

- Launched mobile applications for all beauty franchise groups in April 2014, the first beauty franchisor to introduce this initiative;
- Opened a new training centre in the Western Cape;
- A significant increase in marketing and advertising expenditure were incurred;
- Continuation of "Project Facelift" with more than 70 salons in the group being revamped and modernised to date;
- Opening of new beauty salons in new territories such as Stellenbosch, Secunda and Middelburg; and
- Two awards for BIOEFFECT EGF Eye Serum from the South African Pharmaceutical and Cosmetic Review in October 2014 as the 2014 Packaging Category Winner and the 2014 Individual Category Winner.

The group is in the final stages of the upgrade of its Placecol skin care range with the planned launch towards the end of 2014. The range will be classified as a dermatological skin care range and will in future be manufactured by a strategic biotechnology partner. The upgraded skin care range will be of a high standard and will contain the "e" mark, to position the skin care range to be exported in future.

FINANCIAL RESULTS

Group revenue increased by 14,36% to R49,2 million (2013: R43,0 million) during the interim period as a result of effective more focused marketing initiatives, the selling of seven new salons and the selling of the new technology hair removal and skin rejuvenation machines. Gross profit increased by 12,88% to R28,5 million (2013: R25,3 million) and gross profit margins decreased by 1% to 58% (2013: 59%), mainly due to the selling of corporate owned salons and equipment which attract lower margins.

Operating expenses increased by 30% to R29,7 million (2013: R22,9 million) as a result of a 38% increase in advertising and marketing expenses from the previous comparable period. Effective marketing will remain the focus of management. Overhead structures were reassessed and strengthened during the interim period in order to position Imbalie Beauty as the beauty franchisor that offers the best support to its franchisees. The cost effectiveness of overhead structures will be closely monitored for the remainder of the financial year.

Corporate stores available for resale are included in inventories. The value increased to R8,5 million due to salons being revamped and four salons being repurchased from franchisees. It remains a primary focus point of management to sell these stores to new franchisees in order to strengthen the cash flow of the group.

Trade and other payables increased during the interim period mainly as a result of the selling of a further batch of skin rejuvenation and hair removal machines prior to the end of the interim period, the settlement of which only occurred after the interim period end.

The group had no material capital commitments for the purchase of property, plant and equipment as at 31 August 2014.

PROSPECTS

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. The group has since the interim period increased its deposits and prepaid franchise fees received to R1,3 million, which is an indication that our franchise business development strategy is gaining momentum.

Imbalie Beauty is on a continuous journey to innovate, 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.

Statements contained in this announcement, regarding the prospects of the group have not been reviewed or audited by the group's external auditors.

DIRECTORATE

GSJ van Nieuwenhuizen resigned as a director of the company on 6 February 2014. 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 as chairman of the Risk Committee.

BASIS OF PREPARATION

The reviewed condensed interim financial results have been prepared in accordance with IAS 34 (Interim Financial Reporting), the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act.

The accounting policies used to prepare these condensed interim financial results are consistent with those applied in the prior interim period and the previous year-end.

These condensed group interim financial statements were prepared by Melinda Malan, CA(SA).

POST BALANCE SHEET EVENTS

There are no subsequent events to report on.

STATEMENT ON GOING CONCERN

The financial statements have been prepared on the going-concern basis as the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

AUDITORS' REVIEW CONCLUSION

The auditors, Nexia SAB&T, have reviewed these condensed group interim financial results for the period ended 31 August 2014. A copy of their unmodified review report is available for inspection at the company's registered office.

DIVIDEND POLICY

No dividend has been declared for the interim period.

APPRECIATION

The directors would like to thank our staff for their extended efforts and our partners for their support during the period.

By order of the board

Esna Colyn
Chief Executive Officer

Melinda Malan
Financial Director

4 November 2014

Non-executive directors: HA Lunderstedt (Chairman); TJ Schoeman* (Lead Independent); P Tladi*; MM Patel* (Chairman of Audit Committee); WP van der Merwe* *Independent*

Executive directors: E Colyn (Chief Executive Officer); M Malan (Financial Director)

Registration number: 2003/025374/06

Registered address: Imbalie Beauty Boulevard, Samrand Avenue, Kosmosdal X4, Centurion 0157

Postal address: PO Box 8833, Centurion, 0046

Company secretary: Ithemba Governance and Statutory Solutions Proprietary Limited

Telephone: (012) 621 3300

Facsimile: (012) 621 3369

Transfer secretaries: Computershare Investor Services Proprietary Limited

Designated adviser: Grindrod Bank Limited

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**REVIEWED GROUP
CONDENSED INTERIM
FINANCIAL RESULTS**
for the six months ended 31 August 2014



CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 August

	Reviewed 6 months August 2014 R'000	Reviewed 6 months August 2013 R'000	Audited 12 months February 2014 R'000
Revenue	49 211	43 033	87 381
Cost of sales	(20 709)	(17 783)	(34 238)
Gross profit	28 502	25 250	53 143
Other income	1 001	985	1 121
Operating expenses	(29 692)	(22 878)	(49 786)
(Loss)/Earnings before interest, taxation, depreciation and amortisation	(189)	3 357	4 478
Depreciation and amortisation	(488)	(422)	(854)
(Loss)/Profit before interest and taxation	(677)	2 935	3 624
Investment revenue	–	15	39
Finance costs	(590)	(698)	(912)
(Loss)/Profit before taxation	(1 267)	2 252	2 751
Taxation	314	(464)	(558)
(Loss)/Profit for the period	(953)	1 788	2 193
Other comprehensive income			
Revaluation surplus	–	–	–
Total comprehensive (loss)/income attributable to ordinary shareholders	(953)	1 788	2 193
Reconciliation of headline earnings:			
(Loss)/Profit attributable to ordinary shareholders	(953)	1 788	2 193
Adjusted for:			
Loss on sale of property, plant and equipment	–	19	144
Headline (loss)/earnings attributable to ordinary shareholders	(953)	1 807	2 337
Number of ordinary shares in issue on which earnings per share are based			
– weighted and diluted average	345 547 773	345 547 773	345 547 773
(Loss)/Earnings per share (cents)	(0,28)	0,52	0,63
Headline (loss)/earnings per share (cents)	(0,28)	0,52	0,68
Fully diluted (loss)/earnings per share (cents)	(0,28)	0,52	0,63
Fully diluted headline (loss)/earnings per share (cents)	(0,28)	0,52	0,68

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

as at 31 August

	Reviewed August 2014 R'000	Reviewed August 2013 R'000	Audited February 2014 R'000
ASSETS			
Non-current assets	36 820	36 345	36 108
Property, plant and equipment	3 993	4 101	3 793
Goodwill and intangible assets	22 763	22 397	22 566
Other financial assets	–	176	–
Deferred taxation	10 064	9 671	9 749
Current assets	37 284	33 805	32 137
Inventories	17 804	16 879	19 789
Other financial assets	6 474	2 507	1 390
Current tax receivable	–	86	86
Trade and other receivables	12 859	14 031	10 575
Cash and cash equivalents	147	302	297
Total assets	74 104	70 150	68 245
EQUITY AND LIABILITIES			
Equity	42 903	43 451	43 856
Share capital	67 330	67 330	67 330
Reserves	163	163	163
Retained earnings	(24 590)	(24 042)	(23 637)
Non-current liabilities	9 171	7 308	5 893
Other financial liabilities	8 935	7 243	5 657
Deferred taxation	236	65	236
Current liabilities	22 030	19 391	18 496
Trade and other payables	13 225	10 249	9 615
Other financial liabilities	4 913	4 888	4 212
Deposits and prepaid franchise fees received	893	–	–
Operating lease liabilities	247	216	369
Bank overdraft	2 752	4 038	4 300
Total equity and liabilities	74 104	70 150	68 245
Number of shares in issue at period end	345 547 773	345 547 773	345 547 773
Net asset value per share (cents)	12,42	12,57	12,69
Net tangible asset value per share (cents)	5,83	6,10	6,16

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August

	Reviewed 6 months August 2014 R'000	Reviewed 6 months August 2013 R'000	Audited 12 months February 2014 R'000
Balance at beginning of period	43 856	41 663	41 663
Total comprehensive income for the period	(953)	1 788	2 193
Balance at end of period	42 903	43 451	43 856

CONDENSED GROUP STATEMENT OF CASH FLOWS

for the six months ended 31 August

	Reviewed 6 months August 2014 R'000	Reviewed 6 months August 2013 R'000	Audited 12 months February 2014 R'000
Cash flows generated from/ (utilised in) operating activities	3 431	(669)	498
Cash flows (utilised in)/generated from investing activities	(6 013)	56	885
Cash flows generated from/ (utilised in) financing activities	3 980	467	(1 796)
Net increase/(decrease) in cash and cash equivalents	1 398	(146)	(413)
Cash and cash equivalents at beginning of period	(4 003)	(3 590)	(3 590)
Cash and cash equivalents at end of period	(2 605)	(3 736)	(4 003)

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, or from operations in South Africa with branches in Africa.

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

OVERVIEW

The directors of Imbalie Beauty hereby present the reviewed interim results for the six months ended 31 August 2014 (interim period). Imbalie Beauty is a franchisor, distributor and service provider of beauty offerings and products. Imbalie Beauty has both its own distribution footprint and a franchised distribution footprint, which together total 150 beauty salons nationally. In addition, Imbalie Beauty's products are distributed through other large retailers, independent salons and pharmacies.

Imbalie Beauty is a multiple brand owner, owning the following franchise salon chains: Placecol Skin Care Clinics; Dream Nails Beauty Salons; and Perfect 10 Nail and Body Studios.

The group experienced difficult trading conditions during the interim period as a result of its exposure to a large retailer, that encountered difficult trading conditions which were well reported on in the media. Furthermore, additional marketing and overheads were incurred to strengthen the support structure for franchisees in advance of the opening of new salons.

The following positive achievements were encountered during the interim period:

- Three Franchise Association of South Africa (FASA) nominations as finalists and one award as a winner for Perfect 10 Ballito as Best Franchisee of the Year in April 2014;