. The loans relate to the repayment of the Placecol Skin Care Clinic taken back as a corporate owned store during 2012 to 2014.				
	9 868 994	11 665 155	**–**	–

16. OTHER FINANCIAL LIABILITIES continued

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Non-current liabilities				
At amortised cost	**5 657 160**	8 395 943	**–**	–
Current liabilities				
At amortised cost	**4 211 834**	3 269 212	**–**	–
	9 868 994	11 665 155	**–**	–
Fair value information				
The fair values of interest free loans were determined by discounting the loans to their present value at a discounted rate of 17% over a period of one year. There are no differences between the fair values of the loans and their carrying amounts.				
Instalment sale agreements				
Payments due within one year	**–**	–	**813 586**	708 434
Payments due in second to fith year inclusive	**–**	–	**3 147 590**	2 206 788
Less: Future finance costs	**–**	–	**(738 930)**	(251 440)
	–	–	**3 222 246**	2 663 782

17. TRADE AND OTHER PAYABLES

	GROUP	
Figures in Rand	**2014**	2013
Trade payables	**6 108 462**	6 100 259
VAT	**211 431**	141 414
Accrual shopfitting	**551 397**	1 033 138
Payroll accruals	**1 469 206**	571 670
Deposits received	**255 828**	109 733
Other payables	**1 018 420**	260 994
	9 614 744	8 217 208

Fair value of trade and other payables

Trade and other payables, are short term in nature. The carrying amount of trade and other payables represents the fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

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18. FINANCIAL LIABILITIES BY CATEGORY

	Financial liabilities at amortised cost		Total	
Figures in Rand	**2014**	2013	**2014**	2013
The accounting policies for financial instruments have been applied to the line items below:				
GROUP				
Other financial liabilities	**9 868 994**	11 665 155	**9 868 994**	11 665 155
Trade and other payables	**9 090 637**	7 243 130	**9 090 637**	7 243 130
Bank overdraft	**4 299 804**	3 925 003	**4 299 804**	3 925 003
	23 259 435	22 833 288	**23 259 435**	22 833 288
COMPANY				
Bank overdraft	**84 137**	–	**84 137**	–

19. REVENUE

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Sale of goods	**67 776 079**	53 423 410	**1 113 664**	2 421 270
Royalty and other income	**19 604 985**	18 063 102	**–**	–
	87 381 064	71 486 512	**1 113 664**	2 421 270

20. COST OF SALES

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Retail products				
Cost of goods sold	**30 203 061**	24 091 514	**–**	–
Cost of treatment products				
Cost of goods sold	**4 035 078**	3 561 177	**–**	–
	34 238 139	27 652 691·	**–**	–

21. OPERATING PROFIT

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Operating profit for the year is stated after accounting for the following:				
Operating lease charges				
– Premises	**6 709 903**	5 183 804	**–**	–
– Equipment	**674 370**	359 936	**–**	–
	7 384 273	5 543 740	**–**	–
Loss on sale of property, plant and equipment	**(200 718)**	(10 000)	**–**	–
Profit on exchange differences	**235 504**	20 129	**–**	–
Amortisation on intangible assets	**187 567**	188 711	**–**	9 027
Depreciation on property, plant and equipment	**666 254**	745 238	**9 758**	3 321
Employee costs	**22 894 077**	18 767 269	**–**	–

22. INVESTMENT REVENUE

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Interest revenue				
Franchised stores	**27 448**	41 741	**–**	–
Bank	**11 181**	28 104	**1**	27 340
	38 629	69 845	**1**	27 340

23. FINANCE COSTS

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Shareholders	**–**	9 852	**–**	–
Other financial liabilities	**818 098**	883 534	**–**	–
Directors' loans	**–**	39 396	**–**	–
Bank	**748**	–	**748**	–
Mortgage bonds	**92 759**	147 230	**–**	–
	911 605	1 080 012	**748**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 28 February

24. TAXATION

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Major components of the tax expense/ (income)				
Deferred				
Originating and reversing temporary differences	**557 826**	1 031 682	**237 225**	431 036

	%	%	%	%
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	**–**	(0,87)	**–**	–
Disallowable charges	**–**	2,40	**–**	–
Assessed loss previously not recognised	**(7,70)**	–	**–**	–
Other	**–**	4,67	**0,16**	0,33
	20,30	34,20	**28,16**	28,33

25. AUDITORS' REMUNERATION

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Fees	**538 342**	492 818	**–**	–

26. EARNINGS PER SHARE

	GROUP	
Figures in Rand	**2014**	2013
Basic earnings per share		
From operations (cents per share)	**0,63**	0,57

Basic earnings per share is based on earnings of R2 193 313 (2013: R1 985 059) and weighted average number of ordinary shares of 345 547 773 (2013: 345 547 773).

	GROUP	
Figures in Rand	**2014**	2013
Reconciliation of profit for the year to basic earnings		
Profit for the year attributable to equity holders of the parent	**2 193 313**	1 985 059
Reconciliation of basic earnings to earnings used to determine diluted earnings per share		
Basic earnings	**2 193 313**	1 985 059
Diluted earnings per share (cents)	**0,63**	0,57
Headline earnings per share		
Headline earnings per share (cents)	**0,68**	0,58

26. EARNINGS PER SHARE continued

	GROUP	
Figures in Rand	2014	2013
Reconciliation between earnings and headline earnings		
Profit attributable to ordinary equity holders of the parent entity	**2 751 139**	3 016 741
Add IAS 16 loss on the disposal of plant and equipment	**200 718**	10 000
Headline earnings before taxation	**2 951 857**	3 026 741
Taxation relating to profit attributable to ordinary equity holders of the parent entity	**557 826**	1 031 682
Taxation relating to IAS 16 loss on the disposal of plant and equipment	**56 201**	2 800
Headline earnings after taxation	**2 337 830**	1 992 259
Diluted headline earnings per share	**0,68**	0,58
Reconciliation between diluted earnings and diluted headline earnings		
Profit attributable to ordinary equity holders of the parent entity	**2 751 139**	3 016 741
Add IAS 16 loss on the disposal of plant and equipment	**200 718**	10 000
Headline earnings before taxation	**2 951 857**	3 026 741
Taxation relating to profit attributable to ordinary equity holders of the parent entity	**557 826**	1 031 682
Taxation relating to IAS 16 loss on the disposal of plant and equipment	**56 201**	2 800
Headline earnings after taxation	**2 337 830**	1 992 259

27. CASH GENERATED FROM/(USED IN) OPERATIONS

	GROUP		COMPANY	
Figures in Rand	2014	2013	2014	2013
Profit before taxation	**2 751 139**	3 016 741	**847 231**	1 521 360
Adjustments for:				
Depreciation and amortisation	**853 821**	933 949	**9 758**	12 348
Loss/(profit) on sale of assets	**200 718**	10 000	**–**	–
Interest received	**(38 629)**	(69 845)	**(1)**	(27 340)
Finance costs	**911 605**	1 080 012	**748**	–
Movements in operating lease assets and accruals	**147 484**	4 282	**–**	–
Changes in working capital:				
Inventories	**(4 227 570)**	(2 902 677)	**–**	–
Trade and other receivables	**(615 593)**	(1 347 735)	**–**	–
Trade and other payables	**1 397 536**	2 492 961	**–**	–
	1 380 511	3 217 688	**857 736**	1 506 368

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 28 February

28. TAX PAID

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Balance at the beginning of the year	**77 177**	(288 796)	**–**	–
Balance at the end of the year	**(86 277)**	(77 177)	**–**	–
	(9 100)	(365 973)	**–**	–

29. OPERATING LEASE LIABILITY

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Operating lease accrual	**369 625**	222 141	**–**	–

30. CONTINGENCIES

Absa Bank holds the total value of R5 200 000 suretyships for overdraft facilities granted to the Group, supplied by:

- Placecol Fresh Beauty Proprietary Limited
- Placecol Skin Care Clinic Proprietary Limited
- Dreamnails Beauty Proprietary Limited
- Imbalie Beauty Training Academy Proprietary Limited
- Imbalie Innovvation Proprietary Limited
- Enjoy Beauty Proprietary Limited
- Imbalie Beauty Limited

Absa Bank holds cession of Group loan accounts in the following entities:

- Placecol Fresh Beauty Proprietary Limited
- Dreamnails Beauty Proprietary Limited
- Imbalie Beauty Training Academy Proprietary Limited
- Imbalie Innovvation Proprietary Limited
- Enjoy Beauty Proprietary Limited
- Imbalie Beauty Limited

FirstRand Bank Limited holds second cession to Imbalie Beauty's debtors until the Bank consents in writing to the cancellation of the Deed (Cession of Debts) to the value of R565 000.

Placecol Skin Care Clinic Proprietary Limited has an approved facility for guarantees to the value of R1 517 884 as reviewed and updated on 28 February 2014.

31. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 6
Shareholder with significant influence	Reign Capital Proprietary Limited Centurion Academy Proprietary Limited BHW Consulting Proprietary Limited
Salons owned by board members	
HA Lunderstedt and E Colyn	Beauty Flagship Proprietary Limited (Placecol Skin Care Clinic Cresta and Dream Nails Beauty Salon Cresta)
E Colyn	Mundex Proprietary Limited (Placecol Skin Care Clinic Brightwater Commons)
Directors of the Company	Ms HA Lunderstedt (Non-executive chairman) Mr TJ Schoeman (Lead independent non-executive director) Mr MM Patel (Independent non-executive director) Mr GSJ van Nieuwenhuizen (Independent non-executive director) Mr WP van der Merwe (Non-executive director) Ms E Colyn (Chief executive officer) Ms M Malan (Financial director)

The related party transactions were made on terms equivalent to those that prevail at arm's length transactions.

Key management personnel emoluments – refer to note 32.

Suretyships – refer to note 30.

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Related party balances				
Loans to/(from) subsidiaries				
Placecol Fresh Beauty Proprietary Limited	**–**	–	**36 234 054**	35 122 461
Interest paid to/(received from) related parties				
Working capital: WP van der Merwe	**–**	9 852	**–**	–
Management fees received from related parties				
Placecol Fresh Beauty Proprietary Limited	**–**	–	**–**	(4 043 464)
Loans from shareholders				
Reign Capital Proprietary Limited	**(3 025 424)**	(3 045 675)	**–**	–
BHW Consulting Proprietary Limited	**(3 464 320)**	(5 000 000)	**–**	–
Centurion Academy Proprietary Limited	**–**	(134 819)	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 28 February

31. RELATED PARTIES continued

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Royalties received from related parties				
Beauty Flagship Proprietary Limited	**342 871**	216 717	**–**	–
Mundex Proprietary Limited	**161 321**	158 548	**–**	–
Combru Beauty Salon cc	**–**	89 555	**–**	–
Karen Smithies cc	**–**	89 245	**–**	–
Outstanding debtors from related parties				
Beauty Flagship Proprietary Limited	**45 443**	53 169	**–**	–
Mundex Proprietary Limited	**52 399**	35 982	**–**	–
Combru Beauty Salon cc	**–**	37 502	**–**	–
Karen Smithies cc	**–**	12 788	**–**	–

32. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

No loans were paid to the directors or any individuals holding a prescribed office during the year.

	2014		2013	
Figures in Rand	**Emoluments**	**Total**	Emoluments	Total
Executive				
Ms E Colyn (Chief executive officer)	**600 000**	**600 000**	540 000	540 000
Ms M Malan (Financial director)	**576 000**	**576 000**	534 000	534 000
	1 176 000	**1 176 000**	1 074 000	1 074 000

	2014		2013	
Figures in Rand	**Directors' fees**	**Total**	Directors' fees	Total
Non-executive				
Ms HA Lunderstedt (Non-executive chairman)	**180 000**	**180 000**	180 000	180 000
Mr TJ Schoeman (Lead independent non-executive director)	**84 000**	**84 000**	84 000	84 000
Mr MM Patel (Independent non-executive director)	**96 000**	**96 000**	96 000	96 000
Mr GSJ van Nieuwenhuizen (Independent non-executive director) (resigned 6 February 2014)	**77 000**	**77 000**	84 000	84 000
Mr WP van der Merwe (Non-executive director)	**84 000**	**84 000**	84 000	84 000
	521 000	**521 000**	528 000	528 000

32. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

	2014		2013	
Figures in Rand	**Emoluments**	**Total**	Emoluments	Total
Prescribed officers				
National sales executive	**480 000**	**480 000**	450 000	450 000
Distribution manager	**562 500**	**562 500**	559 800	559 800
Marketing manager	**318 000**	**318 000**	–	–
Outlet operations manager	**390 000**	**390 000**	–	–
	1 750 500	**1 750 500**	1 009 800	1 009 800

33. RISK MANAGEMENT

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the needs of the Group. No changes were made to the objectives, policies or processes during the year ended 28 February 2014.

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 Group 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 consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, loans payable and instalment sale agreements.

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 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 cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

33. RISK MANAGEMENT continued

Figures in Rand	At 28 February 2014 Less than 1 year	At 28 February 2014 Between 2 and 5 years	At 28 February 2013 Less than 1 year	At 28 February 2013 Between 2 and 5 years
GROUP				
Other financial liabilities	**4 211 834**	**5 657 160**	3 269 212	8 395 943
Bank overdraft	**4 299 804**	**–**	3 925 003	–
Trade and other payables	**9 090 637**	**–**	7 243 130	–

Figures in Rand	At 28 February 2014 Less than 1 year
COMPANY	
Bank overdraft	**84 137**

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 is 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.

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.

33. RISK MANAGEMENT continued

Sensitivity analysis

Figures in Rand	2014 Carrying value at year end	2014 After tax effect on statement of comprehensive income if the income interest rate increases/(decreases) by 1%	2013 Carrying value at year end	2013 After tax effect on statement of comprehensive income if the income interest rate increases/(decreases) by 1%
Financial instrument				
Cash and cash equivalents	**181 635**	**1 308**	238 390	1 716
Other financial assets	**–**	**–**	2 887 845	19 110
Bank overdraft	**(4 299 804)**	**(30 959)**	(3 925 003)	(28 260)
Other financial liabilities	**(8 812 016)**	**(63 447)**	(11 665 155)	(84 252)

		GROUP		COMPANY	
Figures in Rand	Current interest rate %	**2014**	2013	**2014**	2013
Cash flow interest rate risk					
Cash and cash equivalents	3 – 4	**181 635**	238 390	**1 001**	1 000
Other financial assets	2 – 8,5	**–**	2 887 845	**–**	–
Bank overdraft	10,5	**(4 299 804)**	(3 925 003)	**(84 137)**	–
Other financial liabilities	8,5 – 17	**(8 812 016)**	(11 665 155)	**–**	–

Credit risk

Credit risk consists mainly of other financial assets, cash deposits, cash equivalents and receivables. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

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

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

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
Financial instrument				
Other financial assets	**1 389 867**	2 887 845	**50 000**	227 298
Trade and other receivables	**10 646 468**	9 959 625	**–**	–
Cash and cash equivalents	**181 635**	238 390	**1 001**	1 000
Loans to Group companies	**–**	–	**36 234 004**	35 122 461

33. RISK MANAGEMENT continued

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro.

The Group does not hedge foreign exchange fluctuations.

The Group reviews its foreign currency exposure, including commitments on an ongoing basis.

Foreign currency exposure at the end of the reporting period

	GROUP		COMPANY	
Figures in Rand	**2014**	2013	**2014**	2013
(Assets)/liabilities				
Trade and other receivables (2014: USD188)	**2 028**	329 292	**–**	–
Trade and other payables (2014: USD61 457; EURO4 212)	**(727 279)**	(256 991)	**–**	–
Sensitivity analysis				
Strengthening of the USD with R1 at USD11,7894 (2013: USD9,83978)	**61 458**	8 151	**–**	–
Strengthening of the EURO with R1 at EURO15,7563 (2013: EURO12,5666)	**4 212**	–	**–**	–

Exchange rates used for conversion of foreign items were:

USD: 10,7894 (2013: 8,83978)

EURO: 14,7563 (2013: 11,5666)

34. 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.

35. EVENTS AFTER THE REPORTING PERIOD

Other than stated in the directors' report no events material to the understanding of these financial statements have occurred between the end of the financial year and the date of approval of these financial statements.

SHAREHOLDERS' ANALYSIS

for the year ended 28 February 2014

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	16	5,48	4 890	0,00
1 001 – 10 000 shares	57	19,52	304 173	0,09
10 001 – 100 000 shares	127	43,49	5 683 323	1,64
100 001 – 1 000 000 shares	59	20,21	20 117 703	5,82
1 000 001 shares and over	33	11,30	319 437 684	92,44
Total	**292**	**100,00**	**345 547 773**	**100,00**
DISTRIBUTION OF SHAREHOLDERS				
Close corporations	7	2,40	2 948 419	0,85
Individuals	259	88,70	157 381 365	45,55
Trusts	11	3,77	19 634 832	5,68
Other corporations	4	1,37	423 000	0,12
Private companies	11	3,77	165 160 157	47,80
Total	**292**	**100,00**	**345 547 773**	**100,00**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	7	2,40	185 766 594	53,76
Directors and associates	6	2,05	107 641 594	31,15
Holding 10% or more	1	0,34	78 125 000	22,61
Public shareholders	285	97,60	159 781 179	46,24
Total	**292**	**100,00**	**345 547 773**	**100,00**
BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE				
BHW Proprietary Limited			78 125 000	22,61
Van der Merwe, WP			72 309 211	20,93
Colyn, E			35 171 549	10,18
Anne-Marie de Beer			30 959 117	8,96
Chhita Family			19 657 970	5,69
Hendrik Christoffel Keyter			15 000 000	4,34
Ramos, AF			13 957 777	4,04
Silver Crest Trading 143 Proprietary Limited			13 940 000	4,03
Lance Billion Williams Family Trust			10 110 092	2,93
Total			**289 230 716**	**84**
DIRECTORS				
BHW Proprietary Limited			78 125 000	22,61
SA Madiba Investment Proprietary Limited			66 965 675	19,38
Colyn, E			35 171 549	10,18
Malan, M			83 334	0,02
Theonelle Beleggingstrust			73 500	0,02
Total			**180 419 058**	**52,21**

SHAREHOLDERS' DIARY

Financial year end	28 February 2014

REPORTS AND PROFIT ANNOUNCEMENTS

Integrated report	8 August 2014
Interim report	November 2014
Annual general meeting	8 September 2014

NOTICE OF ANNUAL GENERAL MEETING

IMBALIE BEAUTY LIMITED

Incorporated in the Republic of South Africa
Registration Number: 2003/025374/06
JSE code: ILE | ISIN: ZAE000165239
(the Company)

Notice is hereby given that the annual general meeting of the shareholders of the Company will be held on Monday, 1 September 2014 at 10h00 at the Company's registered office located at Imbalie Beauty Boulevard, Samrand Avenue, Kosmosdal, Centurion (the annual general meeting) for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions set out below.

SALIENT DATES AND TIMES

- Notice of annual general meeting posted to shareholders – Friday, 8 August 2014
- Last date to trade in order to be eligible to vote at the annual general meeting – Friday, 22 August 2014
- Record date in order to vote at the annual general meeting – Friday, 29 August 2014
- Form of proxy to be lodged by no later than 10h00 – Thursday, 4 September 2014
- General meeting to be held at 10h00 – Monday, 8 September 2014

Notes

1. The above dates and times are subject to amendment.
2. All times indicated above are given in South African time.
3. To be valid, the completed form of proxy must be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107), South Africa, to reach the transfer secretaries on or before 10h00 on Thursday, 4 September 2014, being at least 48 hours (excluding Saturdays and Sundays and public holidays in South Africa) before the time appointed for the holding of the annual general meeting.

Shareholders are advised that facilities for electronic participation in the annual general meeting will not be made available.

PRESENTATION OF AUDITED FINANCIAL STATEMENTS – FEBRUARY 2014

As required in terms of section 30 of the Companies Act of South Africa, 2008 (Act 71 of 2008), the annual financial statements of the Company and its subsidiaries, incorporating the reports of the auditors, the audit committee and the directors for the financial year ended 28 February 2014 will be presented at the annual general meeting.

PRESENTATION OF REPORT FROM THE SOCIAL AND ETHICS COMMITTEE

As required in terms of Regulation 43 to the Companies Act of South Africa, 2008 (Act 71 of 2008), the chairman of the abovementioned committee will report to shareholders at the annual general meeting on the matters within its mandate.

SPECIAL RESOLUTIONS

In terms of the Companies Act of South Africa, 2008 (Act 71 of 2008), the passing of special resolutions requires the approval of at least 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting.

Special resolutions number 1.1 to 1.5: Approval of non-executive directors' fees

"RESOLVED by special resolution that the Company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in s66(8) and 66(9) of the Companies Act of South Africa, 2008 (Act 71 of 2008), as amended, and that the remuneration structure and amounts as set out below, be and is hereby approved with effect from the current financial year for a period of two years until such time as rescinded or amended by shareholders by way of a special resolution:

		Fee (R)
1.1	Chairman of the board – per month	15 000
1.2	Members of the board – per month	7 000
1.3	Chairman of the audit committee	12 000
1.4	Chairman of more than one board committee (excluding audit committee) – per month	7 500
1.5	Ad hoc – per hour	1 500

Explanatory note

In terms of section 66(8) and section 66(9) of the Companies, Act 2008, as amended, companies may pay remuneration to directors for their services as directors unless otherwise provided by the Memorandum of Incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the Company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the Company. In terms of the provisions of the Companies Act, special resolution numbers 1.1 – 1.5 requires the approval of a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the annual general meeting for this resolution to become effective.

Special resolution 2: Financial assistance to all related and inter-related companies

"RESOLVED THAT, as a special resolution, in terms of section 45 of the Companies Act, 2008 (Act 71 of 2008) (Companies Act), the shareholders of the Company hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 2, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation provided that:

- the board of directors of the Company (the board), from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided, and
- the board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 2 unless the board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

Explanatory note

The purpose of special resolution number 2 is to grant the board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation.

Special resolutions to be adopted at this annual general meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the board authorising the Company to provide such direct or indirect financial assistance in respect of special resolution number 2:

- By the time that this notice of annual general meeting is delivered to shareholders of the Company, the board will have adopted a resolution (Section 45 Board Resolution) authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a related or inter-related company or corporation;
- the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 2 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be

given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and

- in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

Special resolution 3: General approval to acquire shares

"RESOLVED by way of a special resolution that the mandate given to the Company in terms of its Memorandum of Incorporation (or one of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the Company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject to the Listings Requirements of the JSE be extended, subject to the following:

- This general authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this resolution (whichever period is shorter);
- The repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the Company and the counterparty
- Repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- An announcement being published as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- The number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% (twenty percent) of the Company's issued share capital as at the date of passing of this special resolution or 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- The Company's designated adviser confirming the adequacy of the Company's working capital for purposes of undertaking the repurchase of ordinary shares in writing to the JSE prior to the Company entering the market to proceed with the repurchases;
- The Company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in a place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period;
- At any point in time the Company only appointing one agent to effect any repurchases on its behalf; and
- The board of directors passing a resolution that they authorised the repurchase and that the Company passed solvency and liquidity test set out in section 4 of the Act and that since the test was done there have been no material changes to the financial position of the Group.

The directors, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting and at the actual date of the repurchases:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts;
- the working capital of the Company and the Group will be adequate for ordinary business purposes;
- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the Company and the Group; and
- the Company's and the Group's ordinary share capital and reserves will be adequate for ordinary business purposes."

Explanatory note

The purpose of special resolution number 3 is to obtain an authority for, and to authorise, the Company

NOTICE OF ANNUAL GENERAL MEETING continued

and the Company's subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

It is the intention of the directors of the Company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

Special resolutions to be adopted at this annual general meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTIONS

In terms of the Companies Act of 2008, the passing of ordinary resolutions requires the approval of more than 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting.

Ordinary resolutions 1.1 to 1.4: Election and re-election of directors

In accordance with the provisions of the Company's Memorandum of Incorporation the appointment of any directors appointed by the board shall be confirmed by shareholders at the first annual general meeting following such appointment. In terms hereof, the appointment of Ms P Tladi will be confirmed at the annual general meeting.

In addition, one third of the non-executive directors, excluding the newly appointed directors, must retire from office at the annual general meeting and may, if eligible and willing, offer themselves for re-election. In terms hereof, Mr MM Patel, Mr T Schoeman and Ms H Lunderstedt will be retiring from office at the annual general meeting. Mr MM Patel, Mr T Schoeman and Ms H Lunderstedt have confirmed their willingness to continue to serve as members of the board.

Brief biographical details of each of the above directors and the remaining members of the board are contained on page 4 of the integrated report of which this notice forms part.

Ordinary resolution 1.1

"RESOLVED THAT, Ms P Tladi, who was appointed after the last annual general meeting of the Company, and who is eligible and available for election, be and is hereby elected as a director of the Company."

Ordinary resolution 1.2

"RESOLVED THAT, Mr MM Patel, who retires by rotation at this annual general meeting in accordance with the Company's Memorandum of Incorporation and who is eligible and available for re-election, be and is hereby re-elected as a director of the Company."

Ordinary resolution 1.3

"RESOLVED THAT, Mr T Schoeman, who retires by rotation at this annual general meeting in accordance with the Company's Memorandum of Incorporation and who is eligible and available for re-election, be and is hereby re-elected as a director of the Company."

Ordinary resolution 1.4

"RESOLVED that, Ms H Lunderstedt, who retires by rotation at this annual general meeting in accordance with the Company's Memorandum of Incorporation and who is eligible and available for re-election, be and is hereby re-elected as a director of the Company."

Ordinary resolutions 2.1 to 2.2: Appointment to the audit committee

In terms of section 94(2) of the Companies Act, 2008 (Act 71 of 2008), as amended, a public company must at each annual general meeting elect an audit committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Companies Act. Regulation 42 to the Companies Act specifies that one third of the members of the audit committee must have appropriate academic qualifications or experience in the areas as listed in the regulation. It is duly noted that the Companies Act requires a minimum of three members to be proposed to shareholders for appointment as members of the audit committee.

The board of directors of the Company is satisfied that the proposed members of the audit committee meet all relevant requirements, including being independent non-executive directors as defined by King III. The appointment of Mr MM Patel, Mr T Schoeman and Ms P Tladi as members of the audit and risk committee will be subject to their election and re-election as directors of the Company.

Ordinary resolution 2.1

"RESOLVED THAT, Mr MM Patel be and is hereby elected as a member and chairman of the audit committee."

Ordinary resolution 2.2

"RESOLVED THAT, Mr T Schoeman be and is hereby elected as a member of the audit and risk committee."

Ordinary resolution 2.3

"RESOLVED THAT, Ms P Tladi be and is hereby elected as a member of the audit and risk committee."

Ordinary resolution 3: Re-appointment of external auditors

Nexia SAB&T has indicated its willingness to continue in office and ordinary resolution 3 proposes the re-appointment of that firm as the Company's auditors by shareholders. Section 90(3) of the Companies Act, 2008 (Act 71 of 2008), as amended, requires the designated auditor to meet the criteria as set out in section 90(2) of the Act. The board of directors of the Company is satisfied that both Nexia SAB&T and the designated auditor, Mr A Darmalingam, meet all relevant requirements.

"RESOLVED THAT, Nexia SAB&T be and is hereby re-appointed as the Company's external auditors until the next annual general meeting."

Ordinary resolution 4: Authority to issue shares

In terms of the Companies Act, directors are authorised to allot and issue the unissued shares of the Company, unless otherwise provided in the Company's Memorandum of Incorporation or in instances as listed in section 41 of the Act. In accordance with the provisions of the Company's Memorandum of Incorporation, shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion, provided that such transaction(s) has/have been approved by JSE Limited and are subject to the JSE Listings Requirements. Directors confirm that there is no specific intention to issue any shares, other than as part of and in terms of the rules of the Company's share incentive schemes, as at the date of this notice.

"RESOLVED THAT, the board of directors be and is hereby authorised by way of a general authority to allot and issue at their discretion up to 5% (five percent) of the total issued share capital of the Company as at 28 February 2014 and/or to grant options to subscribe for such authorised but unissued shares, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by JSE Limited and are subject to the JSE Listings Requirements and the requirements of the Companies Act of South Africa, 2008 (Act 71 of 2008)."

Ordinary resolution 5: Authority to issue unissued shares for cash

"RESOLVED THAT, the directors be and are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the provisions of the Companies Act, the Memorandum of Incorporation of the Company and the JSE Listings Requirements, when applicable, and the following limitations, namely that:

- this authority shall only be valid until the next annual general meeting of the Company but shall not extend beyond 15 months from the date this authority is given;
- 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 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 already in issue;
- in respect of securities which are the subject of the general issue of shares for cash:
  - in the aggregate in any one financial year may not exceed 15% (fifteen per cent) (51 832 165 shares) of the Company's relevant number of equity securities in issue of that class (for purposes of determining the securities comprising the 15% number in any one year, account must be taken of the dilution effect, in the year of issue of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities);
  - of a particular class, will be aggregated with any securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible;
  - as regards the number of securities which may be issued (the 15% number), shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application:
- less any securities of the class issued, or to be issued in future

arising from options/convertible securities issued, during the current financial year;

- plus any securities of that class to be issued pursuant to:
  - a rights issue which has been announced, is irrevocable and is fully underwritten; or
  - acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application;
- that a paid press announcement giving full details, including the impact of the issue on net asset value, net tangible asset value, earnings and headline earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 5% of the number of shares in issue prior to the issue concerned; and
- that in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares of the Company on the JSE, measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities."

In terms of the JSE Listings Requirements, the passing of ordinary resolution number 5 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at this annual general meeting.

Ordinary resolution 6: Group remuneration philosophy

The King Report on Corporate Governance for South Africa, 2009 (King III) recommends that the remuneration philosophy of the Company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the Company.

Shareholders are referred to the remuneration philosophy as contained on page 17 of the integrated report of which this notice forms part.

"RESOLVED THAT, by way of a non-binding, advisory vote, the remuneration philosophy of the Company be and is hereby approved."

Ordinary resolution 7: Signing authority

"RESOLVED THAT, any director of the Company or the Company secretary be and is hereby authorised to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to the implementation of the special and ordinary resolutions as set out in this notice of the annual general meeting."

ADDITIONAL INFORMATION

Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which is contained in the integrated report of which this notice forms part:

- Directors and management: page 4;
- Major shareholders of the Company: page 73;
- Directors' interests in securities: page 27;
- Share capital of the Company: page 59; and
- Litigation statement: page 4.

Material change

There have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year end and the date of this notice.

Litigation statement

The directors in office whose names appear on page 4 of the integrated report, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have, or have had, in the recent past, being at least the previous 12 (twelve) months from the date of this integrated report, a material effect on the Company's financial position.

Directors' responsibility statement

The directors, whose names are given on page 4 of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 3 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 3 that have been omitted which would make any statement in relation to special resolution number 3 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 3 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 3.

IDENTIFICATION, PROXIES AND VOTING

Shareholders are reminded that:

- a shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in and vote at the annual general meeting in the place of the shareholder, and shareholders are referred to the proxy form attached to this notice in this regard;
- a proxy need not also be a shareholder of the Company; and
- in terms of section 63(1) of the Companies Act, any person attending or participating in a annual general meeting of shareholders must present reasonably satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant (CSDP) or broker other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the annual general meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the annual general meeting.

Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut-off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you at the annual general meeting, your CSDP or broker will assume that you do not wish to attend the annual general meeting or send a proxy.

Forms of proxy (which form may be found enclosed) must be dated and signed by the shareholder appointing a proxy and must be received at the offices of the transfer secretaries, Computershare Investor Services Proprietary Limited.

Before a proxy exercises any rights of a shareholder at the annual general meeting, such form of proxy must be so delivered.

In compliance with the provisions of section 58(8)(b)(i) of the Companies Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act, is set out immediately below:

- An ordinary shareholder entitled to attend and vote at the annual general meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the annual general meeting in the place of the shareholder. A proxy need not be a shareholder of the Company.
- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the annual general meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
- The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.
- If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered

NOTICE OF ANNUAL GENERAL MEETING continued

by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

- The completion of a form of proxy does not preclude any shareholder from attending the annual general meeting.

On a show of hands every shareholder present in person or by proxy, and if a member is a body corporate, its representative, shall have one vote and on a poll every shareholder present in person or by proxy and, if the person is a body corporate, its representative, shall have one vote for every share held or represented by him/her.

Shareholders and proxies attending the annual general meeting on behalf of shareholders are reminded that section 63(1) of the Companies Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

By order of the board

Marianne Fourie
For: iThemba Governance and Statutory Solutions Proprietary Limited
Company secretary

Samrand
28 July 2014

FORM OF PROXY

IMBALIE BEAUTY LIMITED
Incorporated in the Republic of South Africa
Registration Number: 2003/025374/06
JSE code: ILE | ISIN: ZAE000165239
(the Company)

To be completed by certificated shareholders and dematerialised shareholders with "own name" registration only

For completion by registered members of the Company unable to attend the annual general meeting of the Company on Monday, 8 September 2014 at 10h00 at the Company's registered office located at Imbalie Beauty Boulevard, Samrand Avenue, Kosmosdal, Centurion or at any adjournment thereof.

I/We ______________________________

of ______________________________ (address)

being the holder/s of ______________________________ shares in the Company, do hereby appoint:

1. ______________________________ or, failing him/her

2. ______________________________ or, failing him/her

3. the chairman of the annual general meeting, as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the abovementioned annual general meeting of members or at any adjournment thereof, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

	For	Against	Abstain
Special resolution 1.1: Approval of chairman of the board fees – per month			
Special resolution 1.2: Approval of members of the board fees – per month			
Special resolution 1.3: Approval of chairman of the audit committee fee – per month			
Special resolution 1.4: Approval of chairman of more than one board committee (excluding audit committee) fee – per month			
Special resolution 1.5: Ad hoc fee – per hour			
Special resolution 2: To approve financial assistance to related and inter-related companies			
Special resolution 3: To approve to acquire the Company's own securities			
Ordinary resolution 1.1: To elect Ms P Tladi as director			
Ordinary resolution 1.2: To re-elect Mr MM Patel as director			
Ordinary resolution 1.3: To re-elect Mr T Schoeman as director			
Ordinary resolution 1.4: To re-elect Ms H Lunderstedt as director			
Ordinary resolution 2.1: To appoint Mr MM Patel as member and chairman of the audit committee			

FORM OF PROXY continued

	For	Against	Abstain
Ordinary resolution 2.2: To appoint Mr T Schoeman as member of the audit committee			
Ordinary resolution 2.3: To appoint Ms P Tladi as member of the audit committee			
Ordinary resolution 3: To approve the re-appointment of the external auditors			
Ordinary resolution 4: To authorise directors to allot and issue unissued ordinary shares			
Ordinary resolution 5: To authorise directors to allot and issue unissued ordinary shares for cash			
Ordinary resolution 6: Approval of the Group remuneration philosophy			
Ordinary resolution 7: Signing authority			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at ______________________________ this ______________ day of ___________________________ 2014

Signature ____

Assisted by me, where applicable (name and signature) ____

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".

2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

3. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the shareholder's choice in the space provided, with or without deleting "the chairman of the 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 proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the chairman of the meeting.

4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty-eight hours before the commencement of the annual general meeting.

6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.

7. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

8. A shareholder's authorisation to the proxy including the chairman of the annual general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.

9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

10. Documentary evidence establishing the authority of a person signing the 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.

11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.

12. Where there are joint holders of ordinary shares:

12.1. any one holder may sign the form of proxy;

12.2. the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in

NOTES TO THE FORM OF PROXY continued

which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

13. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

    Hand deliveries to:
    Computershare Investor
    Services Proprietary Limited
    70 Marshall Street
    Johannesburg 2001

    Postal deliveries to:
    Computershare Investor
    Services Proprietary Limited
    PO Box 61051
    Marshalltown 2107

    to be received by no later than 10:00 on Thursday, 28 August 2014.

14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

SUMMARY OF THE RIGHTS OF A SHAREHOLDER TO BE REPRESENTED BY PROXY AS SET OUT IN SECTION 58 OF THE COMPANIES ACT

- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid until the end of the relevant shareholders' meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
- The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.
- If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

Attention is also drawn to the "notes to proxy". The completion of a form of proxy does not preclude any shareholder from attending the annual general meeting.

CORPORATE INFORMATION

IMBALIE BEAUTY LIMITED

(Registered in the Republic of South Africa)
Registration number: 2003/025374/06
JSE abbreviated name: Imbalie
JSE code: ILE
ISIN: ZAE000165239
Sector: AltX
Exchange: Alternative Exchange
Founded: 2003
Listed JSE: 21 August 2007

REGISTERED OFFICE

Imbalie Beauty Boulevard
Samrand Avenue, Kosmosdal Ext 4
Centurion 0157

Telephone: (012) 621 3300
Facsimile: (012) 621 3338

PO Box 8833, Centurion 0046

DIRECTORS

Ms HA Lunderstedt (Non-executive chairman)
Mr TJ Schoeman (Lead independent non-executive director)
Mr MM Patel (Independent non-executive director)
Mr GSJ van Nieuwenhuizen (Independent non-executive director) (resigned 6 February 2014)
Mr WP van der Merwe (Non-executive director)
Ms E Colyn (Chief executive officer)
Ms M Malan (Financial director)

SECRETARY

iThemba Governance and Statutory Solutions Proprietary Limited
Represented by Ms Marianne Fourie
Block 3 – Suite 322, Monument Office Park
79 Steenbok Avenue, Monument Park 0181

PO Box 25160, Monument Park 0105

Telephone: 086 111 1010
Facsimile: 086 604 1315

BANKERS

Absa Bank Limited

AUDITORS

Nexia SAB&T
Registered auditors
(Registration number 1997/018869/21)
119 Witch-Hazel Avenue, Highveld Technopark,
Centurion 0157

PO Box 10512, Centurion 0046

Telephone: (012) 682 8800
Facsimile: (012) 682 8714

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(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

Computershare Investor Services Proprietary Limited
(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

DESIGNATED ADVISOR

Grindrod Bank Limited
(Registration number 1994/007994/06)
Fourth Floor, Grindrod Tower, 8A Protea Place
Sandton 2196

PO Box 78011, Sandton 2146

Telephone: (011) 459 1890
Facsimile: (011) 459 1872

IMBALIE
BEAUTY™

www.imbaliebeauty.co.za

Dream Nails Beauty®

Placecol®
skin care clinic

perfect10® more than just a look... nail & body studio