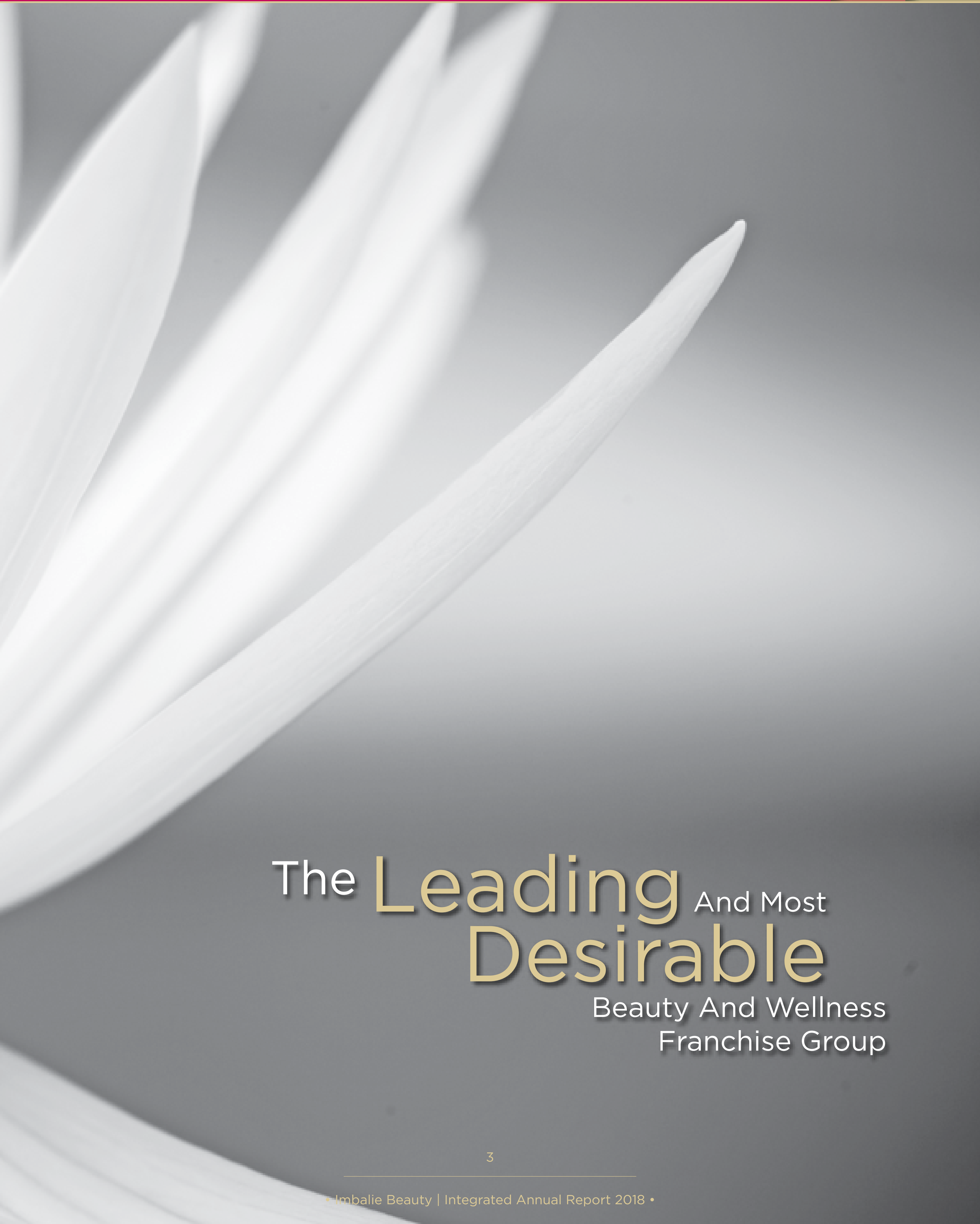
IMBALIE®
BEAUTY

# INTEGRATED ANNUAL REPORT 2018

# Contents

# ABOUT IMBALIE BEAUTY



# The Leading And Most Desirable Beauty And Wellness Franchise Group

## ABOUT IMBALIE

Imbalie Beauty is a franchisor that markets and distributes its own and independent health and beauty brands to its own distribution footprint of more than 120 mainly franchised and owned beauty salons, independent beauty salons and selected pharmacies. It has three main salon brands namely Placecol Skin Care Clinic, Dream Nails Beauty and Perfect 10 Nail & Body Studio.

At Imbalie Beauty we are on a continuous journey to innovate, offer better marketing, pricing and support structures to our franchise partners.

Despite having brands and franchises that are both well-established and recognised in South Africa, Imbalie Beauty is acutely aware that its business journey towards success and sustainability is an ongoing one.

## VISION AND MISSION

To be the leading and most desirable beauty and wellness franchise group, Imbalie Beauty has identified the following business goals or objectives:

- to expand the support structure for franchise partners to ensure their sustainability and profitability;
- to attract and retain world-class managers and beauty therapists, nail technicians and hair stylists throughout the Imbalie Beauty group; and
- to consistently introduce innovative beauty products and services.

All of these have been developed in line with Imbalie Beauty's mission of making a positive change in the world through improvement and empowerment, and by increasing the esteem of our customers.

## VALUES

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

## IMBALIE BEAUTY GUARANTEE

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

# AWARDS

**FASA AWARDS 2017**

Winner Franchisee of the Year Category: Placecol Elardus Park

Finalist in Franchisee of the Year Category: Perfect 10 Highveld Mall

Finalist in Franchisor Brand Builder of the Year Category: Perfect 10

**WOMAN & HOME AWARDS 2017**

Best Face Oil: Placecol Illuminé Reviving Oil

Best New Skin Care Product: Skinderm Optimize Brightening Elixir

Best Lip Pencil: Bodyography Lip Pencil in Barely There

**MARIE CLAIRE PRIX D’EXCELLENCE DE LA BEAUTÉ 2017**

1st Runner up: Skinderm Exfoliating Glow Pads

**PHARMACEUTICAL AND COSMETIC REVIEW AWARDS 2017**

Skinderm Range Category Winner

Skinderm New Product Competition Second Runner Up

Placecol Illuminé Retinol Serum Individual Category First Runner Up

**BEST OF PRETORIA AWARDS 2017**

Placecol overall winner as best place to buy beauty products

Placecol voted overall winner as best beauty salon

Placecol voted overall winner as best nail bar

**BEST OF BLOEMFONTEIN AWARDS 2017**

Placecol Victorian Square voted as best place to buy beauty products

Placecol Victorian Square voted as best beauty mecca

Placecol Victorian Square voted as best nail salon

# BUSINESS MODEL

IMBALIE BEAUTY

Placecol skin care clinic | IMBALIE TRAINING ACADEMY | perfect10

## SUPPORT STRUCTURE

IMBALIE BEAUTY

Giving the best support to our franchise group in the form of:

- **Education**
- **Marketing**
- **Customer Care**
- **Project Management**
- **Finance**
- **Distribution of Product**


IMBALIE TRAINING ACADEMY

**Imbalie Training Academy**

The Imbalie Training Academy is ITEC and SETA Accredited.

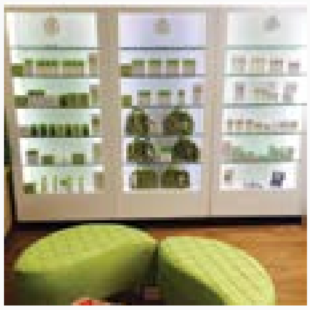
The Imbalie Training Academy is built on the success and experience of the Imbalie Beauty Franchise Group. Imbalie Beauty's expertise in the industry offers students a refreshing one of a kind approach to starting or further developing their careers.

## MAIN SALON BRANDS

Placecol® skin care clinic

### PLACECOL®

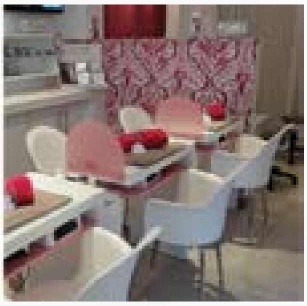
Placecol® is an authentic South African franchise brand offering, that is more than 38 years old. Our Placecol Skin Care Clinics use technology that is scientifically proven to be safe and effective that delivers visible results. The Placecol range of professional skin care products is award winning and of pharmaceutical grade, transforming and illuminating overall skin health.

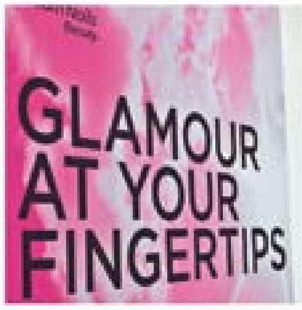



Dream Nails Beauty®

### DREAM NAILS BEAUTY®

Dream Nails Beauty® is an original 33 year old beauty franchise brand, where true passion and dedication transformed this original nail and beauty leader into one of the most desirable beauty franchises today. Dream Nails Beauty is committed to deliver high quality beauty and nail enhancements, by using only leading nail brands in the industry ensuring that the highest of standards are maintained.






perfect10®

### PERFECT 10®

The Perfect® 10 Nail and Body Studio brand is a 14 year old well recognised brand in South Africa. The brand radiates modern elegance. In July 2016 Imbalie Beauty launched Skinderm®, a scientifically formulated skin care range exclusive to its Perfect 10 franchise group.

# BOARD OF DIRECTORS

BHEKI SHONGWE

Independent Non-Executive Chairman
Chairman of Remuneration Committee
Member of Nomination Committee
BA Economics and Accounting, MBA, FCIS, FCIBM

Mr Shongwe is Chairman of Flow Communications, Matsamo Capital, Compass Management Consultants and Pikitup and Deputy Chairman and non-executive director of Sabvest Limited where he also serves on the audit committee. He has 30 years business experience in finance, marketing, sales and general management and served on the boards of Evraz Highveld Steel and Vanadium for 19 years, 4 years of which was as chairman and served as a non-executive director of African Bank, African Bank Investments, Super Group, Air Traffic & Navigation Services, Peu Investment Group, Kaizer Chiefs, Alexkor and Primedia.

GARY HARLOW

Non-Executive Director
Member of Audit and Risk Committee
Member of Remuneration Committee
Chairman of Nomination Committee
BBusSci (Hons), FCMA, CGMA, CA(SA)

Mr Harlow was an adviser to the African National Congress and developed its Black Economic Empowerment strategy and was instrumental in the creation of Thebe Investment Corporation in 1992; South Africa's first broad-based black-owned company. He served as Joint Chief Executive Officer of Msele Corporate and Merchant Bank, South Africa's first black-controlled merchant bank and was appointed Group Chief Executive Officer of Unihold Limited in 1996, where he remains as Executive Chairman. He continues to serve on numerous private and public company boards and is Chairman of Newpark Reit Limited and various Unihold subsidiaries.

THEO SCHOEMAN

Independent Non-Executive Director
Chairman of the Audit and Risk Committee
Member of Remuneration Committee
Member of Nomination Committee
BCom (Computer Science), BCom Hons (CA) SA

Mr Schoeman has a corporate finance background and his wide business experience encompasses, inter alia, industry consolidations and the set-up of new businesses and listings. He received the "Centurion Businessman of the Year" award in 2005 and is currently the Chief Executive Officer of the Centurion Academy.

WESSEL VAN DER MERWE

Non-Executive Director
Member of the Audit and Risk Committee
Member of Remuneration Committee
Member of Nomination Committee
BCom Hons; CA (SA)

Mr van der Merwe has accumulated more than 20 years' experience in investment banking and corporate finance. He spent 3 years in investment banking at Gensec Bank and founded a corporate finance business and co-founded a JSE-Sponsor business with the most listings on the JSE Alt$^X$ to date. He is experienced in all aspects of corporate finance but his specific skills lie in deal negotiations 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.

## ESNA COLYN

Chief Executive Officer
BCom Hons; CA (SA)

Ms Colyn joined Imbalie Beauty in 2010 as the CEO of the Group after many years' experience in banking, private equity and corporate finance. She spearheaded the Perfect 10 franchise chain acquisition and completed the successful launch of the upgrade of the Placecol skin care range in 2015 and launched the Skinderm range into Imbalie Beauty's Perfect 10 franchise group. Both the Placecol skin care range and Skinderm are considered to be the best skin care ranges in South Africa.

## RINA DE JAGER

Financial Director
BCom

Ms de Jager was previously Financial Manager at Famous Brands and Group Financial Manager at DairyBelle.

# REPORT OF THE CHAIRMAN AND CEO

**Background**

Imbalie Beauty is a franchisor, distributor, brand owner, service provider and an educator of beauty and wellness offerings and products. Imbalie Beauty has its own and franchise salon footprint ("salon footprint") through the following franchise salon chains: Placecol Skin Care Clinics, Perfect 10 and Dream Nails Beauty Salons. The Imbalie Beauty Group's unique differentiator is that it owns award-winning skin care brands, being Placecol and Skinderm.

**Future**

It is evident from the results of the Group that both the Group and the business model of its salon footprint were negatively affected by the continued difficult trading conditions, which resulted in more than 40 franchises and corporate salon closures during the year. This had a negative impact on the overall revenue and morale of the Group.

The Board of Directors is therefore actively pursuing the successful conclusion of a reverse listing and the disposal of the Group's cosmetic subsidiaries and businesses over the next three to four months.

**Appreciation**

The directors would like to thank our Imbalie Beauty team for their extended efforts and our clients, strategic partners and suppliers for their continued support during the year.

Bheki Shongwe
Chairman of the Board

Esna Colyn
Chief Executive Officer



# AUDIT AND RISK COMMITTEE REPORT

**BACKGROUND**

The Committee presents its report for the financial year ended 28 February 2018 as recommended by the King IV report on Corporate Governance and in line with the Companies Act, 2008 (Act 71 of 2008) ("the Companies Act").

**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 King IV.

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 2018; and
  - the interim results for the six months ended 31 August 2017.

The Audit Committee is of the opinion that the objectives of the Committee were met during the year under review.

The audit committee has considered the JSE letter of 20 February 2018 (JSE Proactive Monitoring Process).

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 was comprised solely of independent non-executive directors. They are Theo Schoeman (Independent Chairman), Gary Harlow and Wessel van der Merwe.

**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 2018 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 assessed the suitability of the re-appointment of Nexia SAB&T and the designated individual partner, by considering the information provided by Nexia SAB&T as required per paragraph 22.15(h) of the JSE Listing Requirements. 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 2019 financial year.

**ANNUAL FINANCIAL STATEMENTS**

The Audit Committee has assessed the potential of the reverse listing and the current restructuring process as part of its going concern assessment as set out in the directors' responsibility and approval report on page 30.

The Audit Committee has evaluated the consolidated annual financial statements for the year 28 February 2018 and considers that they comply, 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 had processes in place to comply fully with the Companies Act, before the conclusion of the financial year ended 28 February 2018.

Theo Schoeman
Audit and Risk Committee Chairman

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE REPORT

Imbalie Beauty Limited ("the Company") is guided by the JSE Listings Requirements, the Companies Act; King Code on Governance 2016 ("King IV") and international best practice on corporate governance. This report sets out some of the key principles adopted by the Board relating to the governance of its activities and its interaction with stakeholders.

Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to external capital.

The Board is committed to enhancing and consistently reviewing the corporate governance processes of the Company, to deliver on the mandate and to ensure that best principles are applied. It is essential that the directors apply their minds to what is in the best interest of the Company from time to time. King IV is based on the "apply and explain principle" expecting the Board to apply recommendations which are in the best interests of the Company and a reason should be provided where the recommendations are not applied.

Application of King IV within Imbalie Beauty Limited can be found on our website: www.imbaliebeauty.co.za

## BOARD OF DIRECTORS

The Board includes both executive and non-executive directors, in order to maintain a balance of power and to ensure that independent unbiased decisions are made. The Board of Directors oversees the governance of Imbalie Beauty, in accordance with the principles set out in the Companies Act and King IV. The Board is committed to best practice principles that include ethical fairness, accountability, transparency and social development. The Board is the highest governing authority of the Company. The Board Charter outlines its objectives and responsibilities. The Sub-Committees operate 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 judgments are made with reasonable care, skill and diligence.

Non-executive directors are expected to contribute an 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 Memorandum of Incorporation ("MOI") the number of directors shall not be less than four. The Board comprises of six directors of whom two are executive directors, two are independent non-executive directors and two are non-executive directors.

### Responsibilities of the Board

The duties and responsibilities of the Company's Board are clearly defined in the approved Board Charter and MOI. The Board is responsible for effective control over the affairs of the Company and provides strategic direction to management. The Board monitors the performance of management through the Audit and Risk-, Social and Ethics-, Remuneration- and Nominations Committees. With advice from the Nominations Committee, the Board ensures that competent candidates with the relevant expertise are elected as non-executive directors. The Board remains under constant review to ensure the optimum mix of skills and experience to maintain balance in terms of the independence of directors. The Board has the responsibility of reviewing and adopting the terms of reference of its Sub-Committees.

The Board is committed to operating within the highest standards of professional ethics by ensuring that all material and potential conflicts of interests between a director and the Company are declared and recorded and, where necessary, a material or potential conflict is addressed according to the provisions of the Companies Act. These matters are also reported to the Shareholders at Annual General Meetings.

The Executive Directors' service contracts may be terminated with three months' notice. The CEO has the responsibility of managing the Group's daily affairs. The Board is kept informed of all developments in the Company through the Executive Directors and the Company Secretary.

### Board Composition

| | |
|---|---|
| BJT Shongwe | Independent Non-Executive Chairman |
| TJ Schoeman | Independent Non-Executive Director |
| GD Harlow | Non-Executive Director |
| E Colyn | Executive Director: CEO |
| CW de Jager | Executive Director: Finance |
| WP Van Der Merwe | Non-Executive Director |

The Board meets a minimum of three times a year, with additional meetings as and when required. Material decisions may be taken between meetings. The non-executive directors are provided with comprehensive information necessary to discharge their responsibilities, individually and as a Board and in certain instances, as Board Committee members.

***Attendance table of Board meetings during the financial year ended 28 February 2018***

| Member | 29/08/2017 | 4/09/2017 | 31/10/2017 |
|---|---|---|---|
| BJT Shongwe | N/A | N/A | P |
| TJ Schoeman | A | P | P |
| GD Harlow | N/A | N/A | P |
| WP van der Merwe | P | P | P |
| E Colyn | P | P | P |
| CW de Jager | N/A | N/A | N/A |
| MM Patel | P | P | R |
| P Tladi | P | P | R |
| DL Wolfendale | P | P | P |
| J Prince | P | P | P |
| J Rossouw | N/A | N/A | P |
| BG Kairuz | N/A | N/A | N/A |
| SM Oosthuizen | N/A | N/A | N/A |

*Key: P - Present R – Resigned A – Absent N/A - Not applicable*

**BOARD CHARTER**

The Board continues to implement its Charter, the objective is to assist the Board and management in carrying out their functions as prescribed by the JSE Listings Requirements, Companies Act and King IV. The Board Charter provides the terms of reference of the Board and its Committees including the description of their roles, duties and powers to ensure that stewardship is exercised at all times and uphold the highest degree of ethics in all forms of conduct.

The Board Charter 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. The Charter is reviewed annually and amended when necessary by the Board ensuring that the Charter remains relevant, incorporates best practices and aims to achieve high levels of good governance. The Charter regulates and deals with, *inter alia*:

- Board leadership and defines the separate responsibilities of the Chairman and the CEO;
- procedures, pre-requisites and competencies for membership, size and composition of the Board, period of office, reward, induction and succession planning;
- procedures for Board meetings, frequency, quorum, agendas, Board papers, conflicts of interest and minutes;
- retain full and effective control of the Group;
- review and approve corporate strategy;
- approve and oversee major capital expenditure;
- review and approve annual budgets and business plans;
- monitor operational performance and management;
- determine the Group's purpose and values;
- ensures that the Group complies with sound codes of business behaviour;
- ensures that appropriate control systems are in place for the proper management of risk, financial control and compliance with all laws and regulations;
- appointment of the CEO and ensure proper succession planning for executive management;
- regularly identify and monitor key risk areas and the management thereof; and
- oversees the Company's disclosure and communication process.

# Corporate Governance Report

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 program 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.

**COMPANY SECRETARY**

The Board has the responsibility of appointment and removal of Company Secretaries. Arenkwe Governance Services CC ("Arenkwe") resigned as Company Secretary effective from 24 October 2017. Paige Atkins was appointed as the Company Secretary with effect from 25 October 2017. The Board is content that Ms Atkins is competent to fulfill the Company Secretariat function. In compliance with the JSE Listings Requirements, the Board has satisfied itself of the competence, qualifications and experience of the Company Secretary by way of a formal review of these items. The Company Secretary is independent and is not a related party in the Group.

The Company Secretary is fully empowered by the Board to perform the function and reports directly to the Independent Non-Executive Chairman. Amongst other duties, the Company Secretary ensures that the Company adheres to all legislative, regulatory and shareholder requirements by advising the Board on all legislation and governance issues affecting the Company, assisting the directors in execution of their duty of care, skill and diligence. The Board members have unrestricted access to the advice and guidance of the Company Secretary. The Company Secretary has an independent relationship with the Board of Directors.

**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. The Board, assisted by the Nominations Committee, recommends the eligibility of the retiring director (subject to availability and his/ her contribution to the business) for re-appointment. The directors retiring by rotation at the forthcoming annual general meeting are Messrs TJ Schoeman and WP van der Merwe.

**REMUNERATION**

Details of directors' fees and remuneration are fully disclosed in the Annual Financial Statements. Furthermore, the projected 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 report. Non-executive directors only receive a fee which 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 management team as recommended by the Remuneration and Nomination Committee is fully disclosed in the financial statements.

**MONITORING OF PERFORMANCE**

The Nominations Committee assists in the appointment of the Chairman of the Board on an annual basis. The independence of non-executive directors is assessed by the Nominations Committee annually. At the last meeting of the 2017 financial year a detailed self-assessment of the performance of the Board and its Committees was conducted in line with the latest recommendations by King IV 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. Moreover the Board had fulfilled its roles and responsibilities and had discharged its obligations to the Company, Shareholders and other stakeholders in an impeccable manner.

**BOARD COMMITTEES**

The Board has established a number of standing Committees. Each Committee has agreed terms of reference as approved by the Board that addresses issues such as composition, duties, responsibilities and scope of authority. Although the Board delegates certain functions to these Committees, it retains final responsibility for their activities. The Chairman of the Committee should be 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 with best practice. The Board has the responsibility of appointing the Chairman and the members of each Committee. In addition, performance evaluations of the Committees is conducted on an annual basis, the respective findings are reported to the Board for consideration. The Board Committees comprise of Audit and Risk-, Remuneration-, Nominations- and Social and Ethics Committees.

## AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is a statutory Committee established in accordance with the guidelines in the JSE Listings Requirements, King IV and the Companies Act. The Committee composition is as follows:

| | |
|---|---|
| Mr TJ Schoeman | Chairman |
| Mr GD Harlow | Non-Executive Director |
| Mr WP van der Merwe | Non-Executive Director |

The Board is satisfied that the members meet the definition of non-executive directors, acting independently, as defined in the Companies Act. The Committee is satisfied that the responsibilities as stated in the terms of reference have been fulfilled. The terms of reference for the Committee intend to ensure compliance with governance recommendations and statutory requirements. The Board believes that the members collectively possess the knowledge and experience to exercise oversight of the Company's financial management, external auditors, the quality of financial controls, the preparation and evaluation of financial statements and financial reporting.

In order to manage the risk of business failure and to provide reasonable assurance against such, the Board has established and maintains internal controls and procedures, which are reviewed on a regular basis. However this is not a guarantee that such risks are eliminated.

The Committee is responsible for the following:

- Incorporating annual financial statements, interim reports, preliminary or provisional result announcements;
- Reviewing and recommendation of the annual financial statements to the Board for approval;
- Completion of the integrated report and recommends it to the Board for approval;
- Monitor significant judgments and reporting decisions affecting the integrated report made by management;
- Makes a statement on the going concern status of the Company;
- Reviews 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;
- Ensures that the Company carries out its responsibilities as they relate to financial and risk management and other reporting practices;
- Provides strategic guidance and assistance with regards to accounting policies and procedures, internal controls and management of risks;
- Monitoring of the risk management policy and plan and compliance with laws, regulations and ethics;
- Ensures risk management assessments are performed annually;
- Oversees the external audit processes;
- Evaluates the performance of the Financial Director;
- Govern Information Technology and the effectiveness of the Company's information systems;
- Facilitates 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;
- Recommends the appointment of a firm of external auditors to the Board who in turn will recommend the appointment to the shareholders;
- Determines that the designated appointee has the necessary experience, qualifications and skills and that the audit fee is adequate;
- Satisfies itself as to the appropriateness of the experience and expertise of the Financial Director as required in terms of the JSE Listings Requirements; and
- Reports to the Board and shareholders on how it has discharged its duty.

***Attendance table of Audit and Risk Committee Meetings during the financial year ended 28 February 2018***

| Member | 14/02/2018 | 25/05/2017 |
|---|---|---|
| Mr TJ Schoeman | P | P |
| Mr GD Harlow | N/A | N/A |
| Mr WP van der Merwe | N/A | N/A |
| Mr MM Patel | P | P |
| Ms P Tladi | A | P |

*Key: P - Present R – Resigned A – Absent N/A – Not Applicable*

# CORPORATE GOVERNANCE REPORT

## NOMINATIONS COMMITTEE

The Nominations Committee ensures that the Company's nomination philosophy supports the strategic objectives of the Group. The Nominations Committee composition is as follows:

| | |
|---|---|
| Mr GD Harlow | Chairman |
| Mr TJ Schoeman | Independent Non-Executive Director |
| Mr BJT Shongwe | Independent Non-Executive Director |
| Mr WP van der Merwe | Non-Executive Director |

The Committee has the responsibility of:

- assisting the Board in the nomination of new Board candidates; and
- ensuring regular assessment of Board performance.

The Company does not have a gender nor race diversity policy in place. These policies will drawn up and tabled at the next board meeting.

## RENUMERATION COMMITTEE

The Remuneration Committee ensures that the Company's remuneration philosophy supports the strategic objectives of the Group. The Remuneration Committee composition is as follows:

| | |
|---|---|
| Mr BJT Shongwe | Chairman |
| Mr TJ Schoeman | Independent Non-Executive Director |
| Mr GD Harlow | Non-Executive Director |
| Mr WP van der Merwe | Non-Executive Director |

**The Committee has the responsibility of:**

- assisting the Board in formulating remuneration and other employment policies;
- formulating remuneration philosophy of the Company; and
- structuring appropriate remuneration packages for executive directors, based on industry standards and the best interests of all parties concerned;

The Chairman of the Board acts as Chairman of the Remuneration Committee. The salary structure is in accordance with the Company's overall reward philosophy and is designed to:

- enable the Company to attract, retain and motivate the right caliber of individuals so as to ensure that a consistent and high level of performance is achieved;
- provide guidelines so that decisions are made timeously with confidence and integrity;
- maintain fair, consistent and equitable total remuneration practices in alignment with the Company's core values;
- foster individual development and teamwork;
- encourage internal development of talent; and
- re-enforce roles and accountabilities.
- The remuneration philosophy also records the measures the board will adopt in the event that either the remuneration philosophy or the implementation report, or both, are voted against by 25% or more of the voting rights exercised by shareholders. In such event, the company will, in its announcement of the resolutions of the AGM, provide dissenting shareholders with information as to how to engage with the Company in this regard to this matter and the timing of such engagement.

## SOCIAL AND ETHICS COMMITTEE

This Committee fulfills the statutory duties of the Social and Ethics Committee as required in terms of section 72 of the Companies Act and regulation 43 of the Companies Regulations. As such, the Social and Ethics Committee complies with the legislated membership and mandate requirements. The Social and Ethics Committee is governed by a formal Charter, which is aligned to the King IV principles and the Companies Act. The Committee's terms of reference are reviewed and amended by the Board on an annual basis to ensure compliance with regulatory changes and best practice. The Committee has the responsibility of ensuring that the Company:

- Discharges its statutory duties in respect of section 72 of the Companies Act dealing with the structure and composition of Board sub-Committees;
- Upholds the goals of the Organisation of Economic Co-operation and Development (OECD) recommendations regarding corruption;
- Complies with the Employment Equity Act (as amended) and the Broad-Based Black Economic Empowerment Act (as amended);
- Directors and staff comply with the Company's Code of Ethics;
- Practices labour and employment policies that comply with the terms of the International Labour Organization (ILO) protocol on decent work and working conditions;
- Ensures the continued training and skills development of its employees; and
- 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.

The Committee evaluates its performance and effectiveness as part of the formal annual Board evaluation process through self-evaluation questionnaires. Based on the evaluation results, the Committee and Board believe that the Social and Ethics Committee functions effectively and complies with its terms of reference.

The Social and Ethics Committee composition is a follows:

| | |
|---|---|
| Ms DL Wolfendale | Chairman |
| Ms E Colyn | Chief Executive Officer |

The Company is aware that the Social and Ethics Committee should consist of three members and is in the process of appointing an additional member.

## 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 the Company's shares by directors of the listed entity and its major subsidiaries. Closed periods extend from 31 August to 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 shareholders and other stakeholders. The quality of information is based on the guidelines of promptness, relevance and transparency.

Investor road shows, presentations and formal announcements are all used to communicate with the market. Shareholders 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 whistleblowing 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.

The Company and its subsidiaries have not entered into any restrictive funding arrangements during the period under review. The Company and its subsidiaries have not repurchased any of its own shares during the period under review

# SOCIAL RESPONSIBILITY

Any organisation is reliant on its employees, 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 improvement and empowerment, and by increasing the esteem of our customers.

Imbalie Beauty ensures its social sustainability by focusing on the following 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, focus 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 less than 50 employees spread throughout South Africa. All full-time employees have access to a pension fund and medical aid. Imbalie has partnered with Attooh since 2012 to improve our employee welfare, our pension fund benefits are tailor-made for our business in empowering our staff.

**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 Woodmead. Imbalie also launched its own Training Academy which offers world class modular courses that is ITEC accredited. Our Training Academy is the key to staff retention and empowering staff within our organisation.

**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 its managers and 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 launched its Training Academy in March 2016 to offer world class, modular coursed at affordable prices to the community. Our main benefit to the community is equipping first time employees and seasonal employees with the training, skills and confidence which provide an excellent foundation for future opportunities in the beauty industry. The Imbalie Beauty Group also provides work opportunities by displacing the successful student within our salons' workforce. Imbalie Beauty invests in the community by making a positive change in the world while working on achieving business goals. Imbalie Beauty invests in the community through the following actions:

**Imbalie Beauty Training Academy Learnership Program:**

The "Social Makeover" project has supported 20 women from Mitchel's Plain in transforming their lives and futures. These 20 women have completed an intensive 10 week personal development and empowerment programme, in addition to this; the women have completed a highly international acclaimed course in nail therapy run by Imbalie Training Academy. The "Social Makeover" project places these women in permanent employment in areas best suited for each woman. This project has transformed their lives making them more confident, resilient and self-sufficient.

**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 a Dream approached Imbalie Beauty to be part of their "Queen for a day" campaign for 2016. This project is to treat brave little girls to a day out of their hospital environment and crown them queen for a day. Each girl is made to feel special and beautiful to ease the effect of their illnesses on their bodies and more importantly, their self-esteem.

**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 youths are then brought into the Tomorrow Trust's programs 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 believes in the vision of the Tomorrow Trust and how they endeavour to change the lives of underprivileged children in South Africa.

**67 Minutes for Mandela Day:**

In celebration of Nelson Mandela Day, The "Social Makeover" project supported by The Western Cape Department of Social Development, The Imbalie Training Academy and Old Mutual has dedicated time to pampering elderly women and care givers from the Mitchel's Plain community with manicures. Our aim was to pamper 67 women for 67 minutes. We invited 67 women - all amazing mothers, sisters and friends who do not often get a chance to pamper themselves. These women include elderly women from the local Frail Care Centre as well as caregivers and house mothers from child care centres and orphanages in Mitchel's Plain. All these women were pampered, loved and appreciated.

**Dignity Dreams:**

Dignity Dreams is a registered NPO that has identified a definite need for underprivileged girls. They have created a solution which manufactures Dignity Dreams Packs which provide re-usable, washable sanitary wear that is SABS absorbency approved and re-usable for up to five years. Having access to beautiful, feminine, washable pads has significantly reduced the occurrence of infections, increased attendance at school and/or work and restored a measure of dignity. Imbalie Beauty's mission is aligned with the mission of Dignity Dreams to make a positive change in the world and empower women.

## 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. Imbalie Beauty brands are cruelty free.

**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 its responsibility to reduce 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. All lights are also placed on timers to reduce electricity usage. Our salon group which consist of more than 120 salons are also driven towards power saving.

**Water:** Similar plans for the use of water are and need to be continuously implemented within Imbalie Beauty. Each individual is aware of his/her responsibility to save water and not waste this valuable resource. The Imbalie Beauty EXCO has launched 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 generate profits but also assist with 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 confirm 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.

# Annual Financial Statements

## INDEX

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 financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

The directors have reviewed the group's cash flow forecast and, in light of this review and the current financial position, while management is aware of the cash-flow pressures and significant liquidity uncertainty after year-end, they continue to assess the situation as one whereby the Group is able to service its debts that will become due in the next 12 months and also fund operational losses that may arise. Management has developed and is in the process of a strategy to address the liquidity and cash flow constraints, which includes:

- Further reduction of overheads of the Company.
- The sub-letting of its premises to earn additional revenue.
- The introduction of the Placecol skin care range in May 2018 into the Edgars group in order to earn additional revenue on product sales.
- The successful conclusion of a reverse listing and the disposal of the Group's cosmetic subsidiaries and businesses over the next three to four months.

The implementation of the above strategic interventions will improve and address the liquidity and the cash flow position of the Group over the next 12 months.

The external auditors are responsible for independently auditing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on pages 33.

The financial statements set out on pages 34 to 63, which have been prepared on the going concern basis, were approved by the board of directors on 31 July 2018 and were signed on their behalf by:

**Esna Colyn**
Chief Executive Officer

# DECLARATION BY THE COMPANY SECRETARY

I certify, in my capacity as Company Secretary and in accordance with section 88 of the Companies Act, that for the year ended 28 February 2018 the Company has filed all returns and notices as required by a public company with the Companies and Intellectual Properties Commission and that these returns are true, correct and up-to-date.

**Paige Atkins**
Johannesburg
31 July 2018

# DIRECTORS' REPORT

The directors have pleasure in submitting their report on the financial statements of Imbalie Beauty Limited and its subsidiaries and the group for the year ended 28 February 2018.

## 1. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated financial statements.

## 2. SHARE CAPITAL

The authorised share capital increased from 1 000 000 000 ordinary shares of no par value to 2 000 000 000 ordinary shares of no par value during the current year. In addition, during the current year, 750 000 000 Imbalie Beauty rights offer shares were issued to participants. Refer to note 13 for the detailed movement in issued shares.

## 3. EVENTS AFTER THE REPORTING PERIOD

Refer to note 29 for details of subsequent events.

## 4. AUDITORS

Nexia SAB&T continued in office as auditors for the company and its subsidiaries for 2018.

At the AGM, the shareholders will be requested to reappoint Nexia SAB&T as the independent external auditors of the company and to confirm TJ de Kock as the designated lead audit partner for the 2019 financial year.

## 5. SECRETARY

The company secretary is Ms Paige Atkins.

Postal address:
P.O. Box 3484
Rivonia
2128
Gauteng

## 6. DIRECTORS

The directors of the company are as follows:

- Mr BJT Shongwe (Non-executive Chairman of the Board, Chairman of the Remuneration Committee)
- Mr GD Harlow (Non-executive, Chairman of the Nominations Committee)
- Mr TJ Schoeman (Non-executive, Chairman of the Audit and Risk Committee)
- Mr WP van der Merwe's (Non-executive)
- Ms E Colyn (Chief Executive Officer)
- Ms CW de Jager (Financial Director)

Various changes have occurred to the board during and subsequent to year-end. Further details of these changes are included below.

- Mr BJT Shongwe (BA (Econ), MBA, ACIS, FCIBM) and Mr GD Harlow (BBusSci (Hons), FCMA, CGMA, BCom CA (SA)), were appointed as non-executive Chairman and non-executive director of the Company respectively, with effect from 31 October 2017.
- Mr J Prince resigned as financial director of the Group with effect from 31 October 2017 and was replaced by Mr J Rossouw with effect from 1 November 2017.
- Mr WP van der Merwe's role changed with effect from 27 March 2017 from finance and corporate strategy director to a non-executive director.
- Ms P Tladi resigned as a non-executive director of the Company with effect from 31 October 2017.
- Ms DL Wolfendale resigned as a non-executive director with effect from 1 March 2018.
- Mr BG Kairuz was appointed as Chief Executive Officer with effect from 22 February 2018 and resigned on 29 May 2018.
- Mr J Rossouw resigned as financial director with effect from 7 May 2018.
- Ms SM Oosthuizen was appointed as financial director on 7 May 2018 and resigned on 8 June 2018.
- Ms CW de Jager was appointed as financial director with effect from 16 July 2018.

7. **DIRECTORS' INTEREST IN COMPANY SHARES**

The following directors of the company held direct or indirect interests in the issued share capital of the company at 28 February 2018:

There have been no changes since 28 February 2018.

| Interests in Shares | **2018** | **2018** | **2018** | 2017 | 2017 | 2017 |
|---|---|---|---|---|---|---|
| Director | **Direct** | **Indirect** | **Percentage Holding** | Direct | Indirect | Percentage holding |
| Mr WP van der Merwe | | 310 210 330 | 22.41 | - | 191 169 065 | 30.35% |
| Ms E Colyn | 57 000 000 | | 4.12 | 53 000 000 | - | 8.41% |
| Mr TJ Schoeman | | 77 500 | 0.01 | - | 73 500 | 0.01% |
| Mr GD Harlow | | 144 791 667 | 10.46 | | 82 291 667 | 13.06 |

8. **NON-CURRENT ASSETS**

There was no significant changes in non-current assets during the financial year under review other than those disclosed in the notes to the financial statements.

9. **INTEREST IN SUBSIDIARIES**

Details of material interests in subsidiary companies are presented in the consolidated annual financial statements in note 6.

10. **BORROWINGS AND 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.

11. **SPECIAL RESOLUTIONS**

Special resolutions passed by Imbalie Beauty Limited and its subsidiaries:

- Approval of chairman of the board fees- per month
- Approval of member of the board fees- per month
- Adhoc fee per hour
- Approval of financial assistance to all related and inter-related companies
- General Approval to acquire shares

12. **GOING CONCERN**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The 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

While management are aware of the cash-flow pressures and significant liquidity uncertainty after year-end, they continue to assess the situation as one whereby the Group is able to service its debts that will become due in the next 12 months and also fund operational losses that may arise. Management has developed, and is in the process of a strategy to address the liquidity and cash flow constraints - which includes:

- Further reduction of overheads of the Company.
- The sub-lease of its premises to earn additional revenue.
- The introduction of the Placecol skin care range in May 2018 into the Edgars group in order to earn additional revenue on product sales.
- The successful conclusion of a reverse listing and the disposal of the Group's cosmetic subsidiaries and businesses over the next three to four months.

13. **FINANCIAL STATEMENTS**

The annual results and financial position of the group and company is set out on pages 28 to 63.

The audited financial statements that 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, Listings Requirements of the JSE Limited (JSE) and the Companies Act and remain consistent with those applied in the prior years.

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Imbalie Beauty Limited
Report on the Audit of the Annual Financial Statements

**Disclaimer of Opinion**

We were engaged to audit the consolidated and separate annual financial statements of Imbalie Beauty Limited and its subsidiaries set out on pages 34 to 63 which comprise the consolidated and separate statement of financial position as at 28 February 2018, and the consolidated and separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated and separate annual financial statements of Imbalie Beauty Limited. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate annual financial statements.

**Basis for Disclaimer of Opinion**

As indicated in the Statement of Comprehensive Income, the Statement of Financial Position and note 28 to the consolidated and separate annual financial statements, the group incurred a net total comprehensive loss of R26.25million for the year ended 28 February 2018 and, at that date, its total current liabilities exceeded its total current assets by R5.5million. The note states that the group is experiencing cash flow constraints and significant liquidity uncertainty. Furthermore, as announced in SENS on 5 June 2018, the group has commenced a re-organisation whereby Imbalie Beauty Limited has entered in a non-binding proposal, whereby the current subsidiaries of Imbalie Beauty Limited will be disposed of and Imbalie Beauty Limited will acquire the business of Wepex Geotechnical (Pty) Ltd and Makgarapa Products (Pty) Ltd. At the date of this report, the proposed reorganisation was not in an advanced stage to consider its future impact on the Imbalie Beauty Limited Group and as a result I could not determine the impact on the going concern of the company. On conclusion of our audit work, there were conditions yet to be fulfilled in order to secure an appropriate level of funding to support its current working capital and liquidity requirements. Furthermore, management is still working to conclude and finalise the discussion with its major shareholders regarding the future direction of the group and its recapitilisation and reorganisation as stated above. Accordingly, at the date of this report, management's plans on both the short term funding requirement and the future direction of the group were not sufficiently advanced to allow us to conclude our opinion on Imbalie Beauty Limited's ability to continue as a going concern.

In addition, due to the limitation experienced as stated above, I could not assess whether the deferred tax assets recognised would be recoverable against any future taxable profits. Consequently, I was unable to determine whether any adjustments were necessary to deferred tax assets of R21.959million as disclosed in note 8 to the consolidated and separate annual financial statements.

**Other Matter – Reports Required by the Companies Act**

The consolidated and separate annual financial statements include the directors' report, audit committees' report and company secretary's' report as required by the Companies Act. The directors are responsible for this other information.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the consolidated and separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report, we are unable to report further on this other information.

**Responsibilities of the Directors for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

**Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Imbalie Beauty Limited and its subsidiaries for 8 years.

Nexia SAB&T

**Nexia SAB&T**
**Per: TJ de Kock**
**Registered auditor**
**Director**
**31 July 2018**

# STATEMENTS OF FINANCIAL POSITION
## as at 28 February 2018

| Figures in Rand | Note(s) | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non Current Assets** | | | | | |
| Property, plant and equipment | 3 | 16 720 239 | 16 191 590 | - | - |
| Goodwill | 4 | 3 559 644 | 6 808 807 | - | - |
| Intangible assets | 5 | 14 312 256 | 21 944 588 | 41 902 | 52 018 |
| Investments in subsidiaries | 6 | - | - | 11 163 951 | 16 570 376 |
| Other financial assets | 7 | 342 055 | 1 580 546 | - | - |
| Deferred taxation | 8 | 22 293 931 | 16 459 304 | 1 705 874 | 1 920 531 |
| | | **57 228 125** | **62 984 835** | **12 911 727** | **18 542 925** |
| **Current Assets** | | | | | |
| Other financial assets | 7 | 843 409 | 1 055 562 | - | - |
| Inventories | 9 | 8 013 902 | 22 556 395 | - | - |
| Loans to group companies | 10 | - | - | - | 67 752 404 |
| Trade and other receivables | 11 | 11 935 985 | 11 650 011 | - | - |
| Cash and cash equivalents | 12 | 1 422 528 | 353 899 | 1 126 269 | 1 028 |
| | | **22 215 824** | **35 615 867** | **1 126 269** | **67 753 432** |
| **Total Assets** | | **79 443 949** | **98 600 702** | **14 037 996** | **86 296 357** |
| **Equity and Liabilities** | | | | | |
| **Equity** | | | | | |
| Share capital | 13 | 110 415 970 | 98 250 284 | 110 415 970 | 98 250 284 |
| Reserves | 14 | 811 246 | 86 037 | - | - |
| Accumulated loss | | (69 575 442) | (42 596 186) | (96 377 974) | (11 953 927) |
| | | **41 651 774** | **55 740 135** | **14 037 996** | **86 296 357** |
| **Liabilities** | | | | | |
| **Non Current Liabilities** | | | | | |
| Deferred taxation | 8 | 335 031 | 835 078 | - | - |
| Other financial liabilities | 15 | 9 732 144 | 12 722 710 | - | - |
| | | **10 067 175** | **13 557 788** | **-** | **-** |
| **Current Liabilities** | | | | | |
| Bank overdraft | 12 | 5 385 193 | 4 500 049 | - | - |
| Other financial liabilities | 15 | 9 098 425 | 11 656 504 | - | - |
| Trade and other payables | 16 | 13 056 423 | 12 831 866 | - | - |
| Operating lease liability | | 184 959 | 314 360 | - | - |
| | | **27 725 000** | **29 302 779** | **-** | **-** |
| **Total Liabilities** | | **37 792 175** | **42 860 567** | **-** | **-** |
| **Total Equity and Liabilities** | | **79 443 949** | **98 600 702** | **14 037 996** | **86 296 357** |

# STATEMENTS OF COMPREHENSIVE INCOME
## for the year ended 28 February 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| Figures in Rand | Note(s) | 2018 | 2017 | 2018 | 2017 |
| Revenue | 17 | 61 290 932 | 96 583 791 | 1 920 000 | 1 920 000 |
| Cost of sales | | (26 271 958) | (40 606 533) | - | - |
| **Gross profit** | | **35 018 974** | **55 977 258** | **1 920 000** | **1 920 000** |
| Other income | | 1 963 498 | 2 534 563 | - | - |
| Operating expenses | | (68 315 027) | (77 800 700) | (86 128 248) | (1 772 085) |
| **Operating (loss) profit** | **18** | **(31 332 555)** | **(19 288 879)** | **(84 208 248)** | **147 915** |
| Investment income | 19 | 842 | 33 371 | - | 20 |
| Finance costs | 20 | (2 252 907) | (1 505 094) | (1 143) | (4 497) |
| **(Loss) profit before taxation** | | **(33 584 620)** | **(20 760 602)** | **(84 209 391)** | **143 438** |
| Taxation | 21 | 6 605 365 | 5 000 053 | (214 656) | (37 469) |
| **(Loss) profit for the year** | | **(26 979 255)** | **(15 760 549)** | **(84 424 047)** | **105 969** |
| Other comprehensive income - Items that may be reclassified to profit or loss: | | | | | |
| Revaluation of building | | 1 000 000 | 116 150 | - | - |
| Income tax effect of revaluation of building and realisation through use | | (274 791) | (30 113) | - | - |
| **Total comprehensive (loss) income for the year** | | **(26 254 046)** | **(15 674 512)** | **(84 424 047)** | **105 969** |
| Loss per Share | | | | | |
| **Basic/Diluted loss per share (cents)** | **22** | **(4.24)** | **(2.50)** | | |

# STATEMENT OF CHANGES IN EQUITY
## for the year ended 28 February 2018

| Figures in Rand | Share capital | Share premium | Total share capital | Revaluation reserve | Accumulated loss | Total equity |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Balance at 01 March 2016** | **52 043 947** | **46 206 337** | **98 250 284** | **329 071** | **(27 164 708)** | **71 414 647** |
| Loss for the year | - | - | - | - | (15 760 549) | (15 760 549) |
| Other comprehensive income: Fair value adjustment | - | - | - | 86 037 | - | 86 037 |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **86 037** | **(15 760 549)** | **(15 674 512)** |
| Sale of properties (Utilised revaluation reserve) | - | - | - | (329 071) | 329 071 | - |
| **Balance at 01 March 2017** | **52 043 947** | **46 206 337** | **98 250 284** | **86 037** | **(42 596 186)** | **55 740 135** |
| Loss for the year | - | - | - | - | (26 979 255) | (26 979 255) |
| Other comprehensive income: Fair value adjustment | - | - | - | 725 209 | - | 725 209 |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **725 209** | **(26 979 255)** | **(26 254 046)** |
| Issue of shares | 57 584 | 12 108 102 | 12 165 686 | - | - | 12 165 686 |
| **Balance at 28 February 2018** | **52 101 531** | **58 314 439** | **110 415 970** | **811 246** | **(69 575 442)** | **41 651 774** |
| Note(s) | 13 | 13 | 13 | 14 | | |
| | | | | | | |
| **Company** | | | | | | |
| **Balance at 01 March 2016** | **52 043 947** | **46 206 337** | **98 250 284** | **-** | **(12 059 896)** | **86 190 388** |
| Profit for the year | - | - | - | - | 105 969 | 105 969 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **105 969** | **105 969** |
| **Balance at 01 March 2017** | **52 043 947** | **46 206 337** | **98 250 284** | **-** | **(11 953 927)** | **86 296 357** |
| Loss for the year | - | - | - | - | (84 424 047) | (84 424 047) |
| Other comprehensive income | - | - | - | - | - | - |
| **Total comprehensive Loss for the year** | **-** | **-** | **-** | **-** | **(84 424 047)** | **(84 424 047)** |
| Issue of shares | 57 584 | 12 108 102 | 12 165 686 | - | - | 12 165 686 |
| **Balance at 28 February 2018** | **52 101 531** | **58 314 439** | **110 415 970** | **-** | **(96 377 974)** | **14 037 996** |
| Note | 13 | 13 | 13 | 14 | | |

# STATEMENT OF CASH FLOWS
## as at 28 February 2018

| Figures in Rand | Note(s) | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|---|
| **Cash flows (utilised in)/generated from operating activities** | | | | | |
| Cash generated from/(used in) operations | 23 | (3 736 252) | (3 519 028) | 736 257 | 158 029 |
| Investment income | | 842 | 33 371 | - | 20 |
| Finance costs | | (2 252 907) | (1 505 094) | (1 143) | (4 497) |
| **Net cash (utilised in)/generated from operating activities** | | **(5 988 317)** | **(4 990 751)** | **735 114** | **153 552** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 3 | (529 330) | (14 461 034) | - | - |
| Proceed from disposal of property, plant and equipment | 3 | 64 180 | 189 923 | - | - |
| Purchase of intangible assets | 5 | - | (2 162 571) | - | - |
| Repayment of loans to group companies | | - | - | - | 8 055 261 |
| Loans advanced to group companies | | - | - | (11 775 559) | (12 099 231) |
| Advances of other financial assets | | - | (2 274 390) | - | - |
| Proceeds from repayment of other financial assets | | 19 912 | 522 358 | - | - |
| Proceeds from disposal of non-current asset held for sale | | - | 1 900 000 | - | - |
| **Net cash from investing activities** | | **(445 238)** | **(16 285 714)** | **(11 775 559)** | **(4 043 970)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from share issue | 13 | 12 165 686 | - | 12 165 686 | - |
| Proceeds from other financial liabilities | | - | 13 679 365 | - | - |
| Repayment of other financial liabilities | | (5 548 645) | (899 621) | - | - |
| **Net cash from financing activities** | | **6 617 041** | **12 779 744** | **12 165 686** | **-** |
| Total cash movement for the year | | 183 486 | (8 496 721) | 1 125 241 | (3 890 418) |
| Cash at the beginning of the year | | (4 146 150) | 4 350 571 | 1 028 | 3 891 446 |
| **Total cash at end of the year** | 12 | **(3 962 664)** | **(4 146 150)** | **1 126 269** | **1 028** |

## 1. Preparation of annual financial statements

### 1.1 Basis of preparation

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 South African Institute of Chartered Accountants, the Listing 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 2018.

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

### 1.2 Consolidation

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all subsidiaries which are controlled by the group.

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 financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the 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.

**Subsidiaries**

Subsidiaries are entities controlled by the group. Investments in subsidiaries are carried at cost less impairment adjustments in the company's separate financial statements.

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised but is tested at least annually for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed. For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Management used 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.

**Critical judgements in applying accounting policies**

Significant judgements include:

**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.

**Impairment of non-financial/ financial assets**

The group assesses at each reporting date whether there is any indication that an asset may be impaired by applying internal and external impairment indicators. Determining whether tangible and intangible assets are impaired requires an estimation of the recoverable amount of the individual assets, or otherwise the recoverable amount of the cash-generating unit to which the asset belongs. In assessing value in use the group is required to estimate the future cash flows expected to arise from the individual asset or its cash generating unit and a suitable discount rate in order to calculate the present value.

### 1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost.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.

### 1.4 Property, plant and equipment

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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.

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.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income when the asset is derecognised.

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

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life (years) |
|---|---|---|
| Buildings | Straight line | 60 |
| Furniture and fixtures | Straight line | 6-10 |
| Motor vehicles | Straight line | 5 |
| Office equipment | Straight line | 6-10 |
| IT equipment | Straight line | 3-5 |
| Leasehold improvements | Straight line | Period of lease |
| Laser equipment | Straight line | 5 |

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss.

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 plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; 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.
- 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.

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

| Item | Useful life (years) |
|---|---:|
| Trademarks and website cost | 10 |
| Perfect 10 brand | Indefinite |
| Development costs | 10 |
| Computer software | 3-5 |

### 1.6 Financial instruments

**Classification**

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

The group has classified its financial instruments as follows:

### 1.6 Financial instruments

Financial assets classified as loans and receivables at amortised cost:

- Other financial assets
- Trade and other receivables Loans to group companies Cash and cash equivalents

Financial liabilities classified as at amortised cost:

- Other financial liabilities
- Trade and other payables
- Bank overdraft

**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 including transaction costs.

**Subsequent measurement**

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

Financial liabilities at amortised cost 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.

**Impairment of financial assets**

At each reporting date the group assesses all financial assets, 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.

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.

### 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 an asset or liability in a transaction which 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 to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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.

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.

**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 liability. This liability is not discounted.

### 1.9 Inventories

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

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

Stores held for sale constitute opened stores held with the intention of sale to franchisees in the ordinary course of business. The cost of stores held for sale comprises of all costs of conversion and other costs incurred in bringing the store to their present condition for sale.

### 1.10 Impairment of non-financial assets

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

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

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

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

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

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

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

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

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.

### 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 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

### 1.14 Revenue

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.

#### Sale of goods

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.

### 1.14 Revenue

**Rendering of Services**

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.

**Fees for managerial and administration services**

The group provides various administrative and management services to entities. For these services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific management services provided and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**Royalty revenue**

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

**Interest income**

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

### 1.15 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; 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 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 Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.16 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 presentation of headline earnings is not an IFRS requirement, but is required by the JSE Limited. The calculation of headline earnings is done in accordance with SAICA's issued circular.

### 1.17 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's. 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.

**1.18 Financial instruments- Fair values and Risk management**

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**1.19 Statement of cash flows**

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

## 2. New Standards and Interpretations

**2.1 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 01 March 2018 or later periods:

| Standard/ Interpretation: | Effective date and adoption: | Expected impact: |
|---|---|---|
| • IFRS 16 Leases: FRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. | 01 January 2019 | Management is still in the process of assessing the impact of the standard on its operations. |
| • IFRS 9 Financial Instruments: A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition. | 01 January 2018 | Due to the short term nature of the trade counterparties, and the historic credit loss incurred, management estimates that it is unlikely that there will be a material impact due to adoption of the standard. |
| • IFRS 15 Revenue from Contracts with Customers: New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.<br>• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers. | 01 January 2018 | As the majority of the services delivered and sales of good comprise contractual agreements with clearly defined short term predeterminable performance obligations, management estimates that it is unlikely there will be a material impact from adoption of the new standard.<br>Unlikely there will be a material impact. |

| Group | 2018 Cost / Valuation | 2018 Accumulated depreciation | 2018 Carrying value | 2017 Cost / Valuation | 2017 Accumulated depreciation | 2017 Carrying value |
|---|---|---|---|---|---|---|
| **3. Property, plant and equipment** | | | | | | |
| Buildings* | 14 500 000 | (241 667) | 14 258 333 | 13 500 000 | - | 13 500 000 |
| Furniture and fixtures | 914 796 | (760 469) | 154 327 | 984 354 | (840 289) | 144 065 |
| Motor vehicles | 599 406 | (505 991) | 93 415 | 751 335 | (561 139) | 190 196 |
| Office equipment | 725 853 | (695 310) | 30 543 | 753 250 | (688 305) | 64 945 |
| IT equipment | 1 217 308 | (1 106 478) | 110 830 | 1 183 593 | (991 674) | 191 919 |
| Leasehold improvements | 1 848 892 | (362 314) | 1 486 578 | 1 563 028 | (206 011) | 1 357 017 |
| Laser equipment | 2 292 153 | (1 705 940) | 586 213 | 2 292 153 | (1 548 705) | 743 448 |
| **Total** | **22 098 408** | **(5 378 169)** | **16 720 239** | **21 027 713** | **(836 123)** | **16 191 590** |

*Buildings were recognised on 28 February 2017 and was depreciated for the first time during the 2018 financial year

**Reconciliation of property, plant and equipment - Group - 2018**

| | Opening balance | Additions | Disposals | Revaluations | Depreciation | Total |
|---|---|---|---|---|---|---|
| Buildings | 13 500 000 | - | - | 1 000 000 | (241 667) | 14 258 333 |
| Furniture and fixtures | 144 065 | 83 460 | - | - | (73 198) | 154 327 |
| Motor vehicles | 190 196 | - | (55 792) | - | (40 989) | 93 415 |
| Office equipment | 64 945 | 5 652 | (25 789) | - | (14 265) | 30 543 |
| IT equipment | 191 919 | 41 427 | - | - | (122 516) | 110 830 |
| Leasehold improvements | 1 357 017 | 398 791 | - | - | (269 230) | 1 486 578 |
| Laser equipment | 743 448 | - | - | - | (157 235) | 586 213 |
| | **16 191 590** | **529 330** | **(81 581)** | **1 000 000** | **(919 100)** | **16 720 239** |

**Reconciliation of property, plant and equipment - Group - 2017**

| | Opening balance | Additions | Disposals | Revaluations | Depreciation | Total |
|---|---|---|---|---|---|---|
| Buildings | - | 13 383 850 | - | 116 150 | - | 13 500 000 |
| Furniture and fixtures | 236 768 | 64 184 | - | - | (156 887) | 144 065 |
| Motor vehicles | 369 536 | - | (97 231) | - | (82 109) | 190 196 |
| Office equipment | 94 176 | 35 418 | (10 066) | - | (54 583) | 64 945 |
| IT equipment | 314 801 | 70 251 | (5 000) | - | (188 133) | 191 919 |
| Leasehold improvements | 1 151 757 | 355 991 | - | - | (150 731) | 1 357 017 |
| Laser equipment | 377 292 | 551 340 | - | - | (185 184) | 743 448 |
| | **2 544 330** | **14 461 034** | **(112 297)** | **116 150** | **(817 627)** | **16 191 590** |

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| **3. Property, plant and equipment** | | | | |
| **Property, plant and equipment encumbered as security** | | | | |
| The following assets have been encumbered as security for the secured long-term borrowings note 15: | | | | |
| Buildings | 14 258 333 | 13 500 000 | - | - |
| 1st Mortgage bond in favour for Absa Bank Limited over building on Erven 773 and 774 Woodmead Ext 22. Cession of revenues generated by the property including any insurance proceeds. | | | | |
| **Carrying amounts of encumbered assets are as follows:** | | | | |
| Leasehold improvements | 1 486 578 | 1 357 017 | - | - |
| Motor Vehicles | 93 415 | 190 196 | - | - |
| IT Equipment | 110 830 | 191 919 | - | - |

**Revaluations**

Buildings are carried at revalued amounts. Revaluations were performed by an independent valuer, Mr A Steyn of Alfa Valuations who is independent from the group on the 28th February 2018. The income approach was adopted in the valuation process. Buildings will be revalued annually.

Unobservable Valuation inputs included the following:

• The anticipated gross market rental of R95/m2

• The estimated annual operating expenditure for the property in order to realise the rental income

• The net annual income

• The capitalisation rate of 10%

Had land and buildings been carried on the cost model, the carrying amounts would have been R13 267 700 (2017: R13 383 850).

**IFRS 13 Disclosures**

| **Recurring fair value 2018 and 2017** | **Fair Value** | **Unobservable input (Level 3)** | **Valuation technique** |
|---|---|---|---|
| **2018** | | | |
| Buildings | 14 285 333 | Refer above | Discounted Cash Flow |
| **2017** | | | |
| Buildings | 13 500 000 | Refer above | Discounted Cash Flow |
| **Details of Property** | | | |
| Building on Erven 773 and 774 Woodmead Ext 22 | | | |
| - Purchase price: 28 February 2017 | 13 383 850 | 13 383 850 | |
| - Revaluations | 1 116 150 | 116 150 | |
| - Depreciation | (241 667) | - | |
| | **14 258 333** | **13 500 000** | |

| | | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|---|
| | Group | Cost | Accumulated impairment | Carrying value | Cost | Accumulated impairment | Carrying value |
| 4. | **Goodwill** | | | | | | |
| | Goodwill | 6 808 807 | (3 249 163) | 3 559 644 | 6 808 807 | - | 6 808 807 |

| | Opening balance | Impairment loss | Total |
|---|---|---|---|
| **Reconciliation of goodwill - Group - 2018** | | | |
| Goodwill | 6 808 807 | (3 249 163) | 3 559 644 |

| | Opening balance | Total |
|---|---|---|
| **Reconciliation of goodwill - Group - 2017** | | |
| Goodwill | 6 808 807 | 6 808 807 |

**Impairment assessment of Goodwill**

The recoverable amounts of the cash generating units ("CGUs") related to goodwill are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, expected changes to selling prices and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments and the risks specific to the CGUs. The growth rates are based on historical and future industry growth forecasts. Changes in selling prices and direct costs are based on historical information and expectations of future changes in the market. The key assumptions used in the future cash flows are highlighted below:

**Placecol Fresh Beauty Proprietary Limited**

Key assumptions used in value-in-use calculations include budgeted retail product margins and budgeted franchise revenue streams flowing to Placecol Fresh Beauty Proprietary Limited. The assumptions are based on all historical results for the Placecol brand as well as the individual branded salons adjusted for the anticipated future growth rate of 4% - 5% (2017: 8%) per annum over the next 5 years, which is the average growth factor per management's judgement and at a discount rate of 16% (2017: 12%). No impairment was identified related to the Placecol Fresh Beauty cash-generating unit.

**Dream Nails Beauty Proprietary Limited**

Key assumptions used in value-in-use calculations include budgeted retail product margins and budgeted franchise revenue streams flowing to Dream Nails Beauty Proprietary Limited. The assumptions are based on all historical results for the Dreamnails brand as well as the individual branded salons adjusted for the anticipated future growth of between 3% - 4% (2017: 8%) per annum over the next 5 years, which is the average growth factor per management's judgement and at a discount rate of 16% (2017: 12%). Based on the assumptions applied, the Dream Nails Beauty CGU unit was found to be fully impaired. As a result an impairment of R3 249 163 was recognised in the current year.

**Sensitivity of assumptions**

The assumptions above are a reflection of management's past experience in the market in which these units operate as well as anticipated market adjustments to reflect the current stressed macro-economic realities affecting the industry. The impairment calculations were tested for sensitivity to significant changes in the key assumptions used. The basis for the sensitivity analysis was a reduction of up to 2% in the forecasted growth rate in the value- in-use calculation and a reduction of 2% of the weighted average cost of capital. The sensitivity analysis did not result in any further impairment of the Placecol Fresh Beauty cash-generating unit.

| | | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|---|
| | **Group** | Cost | Accumulated amortisation and impairment | Carrying value | Cost | Accumulated amortisation and impairment | Carrying value |
| **5.** | **Intangible assets** | | | | | | |
| | Perfect 10 trademark and franchise agreements | 14 340 000 | (2 468 082) | 11 871 918 | 14 340 000 | - | 14 340 000 |
| | Computer software | 260 180 | (211 997) | 48 183 | 260 180 | (169 342) | 90 838 |
| | Trademark and website costs | 1 219 237 | (843 098) | 376 139 | 1 219 237 | (570 300) | 648 937 |
| | Development costs | 7 879 495 | (5 863 479) | 2 016 016 | 7 879 495 | (1 014 682) | 6 864 813 |
| | **Total** | **23 698 912** | **(9 386 656)** | **14 312 256** | **23 698 912** | **(1 754 324)** | **21 944 588** |

| **Company** | Cost | Accumulated amortisation and impairment | Carrying value | Cost | Accumulated amortisation and impairment | Carrying value |
|---|---|---|---|---|---|---|
| Trademark and website costs | 101 146 | (59 244) | 41 902 | 101 146 | (49 128) | 52 018 |

**Reconciliation of intangible assets - Group 2018**

| | Opening balance | Additions | Amortisation | Impairment | Total |
|---|---|---|---|---|---|
| Perfect 10 trademark and franchise agreements | 14 340 000 | - | - | (2 468 082) | 11 871 918 |
| Computer software | 90 838 | - | (42 655) | - | 48 183 |
| Trademark and website costs | 648 937 | - | (88 390) | (184 408) | 376 139 |
| Development costs | 6 864 813 | - | (857 386) | (3 991 411) | 2 016 016 |
| | **21 944 588** | **-** | **(988 431)** | **(6 643 901)** | **14 312 256** |
| **Reconciliation of intangible assets - Group 2017** | | | | | |
| Perfect 10 trademark and franchise agreements | 14 340 000 | - | - | - | 14 340 000 |
| Computer software | 35 136 | 95 893 | (40 191) | - | 90 838 |
| Trademark and website costs | 740 210 | 50 124 | (141 397) | - | 648 937 |
| Development costs | 5 439 215 | 2 016 554 | (590 956) | - | 6 864 813 |
| | **20 554 561** | **2 162 571** | **(772 544)** | **-** | **21 944 588** |

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| **Reconciliation of intangible assets - Company - 2018** | | | |
| Trademark and website costs | 52 018 | (10 116) | 41 902 |
| **Reconciliation of intangible assets - Company - 2017** | | | |
| Trademark and website costs | 62 131 | (10 113) | 52 018 |

**5. Intangible assets (continued)**

**Impairment assessment of intangible assets**

Due to the financial constraints and the current macro-economic conditions experienced by the group, management identified indicators of impairment related to both indefinite and definite useful life intangible assets. As a result an impairment assessment was performed on both indefinite and definite useful life intangible assets in the current year.

The recoverable amounts of the cash generating units ("CGUs") related to intangible assets are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, expected changes to selling prices and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments and the risks specific to the CGUs. The growth rates are based on historical and future industry growth forecasts. Changes in selling prices and direct costs are based on historical information and expectations of future changes in the market. The key assumptions used in the future cash flows are highlighted below:

**Impairment assessment of intangible assets with an indefinite useful life:**

The Perfect 10 business is a beauty franchised group of approximately 40 (2017:51) beauty studios nationally. The franchise is 15 years old. The Perfect 10 brand experienced closures of stores during the year due to the tough economic environment, which resulted in reduced current and predicted future revenue. An impairment test was done at year end using the discounted cash flow method over a period of 5 years. Revenue growth was calculated at 1% - 4% (2017: 9%) and expenses at a growth rate of 5.2% (2017: 6.3%) over a discount rate of 16% (2017: 16.4%). Based on the assessment, an impairment of R2 468 082 (2017: RNil) was identified.

**Impairment assessment of intangible assets with a definite useful life:**

Definite useful life assets consists of various trademarks and development costs related to products. Management assessed the recoverability of each trademark and product under development. Due to the tough economic environment management has disinvested in various products under development which resulted in impairments. An impairment test was done at year end using the discounted cash flow method over a period of 5 years. Key assumptions included revenue growth calculated at 1% - 4% and expenses at a growth rate of 3% - 6% over a discount rate of 16% (2017: 16.4%). Based on the assessment, an impairment of R4 174 818 (2017: RNil) was identified.

**6. Investments in subsidiaries**

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries. All subsidiaries are domiciled in South Africa

| **Company**<br>Name of company | Net profit/ (loss) after tax | % holding 2018 | % holding 2017 | Carrying amount 2018 | Carrying amount 2017 |
|---|---|---|---|---|---|
| Placecol Fresh Beauty Proprietary Limited | (32 281 310) | 100.00% | 100.00% | 11 163 951 | 11 163 951 |
| Dream Nails Beauty Proprietary Limited | (480 546) | 100.00% | 100.00% | - | 5 406 425 |
| Placecol Skin Care Clinic Proprietary Limited | (433 779) | 100.00% | 100.00% | - | - |
| Enjoy Beauty Proprietary Limited | (3 427 879) | 100.00% | 100.00% | - | - |
| Imbalie Innovvation Proprietary Limited | 1 279 701 | 100.00% | 100.00% | - | - |
| Imbalie Beauty Training Academy Proprietary Limited | (136 422) | 100.00% | 100.00% | - | - |
| | | | | **11 163 951** | **16 570 376** |

**Subsidiaries pledged as security**

At 28 February 2018 and up to the date of the report none of the subsidiaries have been pledged as security.

**Restrictions relating to subsidiaries**

There are no significant restrictions to the Group in respect of the ability to access assets & liabilities of the subsidiaries. Imbalie Beauty Limited and its subsidiaries did not repurchase any of their own shares during the period under review.

**Impairment assessment**

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. The carrying amounts of subsidiaries are shown net of impairment losses. Dream Nails Beauty Proprietary Limited was impaired by R5 406 425 (2017: RNil). For details of the assumptions related to the Dreamnails Beauty impairment, refer to the goodwill note.

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| **7. Other financial assets** | | | | |
| **Loans and receivables held at amortised cost** | | | | |
| **Loans made to franchisees for Mesojet** | | | | |
| These loans are unsecured and bear interest at an average rate of 14.25% and are repayable in 36 monthly installments of R4 752 each. | 275 648 | 563 275 | - | - |
| **Franchise Establishment Loans** | | | | |
| These loans bear interest at prime as established by ABSA Bank and are unsecured. Repayment terms are facility specific between 1 and 3 years. | 909 816 | 2 072 833 | - | - |
| | **1 185 464** | **2 636 108** | **-** | **-** |
| **Non current assets** | | | | |
| Loans and receivables | 342 055 | 1 580 546 | - | - |
| **Current assets** | | | | |
| Loans and receivables | 843 409 | 1 055 562 | - | - |
| | **1 185 464** | **2 636 108** | **-** | **-** |

**Fair value information**

There are no differences between the fair value of the loans and their carrying amounts. Directors consider the carrying value of other financial assets of a short term nature, that mature in 12 months or less, to approximate the fair value of such assets or liability classes. The carrying value of longer term assets are considered to approximate their fair value as these instruments bear interest at interest rates appropriate to the risk profile of the asset class.

**Other financial assets impaired**

As of 28 February 2018, other financial assets of R1 430 732 (2017: RNil) were impaired. The impairment is as a result of franchisees experiencing financial difficulties as a result of the current economic environment. Management assessed the recoverability of these loans based on the probability of repayment and as a result provided for these loans.

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| **8. Deferred tax** | | | | |
| **Deferred tax liability** | | | | |
| Capital Allowances | (96 430) | (716 993) | (8 290) | 6 874 |
| Revaluation of buildings | (304 904) | (30 113) | - | - |
| Leave pay | 102 784 | 70 267 | - | - |
| Lease Straightening | (35 565) | 88 021 | | |
| Allowance for impairment | 986 537 | 61 342 | - | - |
| Allowance for future store build | - | 282 204 | | |
| Tax losses available for set off against future taxable income | 21 306 478 | 15 869 498 | 1 714 164 | 1 913 656 |
| **Total deferred tax asset** | **21 958 900** | **15 624 226** | **1 705 874** | **1 920 530** |
| The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Asa result, deferred assets and liabilities of individual companies have been offset | | | | |
| Non current assets | 22 293 931 | 16 459 304 | 1 714 164 | 1 920 530 |
| Non current liabilities | (335 031) | (835 078) | (8 290) | - |
| **Total net deferred tax asset** | **21 958 900** | **15 624 226** | **1 705 874** | **1 920 530** |
| **Reconciliation of deferred tax asset / (liability)** | | | | |
| At beginning of year | 15 624 229 | 10 700 065 | 1 920 531 | 1 958 001 |
| Increases (decrease) in tax loss available for set off against future taxable income | 5 436 980 | 5 137 116 | (199 491) | (44 344) |
| Other originating and reversing temporary differences | 897 691 | (212 955) | (15 166) | 6 874 |
| | **21 958 900** | **15 624 226** | **1 705 874** | **1 920 531** |

**Recognition of deferred tax asset**

The directors assessed the deferred tax assets per individual subsidiary and, based on future budgeted figures, the group as well as each individual subsidiary expects to be profitable in future. The group invested in the development of new skin care brands, which will enhance the company's brand and generate future revenue streams. The group is also focused on opening new salons to expand the brand, generating future revenue in the form of product sales, royalties and franchise fees, as well as expand product distribution in the current salons. Management is in the process of various initiatives to return the group to profitability. These include reduction in overhead costs. Various non-recurring expenses were incurred in the current year. The group expects to recover the deferred tax asset over the foreseeable future based on the above restructuring and operational plans and profitability forecasts.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| 9. | **Inventories** | | | | |
| | Raw materials, components | 2 471 316 | 2 558 090 | - | - |
| | Stock on hand | 4 656 679 | 10 838 312 | - | - |
| | Stores for sale | 1 178 375 | 10 167 875 | - | - |
| | | 8 306 370 | 23 564 277 | - | |
| | Allowance for obsolete stock | (292 468) | (1 007 882) | - | |
| | | **8 013 902** | **22 556 395** | **-** | **-** |

**Inventories pledged as security**

At 28 February 2018 and up to the date of the report none of the inventories have been pledged as security.

**Impairments**

During the current year and prior year, inventory in the form of stores for sale was written down to net realisable value. The R10 917 893 (2017: R9 860 462) write down was to bring the carrying amount of stores for sale to their net realisable value. Determination of the net realisable value involved discounting estimated future income and also considering the realisable value of current store-sale prices.

| | | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|---|
| 10. | **Loans to (from) group companies** | | | | |
| | **Subsidiaries** | | | | |
| | Placecol Fresh Beauty Proprietary Limited | - | - | - | 67 752 404 |
| | The loan is unsecured, bears no interest and has no fixed repayment terms. | | | | |

**Fair value of loans to and from group companies**

As no repayment terms exists, therefore the group loans are payable on demand. Owing to the short-term nature thereof the carrying values of the loans to group companies approximates their fair values. The loans to the group companies have not been pledged as security for any other financial obligations.

**Loans to group companies impaired**

As at 28 February 2018, the Net Asset value of Placecol Fresh Beauty Proprietary Limited was calculated as a liability amounting to R64 557 690, the loan account to Fresh of R78 780 899 exceeded the net asset value of Placecol Fresh Beauty Proprietary Limited, therefore the loan to Placecol Fresh Beauty Proprietary Limited amounting to R78 780 899 was impaired in full.

| | | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|---|
| **11.** | **Trade and other receivables** | | | | |
| | Trade receivables | 11 178 042 | 10 827 635 | - | - |
| | Deposits | 375 832 | 392 984 | - | - |
| | VAT | 54 258 | 353 954 | - | - |
| | Operating lease receivables | 311 976 | - | - | - |
| | Other receivables | 15 876 | 75 438 | - | - |
| | | **11 935 984** | **11 650 011** | **-** | **-** |

**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.

**Assessment of recoverability of trade receivables**

Trade receivables 90 days and older are considered overdue. At 28 February 2018, R3 881 294 (2017: R4 529 543) were past due but not impaired.

The ageing of and related allowance for impairment at 28 February 2018 is as follows:

| | Current | 30 days | 60 days | 90 Days | 120+ days | Total |
|---|---|---|---|---|---|---|
| Gross trade receivables | 6 342 564 | 774 931 | 1 012 625 | 932 971 | 4 807 398 | 13 870 488 |
| Allowance for bad debts | (317 744) | (205 918) | (309 709) | (277 958) | (1 581 116) | (2 692 446) |
| Net carrying value | 6 024 819 | 569 013 | 702 916 | 655 012 | 3 226 282 | 11 178 042 |

As of 28 February 2018, trade and other receivables of R2 692 446 (2017: R292 106) were provided for.

Movement in the allowance for impairment of receivables were as follows:

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| Opening balance | 292 106 | 996 178 | - | - |
| Allowance for impairment | 2 400 340 | 89 297 | - | - |
| Utilised during the year | - | (793 369) | - | - |
| | **2 692 446** | **292 106** | **-** | **-** |

| | | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|---|
| **12.** | **Cash and cash equivalents** | | | | |
| | Cash and cash equivalents consist of: | | | | |
| | Cash on hand | 177 485 | 117 897 | - | - |
| | Bank balances | 1 245 043 | 236 002 | 1 126 269 | 1 028 |
| | Bank overdraft | (5 385 193) | (4 500 049) | - | - |
| | | **(3 962 665)** | **(4 146 150)** | **1 126 269** | **1 028** |
| | Current assets | 1 422 528 | 353 899 | 1 126 269 | 1 028 |
| | Current liabilities | (5 385 193) | (4 500 049) | - | - |
| | | **(3 962 665)** | **(4 146 150)** | **1 126 269** | **1 028** |

Placecol Fresh Beauty Proprietary Limited has an approved facility for guarantees to the value of R1 700 000 (2017: R1 700 000) as reviewed and updated on 28 February 2018. There are no material contingencies.

Placecol Fresh Beauty Proprietary Limited has an approved overdraft facility to the value of R5 200 000 (2017: R5 200 000)

| | | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|---|
| **13.** | **Share capital** | | | | |
| | **Authorised** | | | | |
| | 2 000 000 000 (2017: 1 000 000 000) Ordinary shares of 0.0001 cent each | 200 000 | 100 000 | - | - |
| | **Reconciliation of number of shares issued:** | | | | |
| | Opening balance | 629 872 558 | 629 872 558 | 629 872 558 | - |
| | Rights issue shares | 571 675 957 | - | - | - |
| | General issue | 4 166 667 | - | - | - |
| | | **1 205 715 182** | **629 872 558** | **629 872 558** | **-** |

**Unissued shares**

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.

**Issue of shares**

A rights issue as per circulation on the JSE was concluded on 26 February 2018. Total rights offered by Imbalie Beauty Limited was 750 000 000, of which the total number of rights issue shares issued before year end was 571 675 957. The remaining shares amounting to 178 324 043 was issued subsequent to year end.

A general issue of shares amounting to 4 166 667 was issued during the year.

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| **Issued** | | | | |
| Ordinary | 52 101 531 | 52 043 947 | 52 101 531 | 52 043 947 |
| Share premium | 58 314 439 | 46 206 337 | 58 314 439 | 46 206 337 |
| | **110 415 970** | **98 250 284** | **110 415 970** | **98 250 284** |

| | | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|---|
| **14.** | **Revaluation reserve** | | | | |
| | Opening balance | 86 034 | 329 071 | - | - |
| | Disposal of property | - | (329 071) | - | - |
| | Revaluation net of tax | 720 000 | 86 034 | - | - |
| | Realisation of deferred taxation on use | 5 212 | - | - | - |
| | | **811 246** | **86 034** | **-** | **-** |

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| **15. Other financial liabilities** | | | | |
| **Held at amortised cost** | | | | |
| **Hands on Beauty** | 190 809 | - | - | - |
| The loan is unsecured, bear no interest and is repayable on demand. | | | | |
| **Other bank loans** | 1 294 589 | 3 696 853 | - | - |
| These loan agreements bear interest at an effective rate of between 16.25% and 18.25% per annum (2017: 15.67%). The average current monthly instalment is R139 497 (2017:R130 114) and is repayable over a period of 12 to 36 months. | | | | |
| **Instalment sale agreements** | 3 267 762 | 6 621 529 | - | - |
| These bear interest at an effective rate between 13.75% and 31% (2017: 16.56%) per annum. The average current monthly instalment is R304 531 (2017: R326 047) and is repayable over a period of 36 to 60 months. | | | | |
| **Short term bridging loans** | 5 932 458 | 6 000 000 | - | - |
| These loans are unsecured, bear no interest are repayable on demand. | | | | |
| **Mortgage bond** | 8 144 951 | 8 060 832 | - | - |
| ABSA mortgage bonds bearing interest at a rate equal to prime plus 1% (2017:11.25%) per annum. The current monthly instalment is R118 177 (2017: R119 506). The loans are secured by buildings with a fair value of R14 258 333 (2017: R13 500 000). | | | | |
| | **18 830 569** | **24 379 214** | **-** | **-** |
| **Non-current liabilities** | | | | |
| At amortised cost | 9 732 144 | 12 722 710 | - | - |
| **Current liabilities** | | | | |
| At amortised cost | 9 098 425 | 11 656 504 | - | - |
| | **18 830 569** | **24 379 214** | **-** | **-** |
| **Instalment sale agreements** | | | | |
| Payments due within one year | 3 611 148 | 3 916 154 | - | - |
| Payments due in second to fifth year | 447 408 | 4 058 556 | - | - |
| Less: Future finance costs | (790 794) | (1 353 181) | - | - |
| | **3 267 762** | **6 621 529** | **-** | **-** |

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| **16. Trade and other payables** | | | | |
| Trade payables | 10 248 061 | 8 874 489 | - | - |
| VAT | 248 217 | - | - | - |
| Accrual shop fitting | 493 251 | 2 179 280 | - | - |
| Payroll accruals | 1 406 384 | 777 884 | - | - |
| Deposits received | 251 959 | 465 303 | - | - |
| Other payables | 408 551 | 534 910 | - | - |
| | **13 056 423** | **12 831 866** | **-** | **-** |

**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
## for the year ended 28 February 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| **17.** | **Revenue** | | | | |
| | Sale of goods | 53 743 155 | 81 064 025 | - | - |
| | Royalty and other service income | 7 547 777 | 15 519 766 | 1 920 000 | 1 920 000 |
| | | **61 290 932** | **96 583 791** | **1 920 000** | **1 920 000** |
| **18.** | **Operating profit (loss)** | | | | |
| | Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others: | | | | |
| | **Employee costs** | | | | |
| | Salaries and other benefits | 20 928 669 | 26 647 447 | - | - |
| | **Operating lease charges** | | | | |
| | • Premises | 4 990 250 | 10 496 617 | - | - |
| | • Equipment | 1 563 292 | 1 729 304 | - | - |
| | **Total operating lease charges** | **6 553 542** | **12 225 921** | **-** | **-** |
| | **Depreciation and amortization** | | | | |
| | Depreciation of property, plant and equipment | 919 100 | 817 626 | - | - |
| | Amortisation of intangible assets | 988 431 | 772 544 | 10 114 | 10 114 |
| | **Total depreciation and amortization** | **1 907 531** | **1 590 170** | **10 114** | **10 114** |
| | **Impairment losses** | | | | |
| | Goodwill | 3 249 163 | - | - | - |
| | Intangible assets | 6 643 902 | - | - | - |
| | Investment in subsidiaries and loans to group companies | - | - | 84 934 390 | - |
| | Inventory | 10 917 893 | 9 860 462 | | |
| | Other financial assets | 1 430 732 | - | | |
| | **Total impairment losses** | **22 241 690** | **9 860 462** | **84 934 390** | **-** |
| **19.** | **Investment income** | | | | |
| | **Interest income** | | | | |
| | Bank and franchisee stores | 842 | 33 371 | - | 20 |
| | **Total interest income** | **842** | **33 371** | **-** | **20** |
| **20.** | **Finance costs** | | | | |
| | Other financial liabilities | 613 656 | 1 446 784 | - | - |
| | Bank | 640 506 | 4 873 | 1 143 | 4 497 |
| | Mortgage bond | 898 316 | 53 437 | - | - |
| | Creditors | 100 429 | - | - | - |
| | **Total finance costs** | **2 252 907** | **1 505 094** | **1 143** | **4 497** |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| **21.** | **Taxation** | | | | |
| | **Major components of the tax (income) expense** | | | | |
| | **Deferred** | | | | |
| | Originating and reversing temporary differences | (6 605 365) | (5 000 053) | 214 656 | 37 469 |
| | **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% |
| | Tax loss used | | (3.40)% | - | (1.88)% |
| | Non-deductible expenses | (8.33)% | (0.52)% | (27.75)% | - |
| | | **19.67%** | **24.09%** | **0.25%** | **26.12%** |

| | | Group 2018 | Company 2017 |
|---|---|---|---|
| **22.** | **Earnings per share** | | |
| | Basic/diluted loss per share (Cents) | (4.24) | (2.50) |
| | **Basic/diluted loss per share is based on loss of R26 979 255 (2017: R15 760 549) and weighted average number of ordinary shares of 636 836 895 (2017: 629 872 558)** | | |
| | Loss for the year attributable to equity holders of the parent | (26 979 255) | (15 760 549) |
| | **There were no dilutive instruments in issue at year end** | | |
| | Headline loss per share | (2.98) | (2.51) |
| | **Reconciliation between earnings and headline earnings** | | |
| | Loss attributable to ordinary equity holders of the parent entity | (26 979 255) | (15 760 549) |
| | Deduct IAS 16 loss on the disposal of plant and equipment | (19 849) | (31 845) |
| | Add impairment of intangible assets | 6 643 902 | - |
| | Add impairment of goodwill | 3 249 163 | - |
| | **Headline loss before taxation** | **(20 106 039)** | **(20 792 447)** |
| | Taxation effect | (1 854 734) | 8 917 |
| | **Headline loss after taxation** | **(18 960 773)** | **(15 783 477)** |

| | | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|---|
| **23.** | **Cash (utilised in) / generated from operations** | | | | |
| | Loss before taxation | (33 584 620) | (20 760 602) | (84 227 222) | 143 438 |
| | **Adjustments for:** | | | | |
| | Depreciation and amortisation | 1 907 531 | 1 590 169 | 10 114 | 10 114 |
| | (Profit) loss on sale of assets | 17 401 | (67 763) | - | - |
| | Loss on sale of non-current assets and disposal groups | | 35 918 | | |
| | Interest received | (842) | (33 371) | - | (20) |
| | Finance costs | 2 252 907 | 1 505 094 | 1 143 | 4 497 |
| | Impairment losses and reversals | 22 241 690 | 9 860 462 | 84 934 390 | - |
| | Movements in operating lease assets and accruals | (129 401) | (263 887) | - | - |
| | **Changes in working capital:** | | | | |
| | Inventories | 3 620 499 | 3 958 386 | - | - |
| | Trade and other receivables | (285 974) | 2 900 864 | 17 832 | - |
| | Trade and other payables | 224 557 | (2 244 298) | - | - |
| | | **(3 736 252)** | **(3 519 028)** | **736 257** | **158 029** |

| | Note(s) | Financial assets and liabilities<br>Loans and receivables at amortised cost | <br>Financial liabilities at amortised cost | Non-financial assets and liabilities | Total |
|---|---|---|---|---|---|
| **24. Categories of financial instruments** | | | | | |
| **Categories of financial instruments - Group - 2018** | | | | | |
| **Assets** | | | | | |
| **Non-Current Assets** | | **342 055** | **-** | **56 886 070** | **57 228 125** |
| Property, plant and equipment | 3 | - | - | 16 720 239 | 16 720 239 |
| Goodwill | 4 | - | - | 3 559 644 | 3 559 644 |
| Intangible assets | 5 | - | - | 14 312 256 | 14 312 256 |
| Other financial assets | 7 | 342 055 | - | - | 342 055 |
| Deferred tax | 8 | - | - | 22 293 931 | 22 293 931 |
| **Current Assets** | | **13 835 687** | **-** | **8 380 137** | **22 215 824** |
| Inventories | 9 | - | - | 8 013 903 | 8 013 902 |
| Trade and other receivables | 11 | 11 569 750 | - | 366 234 | 11 935 985 |
| Other financial assets | 7 | 843 409 | - | - | 843 409 |
| Cash and cash equivalents | 12 | 1 422 528 | - | - | 1 422 528 |
| **Total Assets** | | **14 177 742** | **-** | **65 266 207** | **79 443 949** |
| **Liabilities** | | | | | |
| **Non-Current Liabilities** | | **-** | **9 732 144** | **335 031** | **10 067 175** |
| Other financial liabilities | 15 | - | 9 732 144 | - | 9 732 144 |
| Deferred tax | 8 | - | - | 335 031 | 335 031 |
| **Current Liabilities** | | **-** | **27 291 824** | **433 176** | **27 725 000** |
| Trade and other payables | 16 | - | 12 808 206 | 248 217 | 13 056 423 |
| Other financial liabilities | 15 | - | 9 098 425 | - | 9 098 425 |
| Operating lease liability | | - | - | 184 959 | 184 959 |
| Bank overdraft | 12 | - | 5 385 193 | - | 5 385 193 |
| **Total Liabilities** | | **-** | **37 023 968** | **768 207** | **37 792 175** |

| | Note(s) | Financial assets and liabilities<br>Loans and receivables at amortised cost | <br>Financial liabilities at amortised cost | Non-financial assets and liabilities | Total |
|---|---|---|---|---|---|
| **24. Categories of financial instruments** | | | | | |
| **Categories of financial instruments - Group - 2017** | | | | | |
| **Assets** | | | | | |
| **Non-Current Assets** | | **1 580 546** | **-** | **61 404 289** | **62 984 835** |
| Property, plant and equipment | 3 | - | - | 16 191 590 | 16 191 590 |
| Goodwill | 4 | - | - | 6 808 807 | 6 808 807 |
| Intangible assets | 5 | - | - | 21 944 588 | 21 944 588 |
| Other financial assets | 11 | 1 580 546 | - | - | 1 580 546 |
| Deferred tax | 8 | - | - | 16 459 304 | 16 459 304 |
| **Current Assets** | | **12 630 080** | **-** | **22 985 787** | **35 615 867** |
| Inventories | 9 | - | - | 22 556 395 | 22 556 395 |
| Trade and other receivables | 11 | 11 220 619 | - | 429 392 | 11 650 011 |
| Other financial assets | 7 | 1 055 562 | - | - | 1 055 562 |
| Cash and cash equivalents | 12 | 353 899 | - | - | 353 899 |
| **Total Assets** | | **14 210 626** | **-** | **84 390 076** | **98 600 702** |
| **Non-Current Liabilities** | | **-** | **12 722 710** | **835 078** | **13 557 788** |
| Other financial liabilities | 15 | - | 12 722 710 | - | 12 722 710 |
| Deferred tax | 8 | - | - | 835 078 | 835 078 |
| **Current Liabilities** | | **-** | **28 492 984** | **809 795** | **29 302 779** |
| Trade and other payables | 16 | - | 12 336 431 | 495 435 | 12 831 866 |
| Other financial liabilities | 15 | - | 11 656 504 | - | 11 656 504 |
| Operating lease liability | | - | - | 314 360 | 314 360 |
| Bank overdraft | 12 | - | 4 500 049 | - | 4 500 049 |
| **Total Liabilities** | | **-** | **41 215 694** | **1 644 873** | **42 860 567** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
## for the year ended 28 February 2018

| | | Financial assets and liabilities | | | |
|---|---|---|---|---|---|
| | Note(s) | Loans and receivables at amortised cost | Financial liabilities at amortised cost | Non-financial assets and liabilities | Total |
| **24. Categories of financial instruments** | | | | | |
| **Categories of financial instruments - Company 2018** | | | | | |
| **Assets** | | | | | |
| **Non-Current Assets** | | **-** | **-** | **12 911 727** | **12 911 727** |
| Intangible assets | 5 | - | - | 41 902 | 41 902 |
| Investments in subsidiaries | 6 | - | - | 11 163 951 | 11 163 951 |
| Deferred tax | 8 | - | - | 1 705 874 | 1 705 874 |
| **Current Assets** | | **1 126 269** | **-** | **-** | **1 126 269** |
| Cash and cash equivalents | 12 | 1 126 269 | - | - | 1 126 269 |
| Total Assets | | 1 126 269 | - | 12 911 727 | 14 037 996 |
| **Categories of financial instruments - Company - 2017** | | | | | |
| **Non-Current Assets** | | **-** | **-** | **18 542 925** | **18 542 925** |
| Intangible assets | 5 | - | - | 52 018 | 52 018 |
| Investments in subsidiaries | 6 | - | - | 16 570 376 | 16 570 376 |
| Deferred tax | 8 | - | - | 1 920 531 | 1 920 531 |
| **Current Assets** | | **67 753 432** | **-** | **-** | **67 753 432** |
| Loans to group companies | 10 | 67 752 404 | - | - | 67 752 404 |
| Cash and cash equivalents | 12 | 1 028 | - | - | 1 028 |
| **Total Assets** | | **67 753 432** | **-** | **18 542 925** | **86 296 357** |
| Loans to group companies | 10 | 67 752 404 | - | - | 67 752 404 |
| Cash and cash equivalents | 12 | 1 028 | - | - | 1 028 |
| **Total Assets** | | **67 753 432** | **-** | **18 542 925** | **86 296 357** |

**25. 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 if 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 2018. 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 group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. 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 board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. The Group considered all current financial assets and liabilities carrying value to approximate its fair values due to its short term nature.

**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 available credit facilities. Cash flow forecasts are prepared and utilised borrowing facilities are monitored. As disclosed in the going concern note, the group is experiencing liquidity challenges. Management has further implemented processes to maximise available liquidity facilities and identify opportunities to access new funding lines.

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

**Group**

| At 28 February 2018 | Less than 1 year | Between 1 and 5 years |
|---|---|---|
| Other financial liabilities | 9 098 425 | 9 732 144 |
| Bank overdraft | 5 385 192 | - |
| Trade and other payables | 12 808 206 | - |
| At 28 February 2017 | | |
| Other financial liabilities | 11 656 504 | 12 722 710 |
| Bank overdraft | 4 500 049 | - |
| Trade and other payables | 12 336 431 | - |

**Interest rate risk**

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, bank overdrafts, other financial assets and other financial liabilities. The interest applicable to these financial instruments are on a floating basis in line with those currently available in the market. The group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments. The analysis has been performed for floating interest rate assets and liabilities. The impact of a change in interest rates on floating interest rate financial instruments 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.

## 25. Risk management

**Sensitivity analysis**

| Financial instrument Group | | Carrying value at year end 2018 | After tax effect on statement of comprehensive income if the income interest rate increase/ (decrease) by 1% | Carrying value at year end 2017 | After tax effect on statement of comprehensive income if the income interest rate increase/ (decrease) by 1% |
|---|---|---|---|---|---|
| Cash and cash equivalent | 3%-4% | 1 422 528 | 10 242 | 353 899 | 1 699 |
| Other financial assets | 10%-14% | 1 185 464 | 8 535 | 2 636 108 | 16 550 |
| Bank overdraft | 14% | (5 385 193) | (36 706) | (4 500 049) | (32 400) |
| Other financial liabilities | 10%-22% | (18 830 569) | (131 800) | (24 379 214) | (165 409) |

**Credit risk**

Credit risk is the risk that the Group's clients or counterparties will not be able or willing to pay interest, repay capital or otherwise fulfil their contractual obligations under loan agreements or other credit facilities. It also arises on bank balances. Credit risk consists mainly of cash deposits, cash equivalents, other financial assets and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter- party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Individual risk limits may be set based on internal ratings in accordance with limits set by the board. The Group has implemented the procedures below for avoiding excessive concentration of credit risk included in the trade and other receivables:

- Maintaining a wide customer base through mainly franchisee operations;
- Continually looking for opportunities to expand the client base and product offering base;
- Reviewing the debtor book regularly with the intention of minimising the group's exposure to bad debts;

During the current year, management has entered into AOD agreements with debtors who are exceeding their normal terms. The AOD was agreed for a twelve month period.

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

| Financial instrument | Group - 2018 | Group - 2017 | Company - 2018 | Company - 2017 |
|---|---|---|---|---|
| Other financial assets | 1 185 464 | 2 636 108 | - | - |
| Trade and other receivables | 11 569 750 | 11 650 011 | - | - |
| Cash and cash receivables | 1 422 528 | 353 899 | 1 126 269 | 1 028 |
| Loans to group companies | - | - | - | 67 752 404 |

**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** | 2018 | 2017 | 2018 | 2017 |
| **(Assets)/Liabilities** | | | | |
| Trade and other payables USD25 704 (2017: USD8 516) | (301 998) | (111 474) | - | - |
| Trade and other payables EURO 401 (2017: EURO 40 558) | (5 754) | (559 294) | - | - |
| **Sensitivity analysis** | | | | |
| Strengthening of the USD by R1 | 25 704 | 8 516 | - | - |
| Strengthening of the EURO by R1 | (401) | 40 558 | - | - |

**Exchange rates used for conversion of foreign items were:**

USD: 11.7491 (2017: 13.0917)
EURO: 14.3505 (2017: 13.7962)

**26. Related parties**

| | |
|---|---|
| Relationships | |
| Subsidiaries | Refer to note 6 |
| Salons owned by board members | |
| E Colyn | Beauty Flagship Proprietary Limited<br>(Placecol Skin Care Clinic Cresta) |
| | Mundex Proprietary Limited<br>(Placecol Skin Care Clinic Bram Fischer and Placecol SPA) |

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| **Related party balances and transaction with subsidiary companies** | | | | |
| **Loans to/(from) subsidiaries** | | | | |
| Placecol Fresh Beauty (Proprietary) Limited | - | - | | 67 752 404 |
| **Management Fees received from related parties** | | | | |
| Placecol Fresh Beauty (Proprietary) Limited | - | - | 1 920 000 | 1 920 000 |
| **Related party balances and transaction with salons owned by board members** | | | | |
| **Royalties Received from related parties** | | | | |
| Beauty Flagship Proprietary Limited | 221 960 | 331 427 | | |
| Mundex Proprietary Limited | 177 707 | 96 285 | | |
| **Outstanding debtors from related parties** | | | | |
| Beauty Flagship Proprietary Limited | 173 057 | 127 180 | | |
| Mundex Proprietary Limited | 139 321 | 47 681 | | |

Key management personnel emoluments – refer to note 27
Directors' interest in shareholding of the company are as disclosed in the directors' report.

**27. Directors' and prescribed officer's emoluments**

**Executive Directors**

| **2018** | Emoluments | Total |
|---|---|---|
| Ms E Colyn (Chief executive officer) | 1 200 000 | 1 200 000 |
| Ms DL Wolfendale (Executive Director: Marketing, Sales and Training – Resigned 1 March 2018) | 649 211 | 649 211 |
| Mr J Prince (Financial director appointed 27 March 2017, Resigned 31 October 2017 | 484 558 | 484 558 |
| Mr J Rossouw (Financial director 1 November 2017, Resigned 7 May 2018) | 266 000 | 266 000 |
| | **2 599 769** | **2 599 769** |

| **2017** | | |
|---|---|---|
| Ms E Colyn (Chief executive officer) | 1 088 488 | 1 088 488 |
| Ms DL Wolfendale (Executive Director: Marketing, Sales and Training) | 1 237 545 | 1 237 545 |
| | **2 326 033** | **2 326 033** |

**Non-executive Directors**

Due to the financial constraints experienced during the year, the board agreed that all non-executive fees for 2018 will be forfeited.

| **2017** | Directors' fees | Total |
|---|---|---|
| Mr TJ Schoeman (Non-executive director, Chairman of Audit and Risk Committee) | 90 000 | 90 000 |
| Mr MM Patel (Independent non-executive director, Chairman of Board of Directors) | 120 000 | 120 000 |
| Ms P Tladi (Independent non-executive director) | 90 000 | 90 000 |
| | **300 000** | **300 000** |

**28. Going concern**

The financial results have been prepared on the going concern basis on the basis that the Company will conclude a successful reverse listing (as disclosed in the Subsequent Events paragraph below) and the disposal of its cosmetic subsidiaries and businesses which will result in further costs savings and improve the Company's status as a going concern.

While management are aware of the cash-flow pressures and significant liquidity uncertainty after year-end, they continue to assess the situation as one whereby the Group is able to service its debts that will become due in the next 12 months and also fund operational losses that may arise. Management has developed, and is in the process of a strategy to address the liquidity and cash flow constraints - which includes:

- Further reduction of overheads of the Company.
- The sub-lease of its premises to earn additional revenue.
- The introduction of the Placecol skin care range in May 2018 into the Edgars group in order to earn additional revenue on product sales.

The implementation of the above strategic interventions will improve and address the liquidity and the cash flow position of the Group over the next twelve months.

**29. Events after the reporting period**

**Acquisition of Wepex**

On 4 June 2018 Imbalie Beauty shareholders were informed that Imbalie Beauty has on 1 June 2018 agreed to non-binding proposals which will only become binding upon the signing of definitive agreements. The proposals are in respect of two acquisitions as detailed below, which will be subject to certain conditions precedent:

- the acquisition by Imbalie Beauty of all the shares in and claims on loan account against Wepex Geotechnical (Proprietary) Limited, a company incorporated in South Africa ("Wepex");
- the acquisition by Imbalie Beauty of all the shares in and claims on loan account against Makgarapa Products (Proprietary) Limited, a company incorporated in Botswana ("Makgarapa").

It is proposed that Imbalie Beauty will acquire all the shares in and claims on loan account against Wepex for a purchase consideration of R108 000 000 (one hundred and eight million Rand). The proposed purchase consideration will initially be funded by a vendor loan from the sellers, which loan will thereafter be discharged by the issue to the sellers of 5 400 000 000 (five billion four hundred thousand) shares in Imbalie Beauty at 2 (two) cents per share.

As part of the acquisition transaction with Wepex, Imbalie Beauty will be disposing of all its current subsidiaries as disclosed in note 6. After completion of the proposed acquisition, Imbalie Beauty will change its name to Wepex Limited.

As at the date of the approval of the financial statements the initial accounting for the business combinations had not been completed due to outstanding information required relating to the completion of the business combination accounting and the fulfilment of the conditions precedent.

**Changes to the board**

Various changes have occurred to the board during and subsequent to year end. Further details of these changes are included below.

- Mrs Debbie Wolfendale resigned as a non-executive director with effect from 1 March 2018.
- Mr Brent Kairuz was appointed as CEO with effect from 22 February 2018 and resigned on 29 May 2018.
- Mr Jaques Rossouw resigned as financial director with effect from 7 May 2018.
- Ms Daleen Oosthuizen was appointed as financial director on 7 May 2018 and resigned on 8 June 2018.
- Ms Rina de Jager has been appointed as financial director with effect from 16 July 2018.

**30. Contingent liabilities**

The Group has various contingent liabilities in terms of head leases entered into with various landlords on behalf of its franchise operators nationally. The exposure of the Group is monitored on an ongoing basis with an action plan to actively reduce the Group's exposure to head leases. The Group entered into a business continuation agreement with GetBucks to provide funding to certain of its franchise operators. The Group's exposure as at 28 February 2018 in this regard amounts to R7.6 million.

# SHAREHOLDER ANALYSIS

**Company:** Imbalie Beauty Ltd
**Register date:** 28 February 2018
**Issued Share Capital:** 629 872 558

| SHAREHOLDER SPREAD | No of Shareholdings | % | No of Shares | % |
|---|---|---|---|---|
| 1 - 1 000 shares | 107 | 19.35 | 38 133 | 0.00 |
| 1 001 - 10 000 shares | 132 | 23.87 | 560 131 | 0.04 |
| 10 001 - 100 000 shares | 158 | 28.57 | 6 237 777 | 0.45 |
| 100 001 - 1 000 000 shares | 108 | 19.53 | 36 327 613 | 2.63 |
| 1 000 001 shares and over | 48 | 8.68 | 1 340 875 571 | 96.88 |
| **Totals** | **553** | **100.00** | **1 384 039 225** | **100.00** |

| DISTRIBUTION OF SHAREHOLDERS | No of Shareholdings | % | No of Shares | % |
|---|---|---|---|---|
| Close Corporations | 4 | 0.72 | 430 862 | 0.03 |
| Individuals | 520 | 94.03 | 329 520 195 | 23.81 |
| Trusts | 9 | 1.63 | 8 783 209 | 0.63 |
| Corporations | 20 | 3.62 | 1 045 294 959 | 75.53 |
| **Totals** | **553** | **100.00** | **1 384 039 225** | **100.00** |

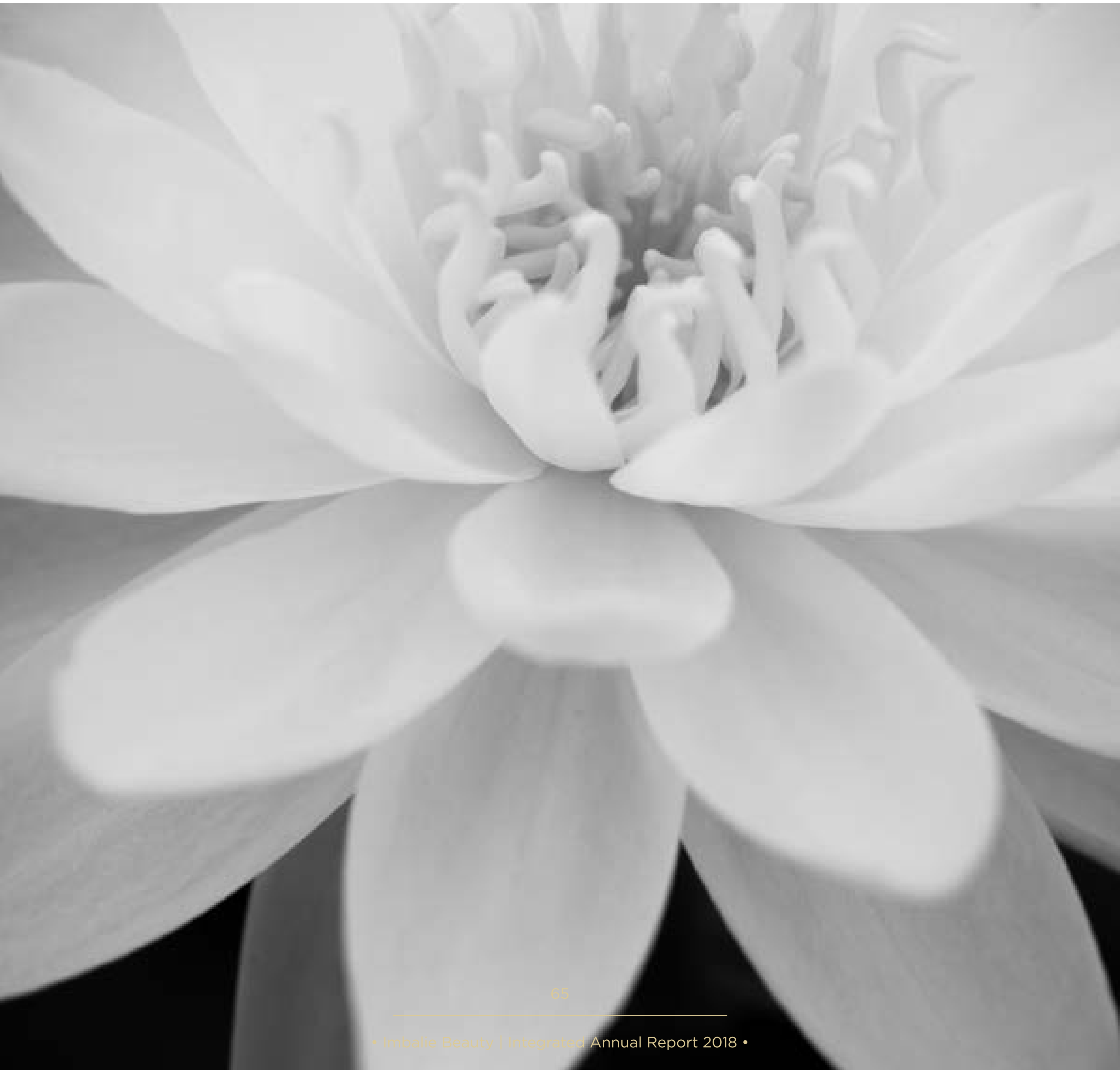
| PUBLIC / NON - PUBLIC SHAREHOLDERS | No of Shareholdings | % | No of Shares | % |
|---|---|---|---|---|
| **Non - Public Shareholders** | **5** | **0.9** | **1 062 197 232** | **76.75** |
| Directors and Associates | 4 | 0.72 | 612 001 997 | 44.22 |
| Holding 10% or more | 1 | 0.18 | 450 195 235 | 32.53 |
| | | | | |
| **Public Shareholders** | **548** | **99.1** | **321 841 993** | **23.25** |
| **Totals** | **553** | **100.00** | **1 384 039 225** | **100.00** |

| Beneficial shareholders holding 3% or more | No of Shares | % |
|---|---|---|
| SA Madiba Investment (Pty) Limited | 310 210 330 | 22.41 |
| Holistic Remedies (Pty) Limited | 450 195 235 | 32.53 |
| Brits Engineering Industries (Pty) Limited | 100 000 000 | 7.23 |
| Unihold Group (Pty) Limited | 144 791 667 | 10.46 |
| Colyn, E | 57 000 000 | 4.12 |
| **Totals** | **1 062 197 232** | **76.75** |

| Directors | No of Shares | % |
|---|---|---|
| Van der Merwe, WP | 310 210 330 | 22.41 |
| Colyn, E | 57 000 000 | 4.12 |
| Harlow, GD | 144 791 667 | 10.46 |
| Schoeman, TJ | 77 500 | 0.01 |
| **Totals** | **512 079 497** | **37.00** |

# SHAREHOLDER'S DIARY

| | |
|---|---|
| Financial year end | 28 February 2018 |
| REPORTS AND ANNOUNCEMENTS | |
| Integrated report | 31 July 2018 |
| Interim report | November 2018 |
| Annual general meeting | 30 August 2018 |



# NOTICE OF ANNUAL GENERAL MEETING

**IMBALIE BEAUTY LIMITED**
(Incorporated in the Republic of South Africa)
Registration number 2003/025374/06
Share code: ILE ISIN: ZAE000165239
("Imbalie Beauty" or the "Company" or the "Group")

**NOTICE IS HEREBY GIVEN** that the annual general meeting ("AGM") of shareholders of Imbalie Beauty will be held in the Board Room, 23 Saddle Drive, Woodmead Office Park, Woodmead, 2191, Gauteng at 09h00 on Thursday, 30 August 2018 or any other adjourned or postponed time determined in accordance with the provisions of Sections 64(4) or 64(11)(a)(i) of the Companies Act.

To ensure that the registration procedures are completed by 09h00, please register for the AGM from 08h00.

The purpose of the AGM is:

- To present to shareholders the annual financial statements of the Company and its subsidiaries for the year ended 28 February 2018, a summarised form of which was sent to shareholders with this Notice;
- For the Chairman of the Audit and Risk Committee to present to shareholders a report on the matters within the committee's mandate;
- For the Chairman of the Social and Ethics Committee to present to shareholders a report on the matters within the committee's mandate;
- To consider all and any matters of the Company as may lawfully be dealt with at the AGM; and
- To consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions of shareholders set out hereunder in the manner required by the Companies Act.

A copy of the complete annual financial statements can be found on the Company's website: www.imbaliebeauty.co.za

**1. ORDINARY RESOLUTION 1 (1.1 and 1.2)**

**RE-ELECTION OF NON-EXECUTIVE DIRECTORS**

**RESOLVED THAT**, the non-executive directors listed in ordinary resolutions 1.1 and 1.2 shall retire from office at the AGM in accordance with the Company's Memorandum of Incorporation ("MOI") and, being eligible and having offered themselves for re-election, each by way of separate resolution, be re-elected as directors of the Company with immediate effect:

1.1 T J Schoeman

1.2 W P van der Merwe

*The percentage of voting rights required to pass each of these resolutions is 50% plus one vote of the voting rights exercised.*

**Motivation for ordinary resolutions 1.1 and 1.2**

In terms of the MOI, one-third of the non-executive directors are required to retire at each AGM of the Company. There are four non-executive directors of Imbalie Beauty as at 1 July 2018 and accordingly, two non-executive directors are required to retire at the AGM. In terms of the MOI, the non-executive directors to retire at the AGM must be selected from those directors who have served longest in time since their last election or re-election. Applying these requirements, the non-executive directors listed in ordinary resolutions 1.1 and 1.2 are required to retire at the AGM. The non-executive directors listed in ordinary resolutions 1.1 and 1.2 are entitled and have offered themselves for re-election. The Board of Directors recommends to shareholders the re-election of the non-executive directors.

**2. ORDINARY RESOLUTION 2 (2.1 and 2.2)**

**ELECTION OF NON-EXECUTIVE DIRECTORS**

**RESOLVED THAT** the directors listed in ordinary resolutions 2.1 and 2.2 be elected as non-executive directors of the Company with effect from 31 October 2017:

2.1 G D Harlow

2.2 B J T Shongwe

*The percentage of voting rights required to pass each of these resolutions is 50% plus one vote of the voting rights exercised.*

**Motivation for ordinary resolutions 2.1 and 2.2**

Based on the recommendations of the Nominations Committee, which has conducted a formal assessment of Messrs Harlow and Shongwe, the Board of Directors recommends their election as independent non-executive directors of the Company.

**3. ORDINARY RESOLUTION 3**

**ELECTION OF EXECUTIVE DIRECTOR**

**RESOLVED THAT** Ms CW de Jager be and is hereby elected as Financial Director of the Company with effect from 16 July 2018.

The percentage of voting rights required to pass this resolution is 50% plus one vote of the voting rights exercised.

**Motivation for ordinary resolution 3**

Based on the recommendations of the Nominations Committee, which has conducted a formal assessment of Ms de Jager, the Board of Directors recommends her election as Financial Director of the Company.

4. **ORDINARY RESOLUTION 4 (4.1 to 4.3)**

**RE-APPOINTMENT AND APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBERS**

**RESOLVED THAT**, the following non-executive directors, each by way of separate resolution, be re-appointed or appointed, as the case may be, as members of the Company's Audit and Risk Committee from the conclusion of the AGM until the next annual general meeting of the Company:

4.1 T J Schoeman (Chairman)

4.2 G D Harlow

4.3 W P van der Merwe

Messrs Schoeman and van der Mere will be re-appointed, subject to their re-election as directors pursuant to ordinary resolution 1.1 and 1.2 and Mr Harlow will be appointed subject to his election as a director pursuant to ordinary resolution 2.1.

*Percentage of voting rights required to pass each of these resolutions is 50% plus one vote of the voting rights exercised.*

**Motivation for ordinary resolutions 4.1 to 4.3**

Ordinary resolutions 4.1 to 4.3 are proposed to appoint members of the Audit and Risk Committee in accordance with the guidelines of King IV and the requirements of the Companies Act. In terms of the requirements, all members of the Audit and Risk Committee should be independent non-executive directors of the Company.

Furthermore, in terms of the Companies Regulations 2011, at least one-third of the members of the Audit and Risk Committee at any time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. Mindful of the foregoing, the Nominations Committee recommended to the Board that the aforementioned persons be members of the Audit and Risk Committee and the Board has approved such recommendations.

5. **ORDINARY RESOLUTION 5**

**RE-APPOINTMENT OF INDEPENDENT EXTERNAL AUDITORS**

**RESOLVED THAT** Nexia SAB&T be re-appointed as the independent registered auditors of the Company from conclusion of the AGM until conclusion of the next annual general meeting of the Company with Mr Tertius de Kock as lead audit partner.

*Percentage of voting rights required to pass this resolution is 50% plus one vote of the voting rights exercised.*

**Motivation for ordinary resolution 5**

The Audit and Risk Committee considers the independence of the auditor, Nexia SAB&T, in accordance with Section 94(8) of the Companies Act, annually. The Committee also considered whether Nexia SAB&T is independent, as prescribed by the Independent Regulatory Board for Auditors established by the Auditing Profession Act and was satisfied that Nexia SAB&T was independent. The Audit and Risk Committee nominates Nexia SAB&T for re-appointment as registered auditor of the Company in accordance with Section 94(7)(a) of the Companies Act with Mr Tertius de Kock as lead audit partner.

Furthermore, the Audit and Risk Committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that Nexia SAB&T, the reporting accountant and the aforementioned individual auditor are accredited and is recorded on the JSE List of Auditors and their advisors, in compliance with Section 22 of the JSE Listings Requirements.

Nexia SAB&T has indicated its willingness to continue in office as auditors of the Company and ordinary resolution 4 proposes the re-appointment of that firm as the Company's auditor until the conclusion of the next annual general meeting of the Company.

6. **ORDINARY RESOLUTION 6**

**GENERAL AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE ORDINARY SHARES**

**RESOLVED THAT**, subject to the provisions of the Companies Act and the JSE Listings Requirements, from time to time, the directors of the Company be and are hereby authorised, as a general authority and approval, to allot and issue, for such purposes and on such terms as they may in their discretion determine, ordinary shares in the authorised but unissued share capital of the Company.

*Percentage of voting rights required to pass this resolution is 50% plus one vote of the voting rights exercised.*

**Motivation for ordinary resolution 6**

The reason for proposing ordinary resolution 6 is to seek a general authority and approval for the directors to allot and issue ordinary shares in the authorised but unissued share capital of the Company.

7. **ORDINARY RESOLUTION 7**

**NON-BINDING ADVISORY ENDORSEMENT OF THE IMBALIE BEAUTY REMUNERATION PHILOSOPHY**

**RESOLVED THAT**, the shareholders hereby endorse, through a non-binding advisory vote, the Company's remuneration philosophy (excluding the remuneration of non-executive directors for their services as directors and members of the Board or statutory committees) as set out in the remuneration report contained in the Integrated Report 2018. .

The remuneration philosophy also records the measures the board will adopt in the event that either the remuneration philosophy or the implementation report, or both, are voted against by 25% or more of the voting rights exercised by shareholders. In such event, the company will, in its announcement of the resolutions of the AGM, provide dissenting shareholders with information as to how to engage with the Company in this regard to this matter and the timing of such engagement.

**Motivation for ordinary resolution 7**

Reason for advisory endorsement: In terms of King IV, a non-binding advisory vote should be obtained from shareholders on the Company's remuneration policy. The vote allows shareholders to express their views on the remuneration policies adopted and their implementation but will not be binding on the Company.

The Company's remuneration policy is designed to deliver the key principles of its remuneration which are meant to:

- influence and reward behaviour and performance of our employees and executives, which align the strategic goals of the organisation, shareholders and employees;
- ensure that performance metrics are demanding, sustainable and cover all aspects of the business, including key financial and non-financial drivers;
- structure compensation to ensure that Imbalie Beauty's values are maintained and that the correct governance frameworks are applied across its compensation decisions and practices;
- apply the appropriate remuneration benchmarks;
- provide competitive rewards to attract, motivate and retain highly skilled executives, management and staff vital to the ongoing success of the organisation.

8. **SPECIAL RESOLUTION 1**

**REMUNERATION OF NON-EXECUTIVE DIRECTORS**

**RESOLVED THAT** the remuneration payable to the non-executive directors, as recommended by the Remuneration Committee and set out below, be and is hereby approved until the next annual general meeting:

| | Approved at 2017 AGM Year ending 28/02/2018 R | For Approval at 2018 AGM Year ending 28/02/2019 R |
|---|---|---|
| Chairman of the Board – per month | 10 000 | 11 000 |
| Member of the Board – per month | 7 500 | 8 250 |
| Ad-hoc – per hour | 1 500 | 1 650 |

*Percentage of voting rights required to pass special resolution 1 is 75% of the voting rights exercised.*

**Motivation for special resolution 1**

In terms of Section 66(8) and (9) of the Companies Act, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by the shareholders and if not prohibited in a Company's MOI. Imbalie Beauty's MOI does not prohibit the payment of such remuneration. The remuneration sought to be approved is to be paid to the non-executive directors, as they are not remunerated as employees of the Company, as in the case of the executive directors. However, the Board agreed that the non-executive directors shall not draw fees for the 2018 financial period.

Remuneration is VAT exclusive where/if applicable.

9. **SPECIAL RESOLUTION 2**

**GENERAL AUTHORITY TO ACQUIRE THE COMPANY'S OWN SHARES**

**RESOLVED THAT**, pursuant to the Company's MOI and subject to the Companies Act and the JSE Listings Requirements, the Company or any subsidiary of the Company, be and is hereby authorised, by way of a general approval, from time to time, to acquire ordinary shares issued by the Company, provided that:

- any such acquisition of shares shall be effected through the order book operated by the JSE trading system or on the open market of the Johannesburg Stock Exchange, subject to the approval of the JSE, as necessary, in either event without any prior understanding or arrangement between the Company and the counterparty;
- this approval shall be valid only until the next annual general meeting of the Company, or for 15 months from the date of passing of this resolution, whichever period is shorter;
- shares issued by the Company may not be acquired at a price greater than 10% above the weighted average of the market value of the Company's shares for the five business days immediately preceding the date of the acquisition being effected;
- at any point in time, the Company only appoints one agent to effect any acquisitions on its behalf;
- the Board has resolved to authorise the acquisition, that the Company and its subsidiaries will satisfy the solvency and liquidity test immediately after the acquisition and that since the test was done there have been no material changes to the financial position of the Group;
- the Company may not, in any one financial year, acquire in excess of 20% of the Company's issued ordinary share capital as at the date of passing of this special resolution 2 or in excess of 10% of such issued ordinary shares capital in the aggregate if such shares are to be held as treasury shares;
- an announcement containing details of such acquisitions will be published as soon as the Company and/or the subsidiaries, collectively, shall have acquired ordinary shares issued by the Company constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in the Company in issue as at the date of this approval; and an announcement containing details of such acquisitions will be published in respect of each subsequent acquisition by either the Company and/or by the subsidiaries, collectively, of ordinary shares issued by the Company, constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in the Company in issue as at the date of this approval;
- the acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the JSE Listings Requirements, unless there is in place a repurchase programme as contemplated in the JSE Listings Requirements;
- the Company's subsidiaries shall not be entitled to acquire ordinary shares issued by the Company if

the acquisition of shares will result in them holding, on a cumulative basis, more than 10% of the number of ordinary shares in issue in the Company; and

- no voting rights attached to the shares acquired by the Company's subsidiaries may be exercised while the shares are held by them and they remain subsidiaries of the Company.

*Percentage of voting rights required to pass this resolution is 75% of the voting rights exercised.*

**Motivation for special resolution 2**

The reason for special resolution 2 is to grant a general authority for the acquisition of the Company's ordinary shares by the Company, or by a subsidiary or subsidiaries of the Company. The effect of special resolution 2, if passed, will be to authorise the Company or any of its subsidiaries to acquire ordinary shares issued by the Company on the JSE subject to the provisions of the Company's MOI, Companies Act and the JSE Listings Requirements.

The directors of Imbalie Beauty believe that the Company should retain the flexibility to act if future acquisitions of its shares were considered desirable and in the best interests of the Company and its shareholders.

The directors will ensure at the time of the commencement of any acquisitions of its shares, after considering the effect of acquisitions, up to the maximum limit, of the Company's issued ordinary shares, that they are of the opinion that if such acquisitions were implemented:

- the Company and the Group would be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice issued in respect of the AGM;
- the assets of the Company and the Group would be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the notice issued in respect of the AGM. For this purpose, the assets and liabilities would be recognised and measured in accordance with the accounting policies used in the latest audited group annual financial statements;
- the ordinary capital and reserves of the Company and the group would be adequate for ordinary business purposes for a period of 12 months after the date of the notice issued in respect of the AGM; and
- the working capital of the Company and the group would be adequate in the ordinary course of business for a period of 12 months after the date of the notice issued in respect of the AGM.

10. **ORDINARY RESOLUTION 8**

**GENERAL AUTHORITY TO DIRECTORS TO ISSUE FOR CASH, THOSE ORDINARY SHARES WHICH THE DIRECTORS ARE AUTHORISED TO ALLOT AND ISSUE IN TERMS OF ORDINARY RESOLUTION 6**

**RESOLVED THAT**, the directors of the Company be and are hereby authorised, in accordance with the Companies Act and the JSE Listings Requirements, to allot and issue for cash, on such terms and conditions as they may deem fit, all or any of the ordinary shares in the authorised but unissued share capital of the Company, which they shall have been authorised to allot and issue in terms of ordinary resolution 6, subject to the following conditions:

- This authority is valid until the Company's next annual general meeting, provided that it will not extend beyond 15 months from the date that this authority is given;
- Any such issue will only be made to 'public shareholders' as defined in the JSE Listings Requirements and not to related parties, unless the JSE otherwise agrees;
- The number of shares issued for cash will not in aggregate exceed 50% of the Company's listed ordinary shares (excluding treasury shares) as at 31 July 2018, such number being 314 936 279 ordinary shares in the Company's issued share capital;
- Any ordinary shares issued under the authority during the period contemplated in the first bullet above must be deducted from such number in the preceding bullet; and
- In the event of a sub-division or consolidation of issued ordinary shares during the period contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio.

*Percentage of voting rights required to pass this resolution is 75% plus one vote of the voting rights exercised.*

**Motivation for ordinary resolution 8**

The reason for proposing ordinary resolution 8 is that the directors consider it advantageous to have the authority to issue ordinary shares for cash to enable the Company to take advantage of any business opportunity which might arise in the future.

At present, the directors have no specific intention to use this authority, and the authority will thus only be used if circumstances are appropriate.

It should be noted that this authority relates only to those ordinary shares which the directors are authorised to allot and issue in terms of ordinary resolution 6 and is not intended to (nor does it) grant the directors authority to issue ordinary shares for cash over and above, and in addition to, the ordinary shares which the directors are authorised to allot and issue in terms of ordinary resolution 6, when ordinary shares are issued for such purposes and on such terms as the directors may deem fit.

11. **SPECIAL RESOLUTION 3**

**GENERAL AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTIONS 44 AND 45 OF THE COMPANIES ACT**

**RESOLVED THAT**, to the extent required by the Companies Act, that the Board may, subject to compliance with the requirements of the Company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance as contemplated in Sections 44 and 45 of the Companies Act, including by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company, for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, for such amounts and on such terms as the Board may determine. This authority will expire on the second anniversary of the date on which this special resolution is adopted, unless renewed prior thereto.

*Percentage of voting rights required to pass this resolution is 75% of the voting rights exercised.*

**Motivation for special resolution 3**

Section 45 applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, and to a person related to any such company, corporation or member.

Section 44 of the Companies Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

Both Sections 44 and 45 of the Companies Act provide, *inter alia,* that the particular financial assistance must be provided only pursuant to a special resolution of shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the Board is satisfied that:

(i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

As part of the normal conduct of the business of the Company and its subsidiaries or associates ("Imbalie Beauty Group"), the Company, where necessary, usually provides guarantees and other support undertakings to third parties on behalf of its local and foreign subsidiaries and joint ventures or partnerships in which the Company or members of the Imbalie Beauty Group have an interest. This is particularly so where funding is raised by the foreign subsidiaries of the Company, whether by way of borrowings or the issue of bonds or otherwise, for the purposes of the conduct of their operations. The Company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with Sections 44 and 45 of the Companies Act. Furthermore, it may be necessary for the Company to provide financial assistance to any of its present or future subsidiaries, and/or to any related or inter-related company or entity and/or to a person related to any such company or entity, to subscribe for options or securities of the Company or another company related or inter-related to it. Under the Companies Act, the Company will however require the special resolution referred to above to be adopted.

It is difficult to foresee the exact details of financial assistance that the Company may be required to provide over the upcoming months. It is essential however that the Company is able to organise effectively its internal financial administration. For these reasons, it is necessary to obtain the approval of shareholders as set out in special resolution 3.

It should be noted that this resolution does not authorise financial assistance to a director or a prescribed officer of the Company or any company or person related to such a director or prescribed officer.

12. **SPECIAL RESOLUTION 4**

**INCREASE IN AUTHORISED SHARE CAPITAL**

**RESOLVED THAT**, the Company's authorised ordinary share capital of 2 000 000 000 ordinary shares of no par value be and is hereby increase to 10 000 000 000 ordinary shares of no par value by the creation of an additional 8 000 000 000 ordinary shares of no par value.

*Percentage of voting rights required to pass this resolution is 75% of the voting rights exercised.*

**Motivation for special resolution 4**

The reason for and effect of special resolution number 5 is to increase the Company's authorised ordinary share capital of 2 billion ordinary shares of no par value to 10 billion ordinary shares of no par value, allowing for the allotment of ordinary shares in the Company for possible acquisitions and capital raisings as are allowed for in its MOI but subject to the necessary consents and approvals being in place by ordinary shareholders, the JSE Limited and other regulatory authorities, to the extent required. The issued share capital of the Company shall remain unchanged.

**13. ORDINARY RESOLUTION 9**

**DIRECTORS' AUTHORITY TO IMPLEMENT SPECIAL AND ORDINARY RESOLUTIONS**

**RESOLVED THAT**, each director of the Company or the Company Secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting.

*Percentage of voting rights required to pass this resolution is 50% plus one vote of the voting rights exercised.*

**Motivation for ordinary resolution 9**

This resolution is to provide the directors and company secretary with the necessary authority to do all things necessary to act under or implement the decisions and resolutions passed at this AGM.

# NOTICE OF ANNUAL GENERAL MEETING

**Further Disclosure**

In terms of paragraph 11.26 of the JSE Listings Requirements, the following information is disclosed in the annual financial statements:

- Major shareholders of the Company;
- Material change statement; and
- Share capital of the Company.

**Directors' responsibility statement**

The directors, whose names appear in the integrated report, collectively and individually accept full responsibility for the accuracy of the information given in this Notice and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Notice contains all information required by law and the JSE Listings Requirements.

**VOTING AND PROXIES AND RECORD DATES**

**Instructions**

The Board has determined, in accordance with Sections 59(1)(a) and (b) of the Companies Act, that:

- The record date for the purposes of receiving notice of the AGM (being the date on which the shareholder must be registered in the Company's register of shareholders to receive notice of the AGM) shall be the close of business on **Friday, 20 July 2018** (**Notice Record Date**); and
- The record date for participating in and voting at the AGM (being the date on which a shareholder must be registered in the Company's register of shareholders to participate in and vote at the AGM) shall be the close of business on **Friday, 24 August 2018** (**Voting Record Date**). Accordingly, the last day to trade in Imbalie Beauty shares to be eligible to participate in and vote at the AGM is Tuesday, 21 August 2018.

The quorum necessary for the commencement of a shareholders' meeting shall be sufficient persons present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the shareholders' meeting, but the shareholders' meeting may not begin unless in addition at least 3 (three) persons entitled to vote are present at the meeting.

A matter to be decided at the shareholders' meeting may not begin to be considered unless those who fulfilled the quorum requirements of the MOI, continue to be present. If a resolution is proposed to meet the requirements of the JSE, notwithstanding that the holders of securities not listed on the JSE shall be entitled to be counted in the quorum as a matter of law, they shall not be taken into account for the purposes of determining whether or not the quorum requirements of the JSE have been attained. Voting shall be on a poll and not by a show of hands. On a poll, every shareholder present in person or represented by proxy shall have one vote for every ordinary share held by such shareholder.

Certificated Shareholders or Own-name Dematerialised Shareholders may attend and vote at the AGM, or alternatively appoint a proxy to attend, speak and, in respect of the applicable ordinary and special resolutions, vote in their stead by completing the attached form of proxy and returning it to the Transfer Secretary at the address given in the annual integrated report to be received by no later than 08h00 on 30 August 2018 for administrative purposes or thereafter to the Company by hand by no later than 09h00, the commencement of the AGM, on 30 August 2018.

Shareholders who have already dematerialized their Imbalie Beauty shares through a CSDP or broker and who have not elected "own-name" registration in the sub-register maintained by a CSDP (i.e. shareholders who have not dematerialized their shareholding through Terbium Financial Services Proprietary Limited cannot qualify as having elected "own-name" registration), and who wish to attend the annual general meeting and wish to vote by way of proxy, may provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of Imbalie Beauty) to attend, speak and vote in place of that shareholder at the AGM.

Shares held by a share trust or scheme will not have their votes taken into account for any JSE regulated resolutions. All meeting participants will be required to provide reasonable identification acceptable to the Chairman of the meeting. The company will regard presentation of an original of a meeting participant's valid driver's license, identity document or passport to be acceptable identification.

Shareholders or their proxies may participate in the meeting by way of telephone conference call, provided that if they wish to do so, they:

- Must contact the Company Secretary by e-mail at the address paige@rspconsulting.co.za by no later than 09h00 on Tuesday, 28 August 2018, to obtain a pin number and dial-in details for the conference call
- Will be required to provide reasonable acceptable identification
- Will be billed separately by their own telephone service provider for the telephone call to participate in the meeting.

By order of the Board

**Paige Atkins**
Company Secretary
For and on behalf of Imbalie Beauty Limited

Johannesburg
31 July 2018

# FORM OF PROXY

**IMBALIE BEAUTY LIMITED**
Incorporated in the Republic of South Africa
Registration Number: 2003/025374/06
JSE code: ILE ISIN ZAE 000165239

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 Thursday, 30 August 2018 at 09h00 at the Company's registered office located at 23 Saddle Drive, Woodmead Office Park, Woodmead, 2191, Gauteng or at any adjournment thereof.

I/WE ______________________________________________

Of ______________________________________________ (address)

Tel ________________ (work) ________________ (home) ________________ (mobile)

Being the holder/s of ________________________ shares in the Company do hereby appoint

1. ______________________________________________ or, failing him/her

2. ______________________________________________ or failing him/her

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 |
|---|---|---|---|
| Ordinary Resolution 1.1: To re-elect Mr TJ Schoeman as a non-executive director | | | |
| Ordinary Resolution 1.2: To re-elect Mr WP van der Merwe as a non-executive director | | | |
| Ordinary Resolution 2.1: To elect Mr GD Harlow as a non-executive director | | | |
| Ordinary Resolution 2.2: To elect Mr BJT Shongwe as a non-executive director | | | |
| Ordinary Resolution 3: To elect Ms CW de Jager as Financial Director | | | |
| Ordinary Resolution 4.1: To re-elect Mr TJ Schoeman as Chairman of the Audit and Risk Committee | | | |
| Ordinary Resolution 4.2: To appoint Mr GD Harlow as a member of the Audit and Risk Committee | | | |
| Ordinary Resolution 4.3: To appoint Mr WP van der Merwe as a member of the Audit and Risk Committee | | | |
| Ordinary Resolution 5: To approve the re-appointment of the external auditors | | | |
| Ordinary Resolution 6: To authorise directors to allot and issue unissued ordinary shares | | | |
| Ordinary Resolution 7: To approve the Group remuneration policy | | | |
| Special Resolution 1: To approve the non-executive directors' remuneration | | | |
| Special Resolution 2: General authority to acquire the company's own shares | | | |
| Ordinary Resolution 8: To authorise directors to allot and issue unissued ordinary shares for cash | | | |
| Special Resolution 3: General authority to provide financial assistance in terms of Section 44 and 45 | | | |
| Special Resolution 4: Authority to increase the authorised share capital | | | |
| Ordinary Resolution 9: General 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 ________________ 2018

Signature ______________________________________________

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

**Please read the notes on the reverse side hereof**

# NOTES TO THE PROXY FORM

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 AGM 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 AGM 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 AGM 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 AGM 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 noticeas 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 AGM.
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 AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairman of the AGM 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 AGM, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM 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 AGM.
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 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:

    **Hand deliveries to**: **Postal deliveries to**:

    Terbium Financial Services
    Beacon House
    31 Beacon Road Florida North,

    to be received by no later than 09h00 on Wednesday, 29 August 2018.
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.

- 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

**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**

Registration number 2003/025374/06
JSE abbreviated name: "Imbalie"
JSE code: ILE
ISIN: ZAE000165239
Sector: Alt$^{X}$
Exchange: Alternative Exchange
Founded: 2003
Listed JSE: 21 August 2007
Website: www.imbaliebeauty.co.za

**BUSINESS ADDRESS**

Imbalie Beauty Boulevard
23 Saddle Drive,
Woodmead Office Park, Sandton, 2191
Telephone: (011) 086 9800

**DIRECTORS**

Mr BJT Shongwe (Non-executive Chairman)
Mr TJ Schoeman (Independent non-executive Director)
Mr GD Harlow (Non-executive Director)
Mr WP van der Merwe (Non-executive Director)
Ms E Colyn (CEO)
Ms CW de Jager (Financial Director)

**COMPANY SECRETARY AND REGISTERED OFFICE**

Paige Atkins
PO Box 3484 Rivonia, 2128
Tel: +27 83 289 6181

**TRANSFER SECRETARIES**

Terbium Financial Services
Beacon House, 31 Beacon Road,
Florida North,
Roodepoort, 1709
(PO Box 61272, Marshalltown, 2107),

**BANKERS**

Absa Bank Limited

**ATTORNEYS**

Bouwers Inc
(Registration number 2004/034346/21)
Block 6 Albury Office Park
Corner Albury Road and Jan Smuts Avenue
Hyde Park, Johannesburg
(PO Box 412308, Craighall, 2024)
Telephone: +27 (0) 11 325 5530
Facsimile: +27 (0) 11 325 5639

**DESIGNATED ADVISOR**

Exchange Sponsors 2008 (Pty) Ltd
(Registration number 2008/019553/07)
44A Boundary Road
Inanda
Sandton, 2196
(PO Box 411216, Craighall, 2024)
Telephone: (011) 880 2113
Facsimile: (011) 447 4824

**AUDITORS**

Nexia SAB&T
(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 8801

IMBALIE®
BEAUTY

IMBALIE®
TRAINING ACADEMY

Placecol®
skin care clinic

perfect10®

Dream Nails
Beauty®

www.imbaliebeauty.co.za