Annual Report 2012

IMBALIE BEAUTY™

Contents

Overview

Vision

To be the largest and most desirable beauty franchise group.

Mission

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

Values

- **Beauty** assists us to grow together and to see beauty in all aspects of the world around us as we see the outer world as a reflection of inner beauty.
- **Empathy** helps us to value differences, to appreciate each person for her or his unique qualities and to place ourselves in the other person's shoes before we judge.
- **Insight** means we acquaint ourselves with facts about situations before we take decisions and we make sure that our decisions are to the benefit of all.
- **Possibilities** ensure that with creative imagination we can expand horizons.
- **Partnerships** should be the value of every Imbalie Beauty business partner. Co-operation promotes harmony and ensures that partners mutually assist each other in order to reach full potential.

Positioning statement

We at Imbalie Beauty provide cutting-edge beauty products and services for the discerning consumers who want visible results from an ambience that will lift their spirit and let them feel good.

Main Business

Imbalie Beauty is mainly a franchisor that markets and distributes its own and independent health and beauty brands to its own distribution footprint of 148 own and franchised beauty salons, large retailers, independent beauty salons and selected pharmacies. As a franchisor and service provider of beauty treatments, the group is engaged in ongoing training of all beauty therapists, nail technicians and hair stylists to ensure that service levels are maintained and that the group's service offerings are standardised.

Main Salon Brands

Placecol Skin Care Clinic

With our service guarantee as the largest chain of skin care clinics in South Africa, Placecol commands the buying power to bring you professional treatments and technology at everyday prices. We use technology that is scientifically proven to be safe and effective and Placecol's range of professional skin care products is a match for expensive international brands. Now regular skin care treatments are affordable to all South Africans.

Dream Nails Beauty

This 26 year old brand offers the best in nail enhancements and beauty treatments with retail products through the Dream Nails Beauty nationwide salon network.

Perfect 10

In 2003, Perfect 10, one of South Africa's largest branded Nail and Body Studios was launched, re-inventing the beauty industry. Perfect 10 prides itself in offering the latest in international trends, using only the very best quality products. In almost 10 years, the Perfect 10 team have established 55 studios around South Africa, each one individually designed to suite the franchisees' requirements.

World of Beauty

The World of Beauty concept store offers the best in skin care, nail care and hair care in both service and retail offerings to its customers.

Turnover Generation

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

Overview of 2012

The directors of Imbalie Beauty herewith present the audited annual financial results for the year ended 29 February 2012 ("the 2012 year" or "2012"). Imbalie Beauty is mainly a franchisor, distributor and service provider of beauty offerings, represented in its own and franchised distribution footprint of 148 beauty salons nationally, large retailers, independent salons and pharmacies.

On 6 March 2012, the company announced the acquisition of the Perfect 10 franchise chain ("Perfect 10 transaction") with 55 salons nationally. The announcement was made simultaneous to Imbalie launching its new name and brand, notably that of "Imbalie Beauty". The word "Imbalie" is derived from the Zulu word for flower. As such, it is appropriately symbolic of the group's holistic and comprehensive beauty offering which encompasses skin care, nail care, hair care and various other beauty products and services.

The group will continue to be a multiple brand owner, owning Placecol skin care clinics, Dream Nails Beauty salons, World of Beauty salons and Perfect 10 studios. Its vision is to become the largest and most desirable beauty franchise company in South Africa, whilst its mission is to make a positive change in the world through self-improvement, self-empowerment and increasing the self-esteem of its customers.

The group experienced an increase in system-wide sales revenue (including gift cards) for the 2012 year of 12.8% to R132 million (2011: R117 million) in respect of its Placecol skin care clinics, Dream Nails Beauty salons and World of Beauty salons.

Beauty care remains a priority for South African consumers. Consumers, however remain very cautious and price-sensitive, and are anticipated to continue to be prudent in the years ahead. Consumer focus has additionally shifted to beauty maintenance products as compared to seasonal offerings. Consumers are continuously trading down and are searching for promotional offerings. Innovation and new product launches did, however, continue to stimulate consumer interest in the market according to the Euromonitor International report released in July 2010, Beauty and Personal Care – South Africa.

In December 2011 the group commenced with "Project Facelift" to improve the overall appearance and trading densities of its existing salons. The focus of the 2012 year was to obtain owner operator-managers for existing franchised salons instead of opening new salons. The group additionally introduced new innovative beauty products and services in 2012.

The group owned 15 corporate outlets at year end. These outlets are included under inventories as they are available for resale. During 2013, the directors will, focus on selling these outlets to potential owner operator franchisees. The group has successfully strengthened its training team and will continue to place emphasis on providing ongoing training to its employees and franchisees.

A definite highlight for the group was Placecol being voted as the Number 1 Beauty Salon in South Africa in the Beeld newspaper Readers Choice Awards. The brand has received this accolade for two consecutive years (2010 and 2011).

Subsequent events

On 6 March 2012, the company announced the conclusion of the Perfect 10 transaction for a purchase consideration of R14.35 million.

The rationale for the Perfect 10 transaction is *inter alia* as follows:

- the acquisition of Perfect 10 studios, with 55 salons nationally, secured the group's position as the largest and leading beauty franchise company in South Africa with 148 beauty salons nationally;
- to take advantage of the synergies between the current salons in the group and Perfect 10 through on-going training, marketing and advertising;
- being able to leverage national gift and loyalty card systems; and
- to provide critical mass thereby enabling the group to negotiate better fee structures from suppliers, financial institutions and landlords.

To fund the acquisition, the company completed a general issue of shares for cash whereby 109 375 000 ordinary shares were placed with a number of independent public shareholders at a price of 16 cents per share raising R17.5 million ("the general issue for cash").

The price for the general issue for cash was determined by the directors on 28 February 2012 based on a discount of 6% on the weighted average price of 16.96 cents for the 30-day period up to and including 27 February 2012. The general issue for cash increases the number of shares in issue from 236 172 773 ordinary shares to 345 547 773 ordinary shares. The general issue for cash was made in terms of the general authority to issue shares for cash granted to the board by shareholders at the annual general meeting held on 28 September 2011.

The company has also entered into a loan agreement, whereby the company secured a R5 million three year term loan at an interest cost of 8% per annum. The total amount of R22.5 million raised will be utilised to settle the purchase consideration, repay other long term liabilities and to strengthen the company's balance sheet.

The group opened four new Perfect 10 salons subsequent to year end and have successfully relocated two Placecol skin care clinics to larger premises. The group is in the process of refreshing and refurbishing its salons in partnership with current franchise owners. The group has in April 2012 rolled out its Placecol Care Loyalty Programme into Placecol skin care clinics nationally.

Prospects

The Perfect 10 acquisition provides the group with critical mass, to obtain better rates from suppliers and financial institions. The group will during 2013 place continuous focus on systemisation, standisation and structures to ensure that the foundation is solid for future growth. This will ensure that enduring value is created for each salon owner. The group will continue to drive consistent innovation of our beauty products and services.

Board of Directors

NON-EXECUTIVE DIRECTORS

Hilda Lunderstedt (Chairman of Board) (B.Sc (Pharm)) (46)

Hilda has over 10 years' experience in the health and wellness industry. She recently sold her health and wellness business to a large pharmaceutical player. This business had previously received the 2008 "Go for Growth" award in recognition of its contribution to the industry. Hilda's strong entrepreneurial skills and flair will add to the current expertise of the group. Her initial focus will be on enhancing Imbalie Beauty's current marketing and sales strategy, ensuring a customer-centric approach that is in line with market trends.

Theo Schoeman (Lead Independent Director) B Com (Computer Science), B Com Hons (CA) SA (48)

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

Mitesh Patel (Independent) (Chairman of Audit Committee) B Com Hons (CA) SA (38)

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

Gys van Nieuwenhuizen (Independent) (Chemical Engineer) (51)

Gys is a Chemical Engineer and has vast experience in new product development, manufacturing and the set-up of new businesses locally, in the US and European markets. He has held the position of managing director at a number of companies.

Wessel van der Merwe B Com Hons (CA) SA (43)

Wessel has accumulated more than 15 years' experience in investment banking and corporate finance. He completed his articles with Arthur Anderson before spending three years in investment banking at Gensec Bank. Wessel then founded a corporate finance business and later co-founded a JSE-Sponsor business, which was responsible for the most listings on the JSE's AltX to date. Wessel is experienced in all aspects of corporate finance, but his specific skills lie in deal negotiation and structuring as well as capital raising. He has an extensive network of clients and introduced BEE shareholders into most of the listings undertaken by his business. He currently serves as a member of the JSE's AltX Advisory Committee.

EXECUTIVE DIRECTORS

Esna Colyn (Chief Executive Officer) B Com Hons (CA) SA (45)

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

Melinda Malan – (Financial Director) B Com Hons (CA) SA (27)

Melinda joined Imbalie Beauty in January 2011 and has demonstrated strong execution and leadership qualities. She completed her articles at KPMG Inc in December 2010 and joined the Imbalie Beauty group as Financial Director. She has a special affinity with the beauty industry and is up to date with all the latest International Financial Reporting Standards.

Report of the Chairman and Chief Executive Officer

Introduction

Although our brands and franchises are well-established and recognised in South Africa, we acknowledge the fact that our business journey towards success and sustainability is an ongoing one. To achieve our vision of becoming the largest and most desirable beauty franchise group in South Africa, we have identified the following business goals and objectives for 2013:

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

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

Financial Overview

Group revenue increased by 9.4% to R61.9 million (2011: R56.6 million) during the year as a result of increased marketing, the introduction of new brands and increased royalty income earned. Gross profit increased by 6.8% to R42.4 million (2011: R39.7 million) and gross profit margins decreased by 1.7% to 68.5% (2011: 70.2%), due to the introduction of new brands and promotional offerings distributed by the group to beauty salons, which attract lower margins.

Operating expenses decreased by 6% to R38.4 million (2011: R40.8 million), however marketing and advertising activities grew 80.5% compared to the previous period. The overall cost savings are mainly as a result of effective overhead structures being implemented which will continue to be monitored closely to further enhance cost savings. This will be an ongoing process.

Earnings before interest, taxation, depreciation and amortisation increased by 269% to R4.8 million (2011: R1.3 million). Profit attributable to ordinary shareholders increased to R2.5 million (2011: loss of R0.5 million). Earnings per share increased to 1.07 cents (2011: loss of 0.22 cents) and headline earnings per share increased to 1.07 cents (2011: loss of 0.15 cents).

Corporate stores to the value of R4.8 million which are available for resale are included in inventories. It will be a priority for management to sell these stores to franchisees in order to strengthen the cash flow of the group.

The group had no material capital commitments for the purchase of property, plant and equipment as at 29 February 2012.

Directorate

The group appointed Hilda Lunderstedt as the Non-Executive Chairman of the board on 3 May 2012. Hilda Lunderstedt has over 10 years' experience in the health and wellness industry. Her initial focus will be on enhancing Imbalie Beauty's current marketing and sales strategy, ensuring a customer-centric approach that is in line with market trends.

Prospects

Our prospects in 2013, with cognisance of the current economic environment will be:

- the ongoing consolidation and repositioning of existing brands;
- integration of the recent Perfect 10 acquisition;
- refreshing and refurbishing of salons in partnership with current franchise owners;
- expanding our consumer-driven focus;
- continuously seeking out additional growth opportunities;
- aligning the purchasing and processing systems in use across all beauty outlets; and
- strengthening the Imbalie Beauty Training Academy.

Appreciation

The directors would like to thank all our stakeholders for their continued support during the year.

Hilda Lunderstedt
Non-Executive Chairman

Esna Colyn
Chief Executive Officer

Corporate Governance Report

Introduction

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

Statement of compliance

The JSE Listings Requirements stipulate that listed companies should include a statement of compliance to the recommendations contained in the Code of Governance Principles ("the Code") which forms part of King III. Although most of the material principles have been complied with during the period under review, the directors are aware of a number of principles that have not been complied with and relevant information in this regard is disclosed below. The governance practices and procedures together with the application of all the principles of the Code will undergo in depth scrutiny during the current financial year to ensure that the company applies all those principles that will make a positive contribution towards the company's long-term sustainability.

In addition to the issues addressed in the report above, the following items need to be addressed:

- An IT Charter and policies are still not finalised in a formal document. This is in progress and has been considered by the Audit committee which has been delegated, by the board, to consider the matter. The first draft of the IT Charter will be considered by the Audit committee during the later part of 2012;
- A suitably qualified and experienced Chief Information Officer has not been appointed appointed by the CEO and the function currently falls within the portfolio of the Information Technology Manager, who is a member of the executive committee. This matter will be further considered by the executive committee and the board during the 2012 year;
- The issue of stakeholder relations has not been formally addressed by the board although the issue of stakeholders and all the implications thereof are considered in detail as part of the board strategy review which is conducted annually. A formal stakeholder policy is in draft and will be finalised during the 2012 year; and

Due to cost constraints it is not economically feasible for the company to have an internal audit function or have external advisors appointed at this point in time. This decision will be reviewed on an ongoing basis. The risk committee oversees internal controls.

Board of Directors

At the date of issuing the Annual Report the board consisted of five non-executive directors, three of whom are independent, and two executive directors. The Board appointed Ms HA Lunderstedt as chairman of the group on 3 May 2012. There is a clear division of responsibilities on the board which forms part of the policy to ensure a balance of power.

An independent non-executive director Mr Theo Schoeman was the Chairman of the board and executive director Ms Esna Colyn was the CEO of the company throughout 2011.

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

- retain full and effective control of the group;
- review and approve corporate strategy;
- approve and oversee major capital expenditure, acquisitions and disposals;
- review and approve annual budgets and business plans;
- monitor operational performance and management;
- determine the group's purpose and values;
- ensure that the group complies with sound codes of business behaviour;

- ensure that appropriate control systems are in place for the proper management of risk, financial control and compliance with all laws and regulations;
- appoint the Chief Executive Officer and ensure proper succession planning for executive management;
- regularly identify and monitor key risk areas and the management thereof; and
- to oversee the company's disclosure and communication process.

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

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

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

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

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

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

- communication on behalf of the company and the board;
- conflict of interest;
- access to professional advice;
- whistleblowing policy; and
- trading in company shares.

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

One third of directors retire by rotation at each annual general meeting and their re-appointment is subject to shareholders' approval. All non-executive directors are subject to retirement and re-election by shareholders every second year. In addition, all directors are subject to election by shareholders at the first opportunity after their initial appointments. The directors retiring by rotation at the forthcoming annual general meeting are Messrs TJ Schoeman, MM Patel and Ms HA Lunderstedt.

Details of the directors in office as on 29 February 2012 appear on page 4 of this report.

Details of directors' fees and remuneration are fully disclosed in note 30 to the financial statements. In addition, the proposed fees to be paid to non-executive directors for approval by shareholders by way of a special resolution are set out in the notice of the Annual General Meeting forming part of this report. Non-executive directors only receive remuneration that is due to them as members of the board. Directors serving as members on board sub-committees receive additional remuneration. Remuneration of executive directors in their capacities as executive members of the management team as approved by the remuneration committee is fully disclosed in note 30 to the financial statements.

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

Board Committees

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

Although the board delegates certain functions to these committees, it retains ultimate responsibility for their activities. The committee members are all independent non-executive directors and the CEO is a permanent invitee to each committee meeting. Each board committee is chaired by an independent non-executive director.

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

Audit Committee

At the time of publishing the Annual Report, the composition of the Audit Committee was as follows:

Mr MM Patel (Chairman)

Mr GSJ van Nieuwenhuizen

Mr TJ Schoeman

The relevant resolution for the appointment of the audit committee as required by Companies Act of 2008 ("the Act") is set out in the notice of the annual general meeting as contained in this report. The board is satisfied that the members as proposed for approval by shareholders meet the definition of non-executive directors, acting independently, as defined in the Act.

The audit committee has updated, formal board approved terms of reference. The board is satisfied that the committee has complied with these terms and with its legal and regulatory responsibilities as set out in the Companies Act 2008 (Act 71 of 2008) (as amended) ("the Act"), King III and the JSE Listing Requirements. The terms of reference for the Audit Committee intend to ensure compliance with both governance recommendations and statutory requirements. The terms of reference sets out the Committee's responsibility in respect of the following areas:

- the external auditors, audit process and annual financial statements; and
- internal audit.

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

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

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

The Statutory Report of the Committee as required by the Act can be found on page 15 of the annual report.

Remuneration and Nomination Committee

At the time of publishing the annual report, the composition of the Remuneration & Nomination Committee was as follows:

Mr MM Patel (Chairman)

Mr GSJ van Nieuwenhuizen

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

During 2011, it convened three times. The attendance of directors at board meetings during the past financial year is disclosed below.

Remuneration Philosophy

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

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

Attendance of Directors at board meetings during the financial year ended 29 February 2012

Member	25/05/2011	04/08/2011	20/10/2011	02/12/2011	08/2/2012
TJ Schoeman	P	A	P	A	A
MM Patel	P	P	P	P	P
E Colyn	P	p	P	P	P
GSJ Van Nieuwenhuizen	P	P	P	P	P
W van der Merwe	P	P	P	P	P
M Malan	P	P	P	P	P

Key:
P – Present
A – Apology

Attendance of members at the Audit Committee meetings during the financial year ended 29 February 2012

Member	10/05/2011	01/08/2011	02/12/2011	08/2/2012
MM Patel	P	P	P	P
GSJ van Nieuwenhuizen	P	P	P	P
TJ Schoeman	N/A	Invitee	A	A

Key:
P – Present
A – Apology
N/A – Not applicable

Attendance of members at the Remuneration and Nomination Committee meetings during the financial year ended 29 February 2012

Member	10/05/2011	02/12/2011	08/2/2012
GSJ van Nieuwenhuizen	P	R	R
MM Patel	P	P	P
WP van der Merwe	N/A	P	A

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

Risk Committee

Although the Audit and Risk Committee was previously responsible for oversight of the risk management function, a Risk committee was specifically established by the board to ensure that Enterprise Risk Management processes were embedded throughout the Group. The committee's first meeting was held on 8 February 2012, at which all committee members were present.

At the time of publishing the annual report, the composition of the Risk Committee was as follows:

Mr GSJ van Nieuwenhuizen (Chairman)
Mr MM Patel
Ms E Colyn
Ms M Malan

Social and Ethics Committee

It is the responsibility of this Committee, which was formed by the board on 2 December 2011, to ensure, amongst other things, that:

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

The Social and Ethics Committee is comprised of Mr WP van der Merwe (chairman), Ms Colyn and Ms Malan and had its first meeting on 8 February 2012, at which all committee members were present.

Company Secretary

iThemba Governance and Statutory Solutions (Pty) Limited, represented by Ms Elize Greeff is the Company Secretary. Ms Greeff has extensive experience as a Company Secretary and corporate lawyer.

Closed Periods

The company complies with the JSE Listings Requirements as far as closed periods are concerned and a specific policy has been approved to address the procedures in respect of the trading in company shares by Directors of the listed entity and its major subsidiaries. Closed periods extend from 31 August and 28 February, being the commencement of interim and year-end reporting dates, up to the date of announcement of the results and include any other period during which the company is trading under cautionary announcement.

Risk Management

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

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

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

Stakeholder Communication

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

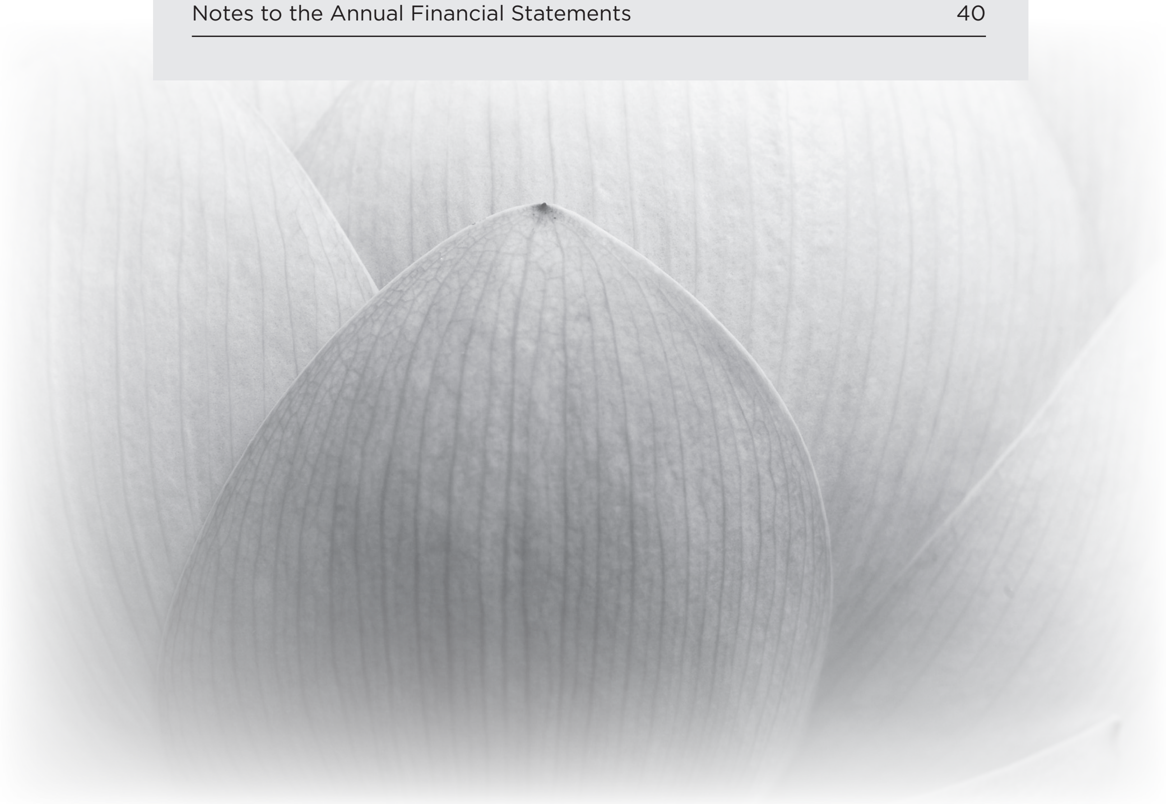
Investor road shows, presentations and formal announcements are all used to communicate with the market. Shareowners are also encouraged to attend the company's annual general meeting and to make use of this opportunity to engage with the directors on matters concerning the affairs of the group.

Code of conduct

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

The company takes ethical behaviour accross all its operations very seriously and aims to create an environment where open communication is encouraged. We will be providing training to management and specific employees during the next year and will continue to communicate internally on ethical behaviour and practices.

Annual Financial Statements



Independent Auditors’ Report

for the year ended 29 February 2012

To the members of Imbalie Beauty Limited and its subsidiaries

We have audited the group and company annual financial statements of Imbalie Beauty Limited and its subsidiaries set out on pages 19 to 56 which comprise of the directors’ report, the statement of financial position as at 29 February 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ Responsibility for the Annual Financial Statements

The company’s directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors’ Responsibility

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

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

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Imbalie Beauty Limited and its subsidiaries as at 29 February 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act 71 of 2008.

Nexia SABAT

Nexia SAB&T
Registered Auditors
Per: A Darmalingam

Centurion
24 May 2012

Directors' Responsibilities and Approval

for the year ended 29 February 2012

The directors are required in terms of the Companies Act 71 of 2008 of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

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

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

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

The annual financial statements set out on pages 19 to 56, which have been prepared on the going concern basis, were approved by the board on 24 May 2012 and were signed on its behalf by:

Ms E Colyn
Chief Executive Officer

Ms M Malan
Financial Director

Certification by Company Secretary

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has, in respect of the financial year reported upon, lodged with the Companies and Intellectual Property Commission all returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Elize Greeff
For: iThemba Governance and Statutory Solutions (Pty) Limited
Company Secretary

21 June 2012

Audit Committee Report

for the year ended 29 February 2012

BACKGROUND

The committee presents its report for the financial year ended 29 February 2012 as recommended by the King III report on Corporate Governance and in compliance with the requirements of the Companies Act, 71 of 2008.

OBJECTIVE AND SCOPE

The overall objectives of the committee are as follows:

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

The committee performed the following activities:

- Received and reviewed reports from external auditors concerning the effectiveness of the internal control environment, systems and processes.
- Reviewed the reports of external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed.
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence.
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - 12 months of the audited results for the year ended 29 February 2012
  - 6 months of the interim results for the six months ended 31 August 2011.

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

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

MEMBERSHIP

During the course of the year, the membership of the committee comprised solely independent non-executive directors. They are Mitesh Patel (Chairman), GSJ van Nieuwenhuizen and TJ Schoeman.

EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditors of Imbalie Beauty Limited are independent as defined by the Act. The committee, in consultation with executive management, agreed to an audit fee for the 2012 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.

Audit Committee Report

continued

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 2013 financial year.

ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the consolidated annual financial statements for the year ended 29 February 2012 and considers that it complies, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

COMPANIES ACT

The Audit Committee together with the board and management have taken appropriate steps to ensure that the company has processes in place to comply fully with the provisions of the Companies act 71 of 2008.

Mitesh Patel
Audit Committee Chairman
24 May 2012

Directors' Report

for the year ended 29 February 2012

The directors have pleasure in presenting their report, which forms part of the audited financial statements of the company and the group for the year ended 29 February 2012.

These annual financial statements were prepared by Melinda Malan CA (SA).

1. Review of activities

Main business and operations

The group is a franchisor, retailer and service provider of skincare, nail care and other beauty products. The group operates principally in South Africa.

Full details of the financial results are set out on pages 19 to 56 of the financial statements for the year ended 29 February 2012.

2. Going concern

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

3. Events after the reporting period

Imbalie Beauty Limited acquired A & V Beauty Products CC , trading as Perfect 10, a Beauty Franchised Group of 55 beauty studios nationally, for a purchase consideration of R14.35 million, effective from 1 March 2012. Imbalie Beauty Limited completed a general issue of shares for cash for R17 500 000 to partly fund the transaction and to settle other long term debt. 109 375 000 ordinary shares were issued at 16 cents per share at an average discount of 6% to the weighted average share price.

Diluted earnings per share after the acquisition of Perfect 10 are based on a profit of R2 535 598 and 345 547 773 weighted average ordinary shares in issue after year end.

Diluted earnings per share: 0.73 cents.

4. Directors' interest in company shares

The following directors of the company held direct and indirect interest in the issued share capital of the company at 29 February 2012 as set out below:

Name	Direct	Indirect	Percentage holding
WP van der Merwe		66 965 675	28.4%
E Colyn	22 046 549		9.1%
M Malan	83 334		–
TJ Schoeman		70 000	–

HA Lunderstedt, E Colyn and TJ Schoeman purchased company shares as announced on 28 June 2012 and 17 July 2012 to date of publications of this annual report.

5. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

6. Borrowing limitations

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

7. Non-current assets

Movements in property, plant and equipment during the financial year are set out in note 3 to the annual financial statements.

8. Dividends

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

9. Directors

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

Name
Ms HA Lunderstedt (Non-executive Chairman)
Mr TJ Schoeman (Lead independent non-executive director)
Mr MM Patel (Independent non-executive director)
Mr GSJ van Nieuwenhuizen (Independent non-executive director)
Mr WP van der Merwe (Non-executive director)
Ms E Colyn (Chief Executive Officer)
Ms M Malan (Financial Director)

10. Secretary

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

Business address:
Monument Office Park
Block 5, Suite 102
79 Steenbok Avenue
Monument Park
0181

Postal address:
PO Box 25160
Monument Park
0105

11. Interest in subsidiaries

Name of subsidiary	Share capital R	Interest % 2012	Interest % 2011	Net income/ (loss) after tax R
Direct				
Placecol Fresh Beauty (Pty) Ltd	1 002 000	100	100	(168 384)
Dream Nails Beauty (Pty) Ltd	120	100	100	1 001 197
Placecol Skin Care Clinic (Pty) ltd	100	100	–	331 074
Indirect				
Placecol Skin Care Clinic (Pty) Ltd	100	–	100	–
Enjoy Beauty (Pty) Ltd	120	100	100	219 544
Imbalie Beauty Training Academy (Pty) Ltd	100	100	100	246 541
Salonquip (Pty) Ltd	950	100	100	279 018

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

12. Special resolutions

The special resolutions were passed at the AGM on 28 September 2011:

– General authority to repurchase the company's shares.

– Directors remuneration structure approved.

– Financial assistance to related and inter-related companies.

No special resolutions were passed by the company's subsidiaries since the date of the previous directors report.

13. Auditors

Nexia SAB&T will continue in office in accordance with section 90 of the Companies Act.

14. Financial Statements

The consolidated annual results and financial position are contained in the consolidated annual financial statements on pages 19 to 56.

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

Statement of Financial Position

for the year ended 29 February 2012

		Group		Company	
Figures in Rand	Note(s)	**2012**	2011	**2012**	2011
Assets					
Non-Current Assets					
Property, plant and equipment	3	**4 857 597**	5 506 157	**3 321**	5 759
Goodwill	4	**6 808 807**	6 808 807	**–**	–
Intangible assets	5	**534 051**	481 529	**–**	–
Investments in subsidiaries	6	**–**	–	**14 852 665**	14 852 665
Loans to group companies	7	**–**	–	**22 304 405**	22 849 332
Other financial assets	9	**780 402**	1 436 513	**–**	–
Deferred tax	10	**11 150 652**	11 856 863	**2 754 771**	3 120 451
		24 131 509	26 089 869	**39 915 162**	40 828 207
Current Assets					
Inventories	11	**12 659 139**	11 680 242	**–**	–
Other financial assets	9	**2 199 557**	4 206 748	**227 298**	207 743
Current tax receivable		**86 277**	86 277	**–**	–
Trade and other receivables	12	**8 611 889**	6 143 795	**–**	–
Cash and cash equivalents	13	**153 013**	94 017	**39 721**	39 535
		23 709 875	22 211 079	**267 019**	247 278
Total Assets		**47 841 384**	48 300 948	**40 182 181**	41 075 485
Equity and Liabilities					
Equity					
Share capital	14	**49 830 461**	49 830 461	**49 830 461**	49 830 461
Accumulated loss		**(27 815 617)**	(30 351 215)	**(14 090 678)**	(15 030 998)
		22 014 844	19 479 246	**35 739 783**	34 799 463
Liabilities					
Non-current liabilities					
Other financial liabilities	15	**3 774 539**	4 292 249	**–**	244 000
Deferred tax	10	**10 787**	–	**–**	–
		3 785 326	4 292 249	**–**	244 000
Current Liabilities					
Loans from shareholders	8	**5 218 398**	3 215 510	**4 198 398**	3 215 510
Other financial liabilities	15	**5 813 123**	6 133 189	**244 000**	600 000
Current tax payable		**375 073**	795 421	**–**	3 095
Finance lease obligation	16	**–**	114 188	**–**	–
Operating lease liability		**217 859**	237 071	**–**	–
Trade and other payables	17	**5 724 245**	9 730 035	**–**	350 000
Bank overdraft	13	**4 692 516**	4 304 039	**–**	1 863 417
		22 041 214	24 529 453	**4 442 398**	6 032 022
Total Liabilities		**25 826 540**	28 821 702	**4 442 398**	6 276 022
Total Equity and Liabilities		**47 841 384**	48 300 948	**40 182 181**	41 075 485

Statement of Comprehensive Income

for the year ended 29 February 2012

Figures in Rand	Note(s)	Group 2012	Group 2011	Company 2012	Company 2011
Revenue	18	**61 888 141**	56 572 376	**4 007 211**	–
Cost of sales	19	**(19 469 294)**	(16 830 379)	**–**	–
Gross profit		**42 418 847**	39 741 997	**4 007 211**	–
Other income		**705 326**	2 298 464	**–**	345 000
Operating expenses		**(39 218 642)**	(41 695 787)	**(2 647 923)**	(718 392)
Operating profit/(loss)	20	**3 905 531**	344 674	**1 359 288**	(373 392)
Investment revenue	21	**403 420**	974 184	**19 748**	387
Finance costs	22	**(1 214 269)**	(2 210 086)	**(73 036)**	(506 537)
Profit/(loss) before taxation		**3 094 682**	(891 228)	**1 306 000**	(879 542)
Taxation	23	**(559 084)**	378 828	**(365 680)**	445 131
Profit/(loss) after taxation		**2 535 598**	(512 400)	**940 320**	(434 411)
Other comprehensive income		**–**	–	**–**	**–**
Total comprehensive income/(loss)		**2 535 598**	(512 400)	**940 320**	(434 411)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**2 535 598**	(512 400)	**940 320**	(434 411)
Earnings/(Loss) per share (cents)	34	**1.07**	(0.22)	**–**	–
Diluted earnings/(loss) per share (cents)	34	**1.07**	(0.15)	**–**	–

Statement of Changes in Equity

for the year ended 29 February 2012

Figures in Rand	Share capital	Share premium	Total share capital	Accumulated loss	**Total equity**
Group					
Balance at 01 March 2010	**23 617**	**49 806 844**	**49 830 461**	**(29 838 815)**	**19 991 646**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(512 400)	**(512 400)**
Total changes	–	–	–	(512 400)	**(512 400)**
Balance at 01 March 2011	**23 617**	**49 806 844**	**49 830 461**	**(30 351 215)**	**19 479 246**
Changes in equity					
Total comprehensive income for the year	–	–	–	2 535 598	**2 535 598**
Total changes	–	–	–	2 535 598	**2 535 598**
Balance at 29 February 2012	**23 617**	**49 806 844**	**49 830 461**	**(27 815 617)**	**22 014 844**
Note(s)	14	14	14		
Company					
Balance at 01 March 2010	**23 617**	**49 806 844**	**49 830 461**	**(14 596 587)**	**35 233 874**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(434 411)	**(434 411)**
Total changes	–	–	–	(434 411)	**(434 411)**
Balance at 01 March 2011	**23 617**	**49 806 844**	**49 830 461**	**(15 030 998)**	**34 799 463**
Changes in equity					
Total comprehensive income for the year	–	–	–	940 320	**940 320**
Total changes	–	–	–	940 320	**940 320**
Balance at 29 February 2012	**23 617**	**49 806 844**	**49 830 461**	**(14 090 678)**	**35 739 783**
Note(s)	14	14	14		

Statement of Cash Flows

for the year ended 29 February 2012

Figures in Rand	Note(s)	Group 2012	Group 2011	Company 2012	Company 2011
Cash flows (to)/from operating activities					
Cash utilised in operations	25	**(2 691 371)**	(850 621)	**1 011 726**	(2 511 844)
Interest income		**403 420**	974 184	**19 748**	387
Finance costs		**(1 214 269)**	(2 210 086)	**(73 036)**	(506 537)
Tax paid	26	**(262 434)**	(361 960)	**(3 095)**	–
Net cash used in operating activities		**(3 764 654)**	(2 448 483)	**955 343**	(3 017 994)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(254 492)**	(1 793 317)	**–**	–
Proceeds from disposal of property, plant and equipment	3	**89 400**	204 255	**–**	–
Purchase of intangible assets to maintain	5	**(113 961)**	(442 149)	**–**	–
Loans from group companies		**–**	–	**544 926**	2 248 952
Proceeds on realisation of financial assets		**2 663 302**	6 773 776	**(19 555)**	104 463
Net cash from investing activities		**2 384 249**	4 742 565	**525 371**	2 353 415
Cash flows from financing activities					
Repayment of other financial liabilities		**(837 776)**	(4 360 228)	**(600 000)**	(1 650 675)
Proceeds from shareholders' loans		**2 002 888**	3 051 017	**982 889**	3 051 017
Settlement of finance lease obligations		**(114 188)**	(326 437)	**–**	–
Net cash from/(to) financing activities		**1 050 924**	(1 635 648)	**382 889**	1 400 342
Total cash movement for the year		**(329 481)**	658 434	**1 863 603**	735 763
Cash at the beginning of the year		**(4 210 022)**	(4 868 456)	**(1 823 882)**	(2 559 645)
Total cash at end of the year	13	**(4 539 503)**	(4 210 022)	**39 721**	(1 823 882)

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with International Financial Reporting Standards, and the new Companies Act of South Africa as amended and the Listings Requirements of the JSE Limited. The annual financial statements have been prepared on the historical cost basis except for the measurement of certain financial instruments which is measured at fair value and cash flow information which is measured on a cash basis, and incorporate the principal accounting policies set out below.

They are presented in South Africa Rand.

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 2011.

Standards and Interpretations effective in 2013:

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

1.1 Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

Business combinations

An entity shall determine whether a transaction or other event is a business combination by applying the definition in accordance with IFRS 3 which requires that the assets acquired and liabilities assumed consitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an asset acquisition.

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

(a) identifying the acquirer;

(b) determining the acquisition date;

(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and

(d) recognising and measuring goodwill or a gain from a bargain purchase.

The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

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

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

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

IFRS 3 reconsiders the application of acquisition accounting for business combinations. Major changes relate to the measurement of non-controlling interests, the accounting for business combinations achieved in stages, as well as the treatment of contingent consideration and acquisition-related costs. Based on the new regulation, non-controlling interests may be measured at their fair value (full-goodwill-method) or at the proportional fair value of assets acquired and liabilities assumed. In business combinations achieved in stages, any previously held equity interest in the acquiree is revalued to its acquisition date fair value. Any changes to contingent consideration classified as a liability at the acquisition date are recognised in profit and loss. Acquisition-related costs are expensed in the period incurred.

The requirements in IAS 37 do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the acquirer shall recognise as of the acquisition date a contingent liability assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably. Therefore, contrary to IAS 37, the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

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

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

(a) fair value;

(b) the present ownership instruments' propertionate share in the recognised amounts of the acquiree's identifiable net assets.

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

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

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

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

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

Significant judgements include:

Trade receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

Impairment testing

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

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

Taxation

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

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

Goodwill

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

Property, plant and equipment and intangible assets

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

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Land is not depreciated.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

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

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

1.4 *Intangible assets*

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

Item	Useful life
Trademark and website costs	10 years
Computer software	3 years

1.5 *Investments in subsidiaries*

Company annual financial statements

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

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

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

1.6 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value.

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

Subsequent measurement

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

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

Fair value determination

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

Impairment of financial assets

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

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

Impairment losses are recognised in profit or loss.

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

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

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

Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to/(from) group companies

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

Loans to group companies are classified as loans and receivables measured at amortised cost.

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

Loans to/(from) shareholders

These are loans classified as loans and receivables and are initially recognised at fair value plus transaction costs.

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Other financial liabilities

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

1.7 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

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

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

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The directors assessed that the assessed tax losses will be recovered with future profitability forecasts.

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

Tax expenses

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

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

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

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

1.8 Leases

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

Finance leases – lessee

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

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

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

Operating leases – lessee

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

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

1.9 Inventories

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

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

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

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

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

1.10 Impairment of assets

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

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

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

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

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

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

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

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

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

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

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

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

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

1.11 Share capital and equity

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

Ordinary shares are classified as equity.

1.12 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.13 *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.

1.14 *Provisions and contingencies*

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Future expenditure is discounted at the pre-tax discount rate reflecting the market assessment of the time value of money adjusted for risks associated with the obligation.

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

Provisions are not recognised for future operating losses.

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.15 *Revenue*

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

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

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

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

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

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

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

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

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

1.16 Cost of sales

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

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

1.17 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

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

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

1.18 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in 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 annual financial statements are recognised in profit or loss in the period in which they arise.

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

Cash flows arising from transactions in a foreign currency are recorded in 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.

1.19 Statement of cash flows

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

1.20 Segmental reporting

The Group determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer, who is the chief operating decision maker. A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or 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 Standard on Segment reporting will not be implemented as Imbalie Beauty Limited has only one segment.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

IAS 24 Related Party Disclosures (Revised)

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- The name of the government and nature of the relationship
- Information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The group has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 applies to debt for equity swaps in circumstances where a debtor and creditor renegotiate the terms of a financial liability such that the debtor extinguishes part or all of the financial liability by issuing equity instruments to the creditor. Where the debt for equity swap is within the scope of IFRIC 19, the issue of equity instruments by the debtor shall be consideration paid to extinguish the liability and shall be measured at the fair value of the equity instrument, unless fair value cannot be determined. If the fair value of the equity instruments cannot be measured reliably, the issue shall be measured at the fair value of the financial liability extinguished. If the issue also relates to a modification of any remaining liability, then the issue shall be allocated to the liability which was extinguished and which remains. The difference between the carrying amount of the liability which was extinguished and the consideration paid shall be recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 01 April 2010.

The group has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

2010 Annual Improvements Project: Amendments to IFRS 3 Business Combinations

The amendment clarifies the initial measurement of non-controlling interests. Only those interests which represent a present ownership interest shall be measured at either fair value or the present ownership's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interest shall be measured at their acquisition date fair values, unless otherwise required by IFRS.

It further provides transitional provisions for dealing with contingent consideration arrangements in a business combination that occurred before the effective date of the revised IFRS 3.

For equity settled share based payment transactions of the acquiree that the acquirer does not exchange for its share based payment transactions, vested transactions shall be measured as part of non-controlling interest at market based measure.

Unvested transactions shall be measured at market based measure as if acquisition date were grant date. This measure is then allocated to non-controlling interest based on the ratio of vesting period completed to greater of total vesting period or original vesting period.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The group has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Amendments to IFRS 7 Financial Instruments: Disclosures

Additional clarification is provided on the requirements for risk disclosures

The effective date of the amendment is for years beginning on or after 01 January 2011.

The group has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Amendments to IAS 1 Presentation of Financial Statements

Clarification of Statement of Equity.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The group has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IAS 27 Consolidated and Separate Financial Statements

Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements. The effective date of the standard is for years beginning on or after 1 July 2010.

The Group has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is not material.

IAS 34 Interim Financial Reporting

Clarification of disclosure requirements around significant events and transactions including financial instruments. The effective date of the standard is for years beginning on or after 1 January 2011.

The Group has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is not material.

IFRIC 13 Customer Loyalty Programmes

Clarification on the intended meaning off the term "fair value" in respect of award credits.

The effective date of the standard is for years beginning on or after 1 January 2011.

The Group has adopted the standard for the first time in the 2012 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 March 2012 or later periods:

IFRS 9 Financial Instruments

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

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

The effective date of the standard is for years beginning on or after 01 January 2015.

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

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

IFRS 7 Amendments to IFRS 7 (AC 144) Disclosures – Transfers of financial assets

Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.

The effective date of the amendment is for years beginning on or after 1 July 2011 and 1 January 2013 respectively.

The Group expects to adopt certain of the amendments for the first time in the 2013 annual financial statements.

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

IFRS 10 Consolidated Financial Statements

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

The effective date of the standard is for years beginning on or after 01 January 2013.

The group expects to adopt the standard for the first time in the 2014 annual financial statements.

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

IFRS 11 Joint Arrangements

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

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

The effective date of the standard is for years beginning on or after 01 January 2013.

The group expects to adopt the standard for the first time in the 2014 annual financial statements.

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

IFRS 12 Disclosure of Interests in Other Entities

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

The effective date of the standard is for years beginning on or after 01 January 2013.

The group expects to adopt the standard for the first time in the 2014 annual financial statements.

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

IFRS 13 Fair Value Measurement

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

The effective date of the standard is for years beginning on or after 01 January 2013.

The group expects to adopt the standard for the first time in the 2014 annual financial statements.

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

IAS 1 Presentation of Financial Statements

New requirement to group together item within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.

The effective date of the amendment is for years beginning on or after 01 July 2012.

The group expects to adopt the standard for the first time in the 2014 annual financial statements.

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

IAS 12 Income Taxes: Amendment: Deferred Tax: Recovery of Underlying Assets

The amendment now provides that for investment property measured at fair value, the recovery of the carrying amount is assumed to be through sale, with the result that deferred tax arising on the valuation is measured using the prevailing tax rate for capital gains.

The effective date of the amendment is for years beginning on or after 01 January 2012.

The group expects to adopt the standard for the first time in the 2013 annual financial statements.

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

IAS 19 Employee Benefits Revised

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

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group expects to adopt the standard for the first time in the 2014 annual financial statements.

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

IAS 27 Consolidated and Separate Financial Statements

Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements.

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

The Group expects to adopt the standard for the first time in the 2014 annual financial statements.

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

IAS 28 Investment in Associates

Consequential amendments resulting from the issue of IFRS 10, 11 and 12.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group expects to adopt the standard for the first time in the 2013 annual financial statements.

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

IAS 32 Financial instruments: Presentation

Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group expects to adopt the standard for the first time in the 2013 annual financial statements.

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

Figures in Rand	2012 Cost	2012 Accumulated depreciation	2012 Carrying value	2011 Cost	2011 Accumulated depreciation	2011 Carrying value
3. Property, plant and equipment						
Group						
Land and buildings	**1 500 000**	**–**	**1 500 000**	1 500 000	–	1 500 000
Plant and machinery	**369**	**–**	**369**	–	–	–
Furniture and fixtures	**858 402**	**(492 560)**	**365 842**	836 163	(426 544)	409 619
Motor vehicles	**1 309 851**	**(697 755)**	**612 096**	1 457 657	(685 055)	772 602
Office equipment	**824 125**	**(421 694)**	**402 431**	821 227	(315 067)	506 160
IT equipment	**1 352 098**	**(961 969)**	**390 129**	1 286 718	(883 887)	402 831
Leasehold improvements	**71 599**	**(38 157)**	**33 442**	71 599	(32 974)	38 625
Laser equipment	**3 783 190**	**(2 230 025)**	**1 553 165**	3 748 053	(1 871 856)	1 876 197
Promotional equipment	**23 104**	**(22 981)**	**123**	23 104	(22 981)	123
Total	**9 722 738**	**(4 865 141)**	**4 857 597**	9 744 521	(4 238 364)	5 506 157
Company						
Office equipment	**6 129**	**(2 809)**	**3 320**	6 129	(1 592)	4 537
IT equipment	**5 499**	**(5 498)**	**1**	5 499	(4 277)	1 222
Total	**11 628**	**(8 307)**	**3 321**	11 628	(5 869)	5 759

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Closing balance
Group – 2012					
Land and buildings	**1 500 000**	**–**	**–**	**–**	**1 500 000**
Plant and machinery	**–**	**–**	**–**	**369**	**369**
Furniture and fixtures	**409 619**	**22 239**	**–**	**(66 016)**	**365 842**
Motor vehicles	**772 602**	**108 462**	**(88 353)**	**(180 615)**	**612 096**
Office equipment	**506 160**	**2 898**	**–**	**(106 627)**	**402 431**
IT equipment	**402 831**	**85 757**	**(20 377)**	**(78 082)**	**390 129**
Leasehold improvements	**38 625**	**–**	**–**	**(5 183)**	**33 442**
Laser equipment	**1 876 197**	**35 136**	**–**	**(358 168)**	**1 553 165**
Promotional equipment	**123**	**–**	**–**	**–**	**123**
	5 506 157	**254 492**	**(108 730)**	**(794 322)**	**4 857 597**

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Closing balance
Group – 2011							
Land and buildings	1 371 457	–	–	50 000	78 543	–	1 500 00
Plant and machinery	298 084	–	(298 084)	–	–	–	
Furniture and fixtures	496 343	–	–	–	(86 724)	–	409 619
Motor vehicles	1 110 438	96 237	–	–	(218 190)	(215 883)	772 602
Office equipment	616 605	7 823	(10 771)	–	(107 497)	–	506 160
IT equipment	574 256	81 441	(43 130)	–	(215 225)	5 489	402 831
Leasehold improvements	43 698	3 351	(3 241)	–	(5 183)	–	38 625
Laser equipment	591 455	1 598 577	–	–	(313 835)	–	1 876 197
Promotional equipment	328	–	–	–	(205)	–	123
	5 102 664	1 787 429	(355 226)	50 000	(868 316)	(210 394)	5 506 157

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Depreciation	Closing balance
Company – 2012			
Office equipment	**4 537**	**(1 217)**	**3 320**
IT equipment	**1 222**	**(1 221)**	**1**
	5 759	**(2 438)**	**3 321**

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Depreciation	Closing balance
Company – 2011			
Office equipment	5 405	(868)	4 537
IT equipment	2 688	(1 466)	1 222
	8 093	(2 334)	5 759

Figures in Rand	2012	2011
Details of property:		
Sandolien Complex Unit no 49		
The Hoewes Ext 187, Centurion		
Land: cost	**180 000**	180 000
Building: cost	**370 000**	370 000
Revaluation:	**50 000**	50 000
Balance at year end	**600 000**	600000
Carnegie Park Unit no 24		
Hennopspark Ext 9, Centurion		
Land: cost	**250 000**	250 000
Building: cost	**650 000**	650 000
Balance at year end	**900 000**	900 000

Figures in Rand	2012 Cost	2012 Accumulated impairment	2012 Carrying value	2011 Cost	2011 Accumulated impairment	2011 Carrying value
4. Goodwill						
Goodwill	**6 808 807**	**–**	**6 808 807**	6 808 807	–	6 808 807

Reconciliation of goodwill

	Opening balance	Total
Group – 2012		
Goodwill	**6 808 807**	**6 808 807**
Group – 2011		
Goodwill	6 808 807	6 808 807

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

Key assumptions used in value-in-use calculations include budgeted margins and budgeted franchise revenue streams. Such assumptions are based on historical results adjusted for anticipated future growth of 6% per annum and a discount rate of 16%.

These assumptions are a reflection of management's past experience in the market in which these units operate.

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

Goodwill arose as a result of:	
1. Acquisition of Placecol	R3 249 16 3
2. Acquisition of Dream Nails	R3 559 644
Total	R 6 808 807

Figures in Rand	2012 Cost	2012 Accumulated amortisation	2012 Carrying value	2011 Cost	2011 Accumulated amortisation	2011 Carrying value
5. Intangible assets						
Trademark and website costs	**620 554**	**(146 414)**	**474 140**	588 564	(115 520)	473 044
Computer software	**95 166**	**(35 255)**	**59 911**	13 195	(4 710)	8 485
Total	**715 720**	**(181 669)**	**534 051**	601 759	(120 230)	481 529

Reconciliation of intangible assets

Figures in Rand	Opening balance	Additions	Amortisation	Total
Group – 2012				
Trademark and website costs	**473 044**	**31 990**	**(30 894)**	**474 140**
Computer software	**8 485**	**81 971**	**(30 545)**	**59 911**
	481 529	**113 961**	**(61 439)**	**534 051**
Group – 2011				
Trademark and website costs	79 285	442 149	(48 390)	473 044
Computer software	6 808	5 888	(4 211)	8 485
	86 093	448 037	(52 601)	481 529

	Name of company	2012 Holding	2011 Holding	2012 Carrying amount	2011 Carrying amount
6.	**Investments in subsidiaries**				
	Placecol Fresh Beauty (Pty) Ltd	**100%**	100%	**9 446 240**	9 446 240
	Dreamnails Beauty (Pty) Ltd	**100%**	100%	**5 496 425**	5 406 425
	Placecol Skin Care Clinic (Pty) Ltd	**100%**	–	**–**	–
				14 852 665	14 852 665

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

	Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
7.	**Loans to (from) group companies**				
	Subsidiaries				
	Placecol Fresh Beauty (Pty) Ltd	**–**	–	**22 304 405**	22 849 332

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

Credit quality of loans to group companies
The credit quality of loans to Group companies are assessed with reference to the repayment history of the companies. The companies have not defaulted on any contractual obligations in prior periods, a credit rating of low has been ascribed to the companies due to operating losses experienced. The companies maximum exposure to credit risk with regards to the loans to Group companies are as detailed above.

Fair value of loans to and from group companies
As no repayment terms exists, the fair value of the Group loans cannot be determined, therefore the carrying values of 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 past due but not impaired
Loans to group companies have no fixed terms of repayment and are therefore not past due. The maximum exposure to credit risk at the reporting date is the fair value of each class of disclosed above.

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

Loans to group companies impaired
As of 29 February 2012, no loans to group companies were impaired.

	Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
8.	**Loans from shareholders**				
	WP van der Merwe	**(2 710 396)**	(945 047)	**(1 690 396)**	(945 047)
	E Colyn	**(2 508 002)**	(2 270 463)	**(2 508 002)**	(2 270 463)
		(5 218 398)	(3 215 510)	**(4 198 398)**	(3 215 510)

The loans are unsecured, bear interest at the prime lending rate and have no fixed terms of repayment.

Fair value of loans to and from shareholders
As no repayment terms exist, the fair value of the shareholders' loans cannot be determined, therefore the carrying values of the loans from shareholders approximates their fair values.

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
9. Other financial assets				
Instalment sale debtors	**725 127**	955 087	**–**	–
Instalment sale debtors bear interest at rates between 12.5% and 19,5% per annum repayable in monthly instalments ranging from R2 443 to R4 903 per agreement.				
CW Pharmaceuticals (Pty) Ltd	**–**	392 160	**–**	–
This loan bears interest at 10.5% per annum and is repayable in monthly instalments of R67 376.				
	725 127	1 347 247	**–**	–
	725 127	1 347 247	**–**	–
Loans made in respect of outlets franchised	**1 101 393**	1 928 771	**227 298**	207 743
The loans are secured by Placecol Beauty Centres sold. Interest is charged at prime, commencing 91 days after signature date. The loans are repayable within 48 months from signature date.				
Deed of sale debtor	**118 953**	207 743	**–**	–
These unsecured loans bear interest at prime plus 2% and no fixed terms of repayment have been agreed upon.				
Student loans	**1 034 486**	2 159 500	**–**	–
The student loans carry interest at prime and are repayable within 3 years after completion of the studies.				
	2 254 832	4 296 014	**227 298**	207 743
Total other financial assets	**2 979 959**	5 643 261	**227 298**	207 743
Non-current assets				
Amortised cost	**661 449**	551 197	**–**	–
Loans and receivables	**118 953**	885 316	**–**	–
	780 402	1 436 513	**–**	–
Current assets				
Amortised cost	**1 165 071**	2 047 248	**–**	–
Loans and receivables	**1 034 486**	2 159 500	**227 298**	207 743
	2 199 557	4 206 748	**227 298**	207 743
	2 979 959	5 643 261	**227 298**	207 743
Fair value information				
There are no differences between the fair value of the loans made and their carrying amounts.				
Instalment sale debtors				
Payments due within one year	**206 105**	492 082	**–**	–
Payments in second to fifth year inclusive	**662 952**	551 197	**–**	–
	869 057	1 043 279	**–**	–
Less: Future finance income	**(143 930)**	(88 192)	**–**	–
	725 127	955 087	**–**	–

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates, and therefore is assessed as medium.

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
10. Deferred tax				
Deferred tax asset/(liability) comprises:				
Accelerated capital allowances for tax purposes	**–**	664	**–**	–
Tax losses available for set off against future taxable income	**11 023 619**	12 108 999	**2 754 771**	3 120 451
Provision for doubtful debt	**(10 787)**	(433 346)	**–**	–
Leave pay provision	**66 032**	94 574	**–**	–
Lease accrual	**61 001**	85 972	**–**	–
	11 139 865	11 856 863	**2 754 771**	3 120 451
Reconciliation of deferred tax asset/(liability)				
At beginning of the year	**11 856 863**	11 102 575	**3 120 451**	2 675 320
Increase/(decrease) in tax losses available for set off against future taxable income	**(833 244)**	1 007 088	**(365 680)**	445 131
Other originating and reversing temporary differences	**116 246**	(252 800)	**–**	–
	11 139 865	11 856 863	**2 754 771**	3 120 451
Recognition of deferred tax asset				
The directors assessed that the deferred tax assets will be recovered based on future profitability forecasts.				
Deferred tax assets/liabilities				
Non-current assets	**11 150 652**	11 856 863	**2 754 771**	3 120 451
Non-current liabilities	**(10 787)**	–	**–**	–
	11 139 865	11 856 863	**2 754 771**	3 120 451
11. Inventories				
Finished goods	**7 818 657**	6 731 589	**–**	–
Stores held for sale	**4 840 482**	4 975 955	**–**	–
	12 659 139	11 707 544	**–**	–
Provision for obsolete inventory	**–**	(27 302)	**–**	–
	12 659 139	11 680 242	**–**	–
11.1 Reconciliation of provision for obsolete stock				
Opening balance	**(27 302)**	–	**–**	–
Provision for obsolete stock raised during the year	**–**	(27 302)	**–**	–
Unused amounts reversed	**27 302**	–	**–**	–
Closing balance	**–**	(27 302)	**–**	–

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
12. Trade and other receivables				
Trade receivables	**7 973 936**	5 410 456	**-**	–
Deposits	**637 953**	733 339	**-**	–
	8 611 889	6 143 795	**-**	–

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

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade receivables are non-interest bearing and are generally on 30 days' terms.

Fair value of trade and other receivables
The fair value of trade and other receivables approximates its carrying value.

Trade and other receivables past due but not impaired
Trade and other receivables which are less than 3 months past due are not considered to be impaired.
At 29 February 2012, R3 896 671 (2011: R 5 020 112) were past due but not impaired.

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

	Group 2012	Group 2011	Company 2012	Company 2011
30-60 days	**1 445 453**	1 106 175	**-**	–
60-90 days	**537 045**	265 228	**-**	–
90-120 days	**221 684**	1 489 209	**-**	–
120+ days	**1 692 489**	2 159 500	**-**	–
Total	**3 896 671**	5 020 112	**-**	–

Trade and other receivables impaired
As of 29 February 2012, trade and other receivables of R 51 369 (2011: R 2 063 552) were impaired and provided for.

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

	Group 2012	Group 2011	Company 2012	Company 2011
Opening balance	**2 063 552**	1 166 394	**-**	–
Provision for the year	**51 369**	2 063 552	**-**	–
Utilised in the year	**(2 063 552)**	(1 166 394)	**-**	–
Closing balance	**51 369**	2 063 552	**-**	–

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

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
13. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	**112 242**	52 187	**–**	–
Bank balances	**40 771**	41 830	**39 721**	39 535
Bank overdraft	**(4 692 516)**	(4 304 039)	**–**	(1 863 417)
	(4 539 503)	(4 210 022)	**39 721**	(1 823 882)
Current assets	**153 013**	94 017	**39 721**	39 535
Current liabilities	**(4 692 516)**	(4 304 039)	**–**	(1 863 417)
	(4 539 503)	(4 210 022)	**39 721**	(1 823 882)

Placecol Skin Care Clinic (Pty) Ltd has an approved facility for guarantees to the value of R785 000 as reviewed and updated on 30 November 2011.

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

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

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
14. Share capital				
Authorised				
500 000 000 Ordinary shares of 0.01 cents each	**50 000**	50 000	**–**	–
Reconciliation of number of shares issued:				
Reported as at 1 March 2011	**236 172 773**	236 172 773	**–**	–

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.

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
Issued				
Ordinary	**23 617**	23 617	**23 617**	23 617
Share premium	**49 806 844**	49 806 844	**49 806 844**	49 806 844
	49 830 461	49 830 461	**49 830 461**	49 830 461

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
15. Other financial liabilities				
Held at amortised cost				
Instalment sale agreements	**4 725 014**	4 940 744	**–**	–
Liabilities under instalment sale agreements bear interest at an average effective rate of 11.46% (2011:11.52%) per annum. The current monthly instalment is R51 234 (2011: R378 311) and is repayable over a period of 48 to 60 months.The new instalment sale agreements were obtained during February 2012 and therefore the average cost will increase during the period.				
Other financial liability	**221 350**	216 029	**–**	–
The loans are unsecured and interest free.				
Loans from Giyatri Paper Mills (Pty) Ltd	**2 950 202**	2 924 617	**–**	–
The loan bears interest at the prime lending rate and repayable in monthly instalments. The loan is secured by a suretyship by W de Wet and WP van der Merwe, a pledge of all the shares in Placecol Cosmetics (Pty) Ltd.				
Other loans: Richards Bay	**165 273**	–	**–**	–
The loan is paid back in fixed instalments of R6 000 per month, with 0% interest and the loan is unsecured. The loan relates to the repayment of the Placecol Skin Care Clinic taken back as a corporate owned store.				
Loan from Business Partners	**244 000**	844 000	**244 000**	844 000
The loan is unsecured and interest free and is repayable in monthly instalments of R50 000.				
Mortgage bonds	**1 281 823**	1 500 048	**–**	–
ABSA mortgage bonds bearing interest at an average rate of 6.95 % (2011: 6.95%) per annum. The current monthly instalment is R11 326 (2011: R11 326). The loans are secured by land and buildings with a carrying amount of R1 500 000 (2011: R1 500 000).				
	9 587 662	10 425 438	**244 000**	844 000
Non-current liabilities				
At amortised cost	**3 774 539**	4 292 249	**–**	244 000
Current liabilities				
At amortised cost	**5 813 123**	6 133 189	**244 000**	600 000
	9 587 662	10 425 438	**244 000**	844 000
Fair value information:				
There are no difference between the fair value of the liabilities and their carrying amounts.				
Instalment sale agreements				
Payments due within one year	**854 808**	215 730	**–**	–
Payments in second to fifth year inclusive	**4 411 692**	5 294 188	**–**	–
	5 266 500	5 509 918	**–**	–
Less: Future finance costs	**(541 486)**	(569 174)	**–**	–
	4 725 014	4 940 744	**–**	–

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
16. Finance lease obligation				
Minimum lease payments due				
– within one year	**–**	133 042	**–**	–
	–	133 042	**–**	–
less: future finance charges	**–**	(18 854)	**–**	–
Present value of minimum lease payments	**–**	114 188	**–**	–
Present value of minimum lease payments due				
– within one year	**–**	114 188	**–**	–

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

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

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

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
Operating lease liability				
Current liability	**(217 859)**	(237 071)	**–**	–

The fair value of finance lease liabilities approximates their carrying amounts.

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
17. Trade and other payables				
Trade payables	**3 901 413**	6 931 090	**–**	–
VAT	**158 836**	197 878	**–**	–
Gift card liability	**145 488**	209 200	**–**	–
Payroll accruals	**605 001**	835 236	**–**	350 000
Other accruals	**179 358**	162 479	**–**	–
Deposits received	**289 971**	370 981	**–**	–
Other payables	**444 178**	1 023 171	**–**	–
	5 724 245	9 730 035	**–**	350 000

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

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
18. Revenue				
Sale of goods and royalty income	**61 888 141**	55 023 376	**4 007 211**	–
Supply chain and support	**–**	1 549 000	**–**	–
	61 888 141	56 572 376	**4 007 211**	–
19. Cost of sales				
Sale of goods				
Cost of goods sold	**16 678 420**	16 367 385	**–**	–
Rendering of services				
Cost of services	**2 790 874**	462 994	**–**	–
	19 469 294	16 830 379	**–**	–

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
20. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Operating lease charges				
– Premises	**6 013 038**	6 221 101	**2 156 018**	–
– Equipment	**295 782**	320 671	**–**	–
	6 308 820	6 541 772	**2 156 018**	–
Loss on sale of property, plant and equipment	**19 330**	150 971	**–**	–
Amortisation	**61 438**	48 390	**–**	–
Impairment on trade and other receivables	**–**	1 211 221	**–**	–
(Profit)/loss on exchange differences	**(3 853)**	(46 773)	**–**	–
Depreciation on property, plant and equipment	**794 322**	872 527	**2 438**	2 335
Employee costs	**15 918 823**	19 284 022	**–**	4 577
21. Investment revenue				
Interest revenue				
Bank	**199 055**	636 407	**19 748**	387
Trade and other payables	**29 663**	–	**–**	–
Other interest	**174 702**	337 777	**–**	–
	403 420	974 184	**19 748**	387
22. Finance costs				
Shareholder	**198 065**	–	**–**	–
Non-current borrowings	**286 432**	881 011	**–**	–
Trade and other payables	**–**	191 978	**–**	–
Bank	**127 775**	716 333	**73 036**	506 537
Current borrowings	**33 679**	14 088	**–**	–
Late payment of tax	**–**	83 202	**–**	–
Interest on directors loans	**350 754**	176 149	**–**	–
Other interest paid	**217 564**	147 325	**–**	–
	1 214 269	2 210 086	**73 036**	506 537
23. Taxation				
Major components of the (income)/tax expense				
Current				
Local income tax – current period	**(157 914)**	375 460	**–**	–
Deferred				
Originating and reversing temporary differences	**716 998**	(754 288)	**365 680**	(445 131)
	559 084	(378 828)	**365 680**	(445 131)
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)%
Overprovision of prior year taxes	**(5.10)%**	–%	**–%**	–%
Tax loss previously not recognised	**–%**	(19.97)%	**–%**	(22.61)%
Capital gains tax	**0.02%**	0.87%	**–%**	–%
Disallowable charges	**2.31%**	4.60%	**–%**	–%
Other	**(7.16)%**	–%	**–%**	–%
	18.07%	(42.50)%	**28.00%**	(50.61)%

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
24. Auditors' remuneration				
Fees	**450 408**	510 505	**-**	12 498
25. Cash used in operations				
Profit/(loss) before taxation	**3 094 682**	(891 228)	**1 306 000**	(879 542)
Adjustments for:				
Depreciation and amortisation	**855 761**	920 917	**2 438**	2 335
Loss on sale of assets	**19 330**	150 971	**-**	–
Interest received	**(403 420)**	(974 184)	**(19 748)**	(387)
Finance costs	**1 214 269**	2 210 086	**73 036**	506 537
Movements in operating lease assets and accruals	**(19 212)**	55 764	**-**	–
Fair value adjustments	**-**	(50 000)	**-**	–
Changes in working capital:				
Inventories	**(978 897)**	(1 629 219)	**-**	–
Trade and other receivables	**(2 468 094)**	5 123 919	**-**	–
Trade and other payables	**(4 005 790)**	(5 767 647)	**(350 000)**	(2 140 787)
	(2 691 371)	(850 621)	**1 011 726**	(2 511 844)
26. Tax paid				
Balance at beginning of the year	**(709 144)**	(695 644)	**(3 095)**	(3 095)
Current tax for the year recognised in profit or loss	**157 914**	(375 460)	**-**	–
Balance at end of the year	**288 796**	709 144	**-**	3 095
	(262 434)	(361 960)	**(3 095)**	–
27. Commitments				
Operating leases – as lessee (expense) Minimum lease payments due				
– within one year	**217 859**	237 071	**-**	–

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

28. Contingencies

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

Placecol Fresh Beauty (Pty) Ltd
Placecol Skin Care Clinic (Pty) Ltd
Dreamnails Beauty (Pty) Ltd
Imbalie Beauty Training Academy (Pty) Ltd
Salonquip (Pty) Ltd
Enjoy Beauty (Pty) Ltd
Imbalie Beauty Limited

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

Placecol Fresh Beauty (Pty) Ltd
Dreamnails Beauty (Pty) Ltd
Imbalie Beauty Training Academy (Pty) Ltd
Imbalie Innovation (Pty) Ltd
Enjoy Beauty (Pty) Ltd
Imbalie Beauty Limited

29. Related parties

Relationships

Subsidiaries	Refer to note 6
Shareholder director of	Reign Capital (Pty) Ltd
	CA Students loans
Directors of the company	Mnr TJ Schoeman (independent non-executive Chairperson)
	Mr MM Patel (independent non-executive director)
	Mr GSJ van Nieuwenhuizen (independent non-executive director)
	Mr WP van der Merwe (non-executive director)
	Ms E Colyn (Chief Executive Officer)
	Ms M Malan (Financial Director)

Figures in Rand	Group 2012	Group 2011	Company 2012	Company 2011
Related party balances				
Loans to/(from) subsidiaries and fellow subsidiaries				
Placecol Fresh Beauty (Pty) Ltd	**–**	–	**22 304 406**	22 849 332
Related party transactions				
Interest paid to/(received from) related parties				
Working Capital: WP van der Merwe	**198 065**	–	**–**	–
E Colyn	**205 405**	138 713	**205 405**	138 713
WP van der Merwe	**145 349**	37 436	**145 349**	37 436
Management fees (received from) related parties				
Placecol Fresh Beauty (Pty) Ltd	**–**	–	**(4 007 211)**	–
Loans from shareholders				
WP van der Merwe	**(1 690 396)**	(945 047)	**(1 690 396)**	(945 047)
E Colyn	**(2 508 002)**	(2 270 463)	**(2 508 002)**	(2 270 463)
Working Capital: WP van der Merwe	**(1 020 000)**	–	**–**	–
Reign Capital (Pty) Ltd	**(2 884 740)**	(2 482 293)	**–**	–
Other				
CA Students Loan	**221 350**	240 935	**–**	–

No key management forms part of related parties, other than the directors of the company as mentioned above. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

30. Directors' and prescribed officer's emoluments

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

Figures in Rand	Emoluments	Total
Executive		
2012		
Ms E Colyn (Chief Executive Officer)	**438 000**	**438 000**
Ms M Malan (Financial Director)	**492 000**	**492 000**
	930 000	**930 000**

Figures in Rand	Emoluments	Other benefits	Total
2011			
WJ Rudolph	264 000	–	264 000
F Grobbelaar	228 511	–	228 511
JM Swart	332 805	28 000	360 805
Ms E Colyn (Chief Executive Officer)	339 227	–	339 227
Ms M Malan (Financial Director)	80 000	–	80 000
	1 244 543	28 000	1 272 543

	Directors' fees	Total
Non-executive		
2012		
Mr TJ Schoeman (Lead independent non-executive director)	**100 000**	**100 000**
Mr MM Patel (Independent non-executive director)	**90 000**	**90 000**
Mr GSJ van Nieuwenhuizen (Independent non-executive director)	**80 000**	**80 000**
Mr WP van der Merwe (Non-executive director)	**80 000**	**80 000**
	350 000	**350 000**
2011		
Mr TJ Schoeman (Lead independent non-executive director)	100 000	100 000
Mr MM Patel (Independent non-executive director)	90 000	90 000
Mr GSJ van Nieuwenhuizen (Independent non-executive director)	80 000	80 000
Mr WP van der Merwe (Non-executive director)	80 000	80 000
	350 000	350 000
Prescribed officers		
2012		
Emoluments		
T Burger	**75 000**	**75 000**
T Niemand	**482 875**	**482 875**
A Piekaar	**511 500**	**511 500**
	1 069 375	**1 069 375**
Prescribed officers		
2011		
Emoluments		
T Niemand	393 438	393 438
A Piekaar	342 800	342 800
	736 238	736 238

A long term retention plan bonus scheme was implemented for key employees. There was no financial impact on the group's current year's financial results.

31. Risk management

Capital risk management

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

The Group manages its capital structure and makes adjustments to it, in light if changes in economic conditions. To maintain or adjust the capital structure, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the year ended 29 February 2012.

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

There are no externally imposed capital requirements

Financial risk management

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

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

The Group's financial intruments consists mainly of deposits with banks, accounts receivables and payables, loans to and from subsidiaries and instalment sale agreements.

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

Cash flow forecasts are prepared and the adequacy of utilised borrowing facilities are monitored.

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

Financial liabilities at amortised costs:

Figures in Rand	Less than 1 year	Between 1 and 5 years
Group		
At 29 February 2012		
Other financial liabilities	**5 813 123**	**3 774 539**
Bank overdraft	**4 692 516**	**–**
Trade and other payables	**5 565 409**	**–**
Loans from shareholders	**5 218 398**	**–**
At 28 February 2011		
Other financial liabilities	6 133 189	4 292 249
Bank overdraft	4 304 039	–
Trade and other payables	9 532 156	–
Financial lease obligation	114 188	–
Loans from shareholders	3 215 510	–
Company		
At 29 February 2012		
Other financial liabilities	**244 000**	–
Loans from shareholders	**4 198 398**	–
At 28 February 2011		
Other financial liabilities	600 000	244 000
Trade and other payables	350 000	–
Loans from shareholders	3 215 510	–
Bank Overdraft	1 863 417	–

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

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

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

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

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

Sensitivity analysis

Figures in Rand	**Carrying value at year end 2012**	**After tax effect on statement of comprehensive income if the interest rate increases/ (decreases) by 1%**	Carrying value at year end 2011	After tax effect on statement of comprehensive income if the interest rate increase/ (decrease) by 1%
Cash and cash equivalents	**40 771**	**294**	41 830	301
Other financial assets	**2 979 959**	**21 456**	5 643 261	40 632
Bank overdraft	**(4 692 516)**	**(33 786)**	(4 304 039)	(30 989)
Other financial liabilities	**(8 957 039)**	**(64 491)**	(9 365 409)	(67 431)
Shareholder loans	**(5 218 398)**	**(37 572)**	(3 215 510)	(23 152)

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

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

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

Figures in Rand	**Group 2012**	Group 2011	**Company 2012**	Company 2011
Financial instrument				
Other financial assets	**2 979 959**	5 643 261	**227 298**	207 743
Trade and other receivables	**8 611 889**	6 143 795	**–**	–
Cash and cash equivalents	**40 771**	41 830	**39 721**	39 535
Loans to group companies	**–**	–	**22 304 405**	22 849 332

Foreign exchange risk
The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, and primarily with respect to the US dollar and the Euro. The foreign exhange risk arises from future commercial transactions.

The company does not hedge foreign exchange fluctuations. The total foreign exhange loss for the year ending 29 February 2012 is R3 853.

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	**2012**	2011	**2012**	2011
Liabilities				
Global Team Holdings Ltd USD 150	**1 121**	–	**–**	–
Nail System International USD 23 420 (2011: USD 27 374)	**175 095**	190 871	**–**	–
Synoia Technologies EURO 3 073	**30 611**	–	**–**	–
Sensitivity analysis				
Strengthening of the USD with R1 at USD 8.4763 (2011: USD 7.9727)	**16 970**	19 709	**–**	–
Strengthening of the EURO with R1 at EURO 10.9613	**2 213**	–	**–**	–
Exchange rates used for conversion of foreign items were:				
USD	**7.4763**	6.9727		
EURO	**9.9613**	–		

32. Going concern

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

33. Events after the reporting period

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

	Group		Company	
Figures in Rand	**2012**	2011	**2012**	2011
34. Earnings per share				
The calculation of earnings per share is based on earnings of R2 535 599 (2011: R512 400 loss) and 236 172 773 (2011: 236 172 773) weighted average ordinary shares in issue during the year.				
Earnings from continuing operations attributable to the ordinary equity holders				
Earnings/(Loss) for the year	**2 535 599**	(512 400)	**–**	–
Reconciliation of the weighted average number of ordinary shares				
Balance at the end of the year	**236 172 773**	236 172 773	**–**	–
Earnings/(Loss) per share (cents)	**1.07**	(0.22)	**–**	–
Headline earnings/(loss) per share (cents):				
The calculation of headline earnings/(loss) per share (cents) is based on a profit of R 2 516 269 (2011: R361 429 loss) and 236 172 773 (2011: 236 172 773) weighted average ordinary shares in issue during the year.				
Reconciliation between earnings and headline earnings/losses				
Earning/(Loss) for the year	**2 535 599**	(512 400)	**–**	–
Adjusted for:				
Loss on disposal of non-current assets	**19 330**	150 971	**–**	–
Total	**2 516 269**	(361 429)	**–**	–
Headline earnings/(loss) per share (cents)	**1.07**	(0.15)	**–**	–

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

Shareholders Analysis

for the year ended 29 February 2012

Register date: 25 February 2012

Issued Share Capital: 236 172 773 shares

SHAREHOLDER SPREAD

	No. of shareholders	%	No. of Shares	%
1 – 1 000 shares	16	5.1	5 323	0.0
1 001 – 10 000 shares	62	20.2	321 160	0.1
10 001 – 100 000 shares	131	42.3	5 284 804	2.2
100 001 – 1 000 000 shares	74	24.2	25 777 860	10.9
1 000 001 shares and over	25	8.2	204 783 626	86.8
TOTAL	**308**	**100.0**	**236 172 773**	**100.0**

DISTRIBUTION OF SHAREHOLDERS

	No. of shareholders	%	No. of Shares	%
Brokers	1	0	35 000	0.0
Close Corporations	7	2.3	2 283 980	1.0
Individuals	272	88.3	118 168 949	50.0
Insurance Companies	1	0.0	545 000	0.2
Medical Aid Schemes	1	0.0	351 895	0.0
Nominees and Trusts	13	4.7	25 819 462	10.9
Private Companies	13	4.7	88 968 487	37.7
TOTAL	**308**	**100.0**	**236 172 773**	**100.0**

PUBLIC / NON-PUBLIC SHAREHOLDERS

	No. of shareholders	%	No. of Shares	%
Non-Public Shareholders	4	1.3	89 165 558	37.8
Directors and Associates of Directors	4	1.3	89 165 558	37.8
Public Shareholders	304	98.7	147 007 215	62.2
TOTAL	**308**	**100.0**	**236 172 773**	**100.0**

Shareholders Analysis

continued

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	No. of Shares	%
SA Madiba Investment (Pty) Ltd	66 965 675	28.4
Anne-Marie de Beer	30 251 694	12.8
Colyn, Esna	22 046 549	9.3
Silver Crest Trading 143 (Pty) Ltd	13 940 000	5.9
Hendrik Christoffel Keyter	11 000 011	4.6
Lance Billion Williams Family Trust	10 453 355	4.4
The David Leonard Smollan Family Trust	6 992 709	3.0

BREAKDOWN OF NON-PUBLIC HOLDINGS

Directors	No. of Shares	% of Shares
SA Madiba Investment (Pty) Ltd	66 965 675	28.4
Colyn, Esna	22 046 549	9.1
Malan, Melinda	83 334	–
Theonelle Beleggings Trust	70 000	–
TOTAL	**89 165 558**	**37.5**

STRATEGIC HOLDINGS (10% OR MORE)

	No. of Shares	% of Shares
SA Madiba Investment (Pty) Ltd	66 965 675	28.4
Anne-Marie de Beer	30 251 694	12.8

Imbalie Beauty Limited

(formerly Skinwell Holdings Limited)
(Registration number: 2003/025374/06)
Share code: ILE
ISIN: ZAE000165239
("Imbalie" or "the Company")

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take in respect of the resolutions contained in this notice, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

If you have sold or otherwise transferred all your ordinary shares in the Company, please send this document together with the accompanying Form of Proxy at once to the relevant transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected, for transmission to the relevant transferee.

Until the Companies Act, No. 71 of 2008, as amended ("the Act"), came into effect on 1 May 2011, the Memorandum of Incorporation ("MOI") of the Company comprised its Memorandum of Association and its Articles of Association. On the date that the Act came into effect, the Memorandum of Association and Articles of Association of the Company automatically converted into the Company's MOI. Accordingly, for consistency of reference in this notice of Annual General Meeting, the term "MOI" or "Memorandum of Incorporation" is used throughout to refer to the Company's Memorandum of Incorporation (which previously comprised the Company's Memorandum of Association and its Articles of Association, as aforesaid).

All references in this notice of Annual General Meeting ("AGM") (including all of the ordinary and special resolutions contained herein) to the Company's MOI refer to provisions of that portion of the Company's MOI that was previously called the Company's Articles of Association.

Notice is hereby given that the Annual General Meeting of the shareholders of Imbalie Beauty Limited ("the Company") will be held at the Company's registered office located at Imbalie Beauty Boulevard, Samrand Avenue, Kosmosdal, Centurion on Wednesday, 12 September 2012 at 10h00 to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out hereunder in the manner required by the Act, as read with the Listings Requirements of the JSE Limited ("JSE Listings Requirements").

Kindly note that in terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated audited annual financial statements of the Company and its subsidiaries, incorporating the reports of the auditors, the audit committee and the directors for the year ended 29 February 2012 will be presented to shareholders as required in terms of section 30(3)(d) of the Act.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

In accordance with Companies Regulation 43(5)(c), issued in terms of the Act, the Chairman of the Social and Ethics Committee will present a verbal report to shareholders at the Annual General Meeting.

RESOLUTIONS FOR CONSIDERATION AND APPROVAL

Ordinary Resolution 1: Re-election of Directors

To elect by way of separate resolutions, directors in the place of those retiring in accordance with the Company's MOI. The directors retiring are Messrs MM Patel and TJ Schoeman, both of whom being eligible offer themselves for re-election. In addition, Ms H Lunderstedt was appointed as a director of the Company following the previous Annual General Meeting and, as such, has to stand down for re-election by shareholders as required in terms of the MOI.

Ordinary resolution 1.1: Re-election of Mr MM Patel

"RESOLVED that Mr MM Patel be and is hereby re-elected as a director of the Company."

Ordinary resolution 1.2: Re-election of Mr TJ Schoeman

"RESOLVED that Mr TJ Schoeman be and is hereby re-elected as a director of the Company."

Ordinary resolution 1.3: Re-election of Ms HA Lunderstedt

"RESOLVED that Ms HA Lunderstedt be and is hereby re-elected as a director of the Company."

A brief curriculum vitae of Mr MM Patel, Mr TJ Schoeman and Ms H Lunderstedt are set out on page 4 of the annual report of which this notice forms part.

Ordinary Resolution 2: Appointment of Audit Committee

To approve, by way of separate resolutions, the appointment of the following independent non-executive directors as members of the Audit Committee:

- ***Ordinary resolution 2.1:*** Mr MM Patel
- ***Ordinary resolution 2.2:*** Mr GSJ van Nieuwenhuizen
- ***Ordinary resolution 2.3:*** Mr TJ Schoeman

Ordinary Resolution 3: Re-appointment of Auditors

To re-appoint, on recommendation of the current Audit Committee, Nexia SAB&T as independent auditors of the Company, the designated auditor meeting the requirements of section 90(2) of the Act until conclusion of the next Annual General Meeting.

Ordinary Resolution 4: Authority to issue shares

To authorise the directors as required by the company's MOI and subject to the provisions of section 41 of the Act to allot and issue at their discretion the unissued but authorised ordinary shares in the share capital of the Company and/or grant options to subscribe for the unissued shares in the issued share capital of the company as at 29 February 2012 for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by the JSE Limited and are subject to the JSE Listings Requirements which authority shall endure until the next Annual General Meeting of the Company.

Ordinary Resolution 5: Authority to issue shares for cash

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

"RESOLVED that, in terms of the Listings Requirements of the JSE Limited ("JSE"), the mandate given to the directors of the Company in terms of a general authority to issue securities for cash, as and when suitable opportunities arise, be renewed subject to the following conditions:

- that this authority shall only be valid until the next Annual General Meeting of the Company but shall not extend beyond 15 months from the date of this meeting;
- the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE;
- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

- that a paid press announcement giving full details, including the impact of the issue on net asset value, net tangible asset value, earnings and headline earnings per share and if applicable, diluted earnings and diluted headline earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 15% of the number of shares in issue prior to the issue concerned;
- that the issues in aggregate in any one financial year (including the number of any shares that may be issued in future arising out of the issue of options) shall not exceed 50% of the number of shares of the Company's issued ordinary share capital; and
- that in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE, measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities."

Ordinary Resolution 6: Remuneration philosophy

To endorse through, by way of a non-binding, advisory vote, the remuneration philosophy of the Company as set out on page 9 of the annual report of which this notice forms part.

Special Resolution 1: General authority to repurchase shares

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

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

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

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

– the Company and the group will be able, in the ordinary course of business, to pay its debts;

– the working capital of the Company and the group will be adequate for ordinary business purposes;

– the assets of the Company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the Company and the group; and

– the Company's and the group's ordinary share capital and reserves will be adequate for ordinary business purposes.

Special Resolution 2: Directors' remuneration

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

"RESOLVED, as a special resolution:

- that the Company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in sections 66(8) and 66(9) of the Act; and
- that the remuneration structure and amounts as set out below, be and is hereby approved until such time as rescinded or amended by shareholders by way of a special resolution:

Chairman of the board	R180 000 per annum
Chairman of Audit Committee	R96 000 per annum
Non-executive director	R84 000 per annum

A general hourly consultation fee for R1 500 per hour, for any ad-hoc services rendered to the Company, which fall outside the abovementioned fees, would be paid to the directors for such services rendered in their capacities as directors or expert consultants.

Special Resolution 3: Financial assistance to related and inter-related companies

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

"RESOLVED, by way of a special resolution, that the directors of the Company be and are hereby authorised as required in terms of sections 44 and/or 45(2) of the Act and the MOI to provide financial assistance to all related and inter-related companies within the Imbalie group of companies, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted Annual General Meeting of the Company."

Special Resolution 4: Approval of the new Memorandum of Incorporation

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

"Resolved, by way of a special resolution, that the existing MOI (formerly the Company's Memorandum and Articles of Association) be and is hereby abrogated in its entirety and replaced with a new MOI, a draft of which has been tabled at the Annual General Meeting at which this resolution was tabled for approval and initialled by the Chairman of the said meeting for purposes of identification, with effect from the date of filing thereof at the Companies and Intellectual Property Commission."

Ordinary Resolution 7: Signing authority

To authorise any one director or the secretary of the Company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the Annual General Meeting at which this ordinary resolution will be considered and approved at such meeting.

Additional information

The following additional information, some of which may appear elsewhere in the annual report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the Company's shares set out in special resolution number 1 above:

- directors and management – page 4;
- major shareholders – page 58;
- directors' interests in ordinary shares – page 17;
- share capital of the Company – page 47;
- Material change – there were no material changes in the Annual Financial Report; and
- Responsibility statement – page 63.

Litigation statement

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

Directors' responsibility statement

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

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year end and the date of signature of the annual report.

Directors' intention regarding the general authority to repurchase the Company's shares

The directors have no specific intention, at present, for the Company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the Company and its shareholders.

Electronic Participation

Should any shareholder of the Company wish to participate in the annual general meeting by way of electronic participation, such shareholder shall make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate, to the transfer secretaries at the applicable address set out below at least 5 (five) business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder so accessing the electronic participation.

RECORD DATES, PROXIES AND VOTING

In terms of section 59(1)(a) and (b) of the Act, the Board of the Company has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the AGM (being the date on which a shareholder must be registered in the Company's securities register in order to receive notice of the AGM) as Friday, 31 August 2012; and
- participate in and vote at the AGM (being the date on which a shareholder must be registered in the Company's securities register in order to participate in and vote at the AGM) as Friday, 3 August 2012.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the AGM, are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll. It is requested that proxy forms be forwarded so as to reach the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited (70 Marshall Street, Corner Sauer Street, Johannesburg; P O Box 61051, Marshalltown, 2107), by no later than 48 (forty-eight) hours before the commencement of the AGM. If shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the AGM do not deliver proxy forms to the transfer secretaries by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the AGM, in accordance with the instructions therein, with the Chair of the AGM.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company.

PROXIES

Shareholders and proxies of shareholders are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the Annual General Meeting as required in terms of section 63(1) of the Act. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

VOTING

For the purpose of resolutions proposed in terms of the JSE Listings Requirements wherein any votes are to be excluded from that resolution, any proxy given by a holder of securities to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution.

By order of the Board

Elize Greeff

For: iThemba Governance and Statutory Solutions (Pty) Limited
Company Secretary
Samrand

21 June 2012

Annual General Meeting – Explanatory Notes

Presentation of annual financial statements

At the Annual General Meeting, the directors must present the annual financial statements for the year ended 29 February 2012 to shareholders, together with the reports of the directors, the audit committee and the auditors. These are contained within the annual report.

Ordinary Resolutions 1.1 – 1.3: Rotation of directors

In accordance with the Company's MOI, one third of the directors are required to retire at each Annual General Meeting and may offer themselves for re-election. In addition, any person appointed to the board of directors following the previous Annual General Meeting is similarly required to retire and is eligible for re-election at the next Annual General Meeting.

The following Directors are eligible for re-election:

Mr MM Patel

Mr TJ Schoeman

Ms HA Lunderstedt

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

Ordinary Resolutions 2.1 – 2.3 – Appointment of Audit Committee

In terms of section 94(2) of the Act, a public company must at each Annual General Meeting elect an Audit Committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Act. Regulation 42 to the Act specifies that one third of the members of the Audit Committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The board of directors of the Company is satisfied that the proposed members of the Audit Committee meet all relevant requirements.

Ordinary Resolution 3 – Re-appointment of Auditors

Nexia SAB&T has indicated its willingness to continue in office and resolution 3 proposes the re-appointment of that firm as the Company's auditors with effect from 1 March 2012. Section 90(3) of the Act requires the designated auditor to meet the criteria as set out in section 90(2) of the Companies Act.

The board of directors of the Company is satisfied that both Nexia SAB&T and the designated auditor meet all of the relevant requirements.

Ordinary Resolutions 4 and 5 – Placement and issue of shares for cash

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

Also, in terms of the JSE Listings Requirements, the authority to issue shares for cash as set out in ordinary resolution 5 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting for ordinary resolution number 5 to become effective.

Ordinary resolution 6 – Remuneration philosophy

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

Special resolution 1 – General authority to repurchase shares

Section 48 of the Companies Act authorises the board of directors of a Company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings Requirements require the shareholders of the Company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting for special resolution number 1 to become effective.

Special resolution 2 – Directors' remuneration

In terms of section 66(8) and section 66(9) of the Companies Act, companies may pay remuneration to directors for their services as directors unless otherwise provided by the MOI and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the Company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the Company.

Special resolution 3 – Financial assistance to related and inter-related companies

Section 45(2) of the Act authorises the board to provide direct or indirect financial assistance to a related or inter-related company, subject to subsections (3) and (4) of section 45 of the Act and unless otherwise provided in the Company's MOI. In terms of section 45(3) of the Act, a special resolution of shareholders is required in these instances. The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well known practice, details of which are also set out in the notes to the annual financial statements.

Special resolution 4 – Approval of a new Memorandum of Incorporation

The notice of the annual general meeting as contained in this integrated report includes a special resolution for the approval of a new Memorandum of Incorporation ("MOI") for the Company by shareholders.

A copy of the complete MOI is available for inspection at the company's registered office, from the date of the notice of the Annual General Meeting until Wednesday, 12 September 2012, the date of the Annual General Meeting.

The Act abolishes the distinction between the MOI and the articles of association and provides that there will only be one constitutional document for a company, namely the MOI. The Company proposes to adopt a new MOI, in substitution for its memorandum of association and the articles of association which in the course of law became its MOI, upon the advent of the Act, but is required to be brought in harmony with the Act and changes to the JSE Listings Requirements.

The **salient features** of the MOI are set out below. Any reference to "the Act" means the Companies Act, 71 of 2008.

SALIENT TERMS OF THE NEW IMBALIE BEAUTY LIMITED MOI:

2. Juristic personality

2.1 The Company is a pre-existing company as defined in the Act and, as such, continues to exist as a public company as if it had been incorporated and registered in terms of the Act, as contemplated in item 2 of the Fifth Schedule to the Act, and this Memorandum of Incorporation replaces and supersedes the Memorandum and Articles of Association of the Company applicable immediately prior to the filing hereof.

2.2 The Company is incorporated in accordance with and governed by –

2.2.1 the unalterable provisions of the Act, save to the extent that this Memorandum of Incorporation does not impose on the Company a higher standard, greater restriction, longer period of time or similarly more onerous requirement;

2.2.2 the alterable provisions of the Act, subject to the limitations, extensions, variations or substitutions set out in this Memorandum of Incorporation; and

2.2.3 the other provisions of this Memorandum of Incorporation.

4. Powers of the Company

4.1 The Company has all of the legal powers and capacity contemplated in the Act, and no provision contained in this Memorandum of Incorporation should be interpreted or construed as negating, limiting, or restricting those powers in any way whatsoever.

4.2 The legal powers and capacity of the Company are not subject to any restrictions, limitations or qualifications, as contemplated in section 19(1)(b)(ii).

5. Restrictive conditions

This Memorandum of Incorporation does not contain any restrictive conditions applicable to the Company as contemplated in section 15(2)(b) or (c).

6. Issue of shares and variation of rights

6.1 The Company is authorised to issue –

6.1.1 such number of ordinary Shares, of the same class, as set out in Schedule 1 hereto, each of which ranks *pari passu* (as contemplated in paragraph 3.29 of the JSE Listings Requirements) in respect of all rights and entitles the holder to –

6.1.1.1 vote at any annual general meeting or general meeting, or as contemplated in clause 25, in person or by proxy, on any matter to be decided by the Shareholders of the Company and to 1 (one) vote in respect of each ordinary Share. Notwithstanding the aforegoing, a Shareholder shall on a show of hands have 1 (one) vote irrespective of the number of Shares held but in the case of a vote by means of a poll a Shareholder shall have such number of votes determined in accordance with the voting rights associated with the Shares held by that Shareholder;

6.1.1.2 participate proportionally in any distribution made by the Company; and

6.1.1.3 receive proportionally the net assets of the Company upon its liquidation;

6.2 The Company may from time to time by special resolution as contemplated in clause 6.3 below –

6.2.1 increase or decrease the number of authorised Shares of any class of the Company's Shares;

6.2.2 consolidate and reduce the number of the Company's issued and authorised Shares of any class;

6.2.3 subdivide its Shares of any class by increasing the number of its issued and authorised Shares of that class without an increase of its capital;

6.2.4 cancel Shares not taken up by anyone or undertaken to be taken up;

6.2.5 the conversion of one class of shares into one ore more other cloases;

6.2.6 reclassify any classified Shares that have been authorised but not issued;

6.2.7 classify any unclassified Shares that have been authorised but not issued; or

6.2.8 determine the preferences, rights, limitations or other terms of any Shares,

and such powers shall only be capable of being exercised by the Shareholders by way of a special resolution of the Shareholders.

6.3 Any amendment to this Memorandum of Incorporation, including but not limited to the creation, authorisation and classification of Shares, the subdivision or consolidation of Shares, amendments to or increase in the numbers of authorised Shares of each class, the conversion of one class of Shares into one or more other classes of Shares, the conversion of Shares from par value to no par value and variations to the preferences, rights, limitations and other terms associated with any class of Shares as set out in this Memorandum of Incorporation and the change of name of the Company, must be approved by a special resolution and in accordance with the JSE Listings Requirements, save if such an amendment is ordered by a court in terms of the provisions of section 16(1)(a) and 16(4) of the Act.

6.6 Each Share issued by the Company has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that Share as contemplated in clause 22.2. If any amendment to this Memorandum of Incorporation relates to the variation of any preferences, rights, limitation and other terms associated with any class of Shares already in issue, such amendments shall not be implemented without a special resolution adopted by the holders of Shares of that class at a separate meeting. The holders of Shares of that class will, subject to the further provisions of clause 22.2, also be entitled to vote at the meeting of ordinary Shareholders where the amendment is tabled for approval.

6.7 No Shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of Shares may be varied in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7).

6.8 The Board may, subject to clause 6.12 and the further provisions of this clause 6.8, resolve to issue Shares, options and convertible Securities granted of the Company at any time, but only –

6.8.1 within the classes and to the extent that those Shares, options and convertible Securities granted have been authorised by or in terms of this Memorandum of Incorporation; and

6.8.2 the extent that such issue has been approved by the Shareholders in general meeting, either by way of a general authority (which may be either conditional or unconditional) to issue Shares, options and convertible Securities granted in its discretion or a specific authority in respect of any particular issue of Shares, provided that, if such approval is in the form of a general authority to the Directors, it shall be valid only until the next annual general meeting of the Company and it may be varied or revoked by any general meeting of the Shareholders prior to such annual general meeting.

6.9 All issues of Shares for cash and all issues of options and convertible securities granted or issued for cash must, in addition, be in accordance with the JSE Listings Requirements.

6.10 All Securities of the Company for which a listing is sought on the JSE and all Securities of the same class as Securities of the Company which are listed on the JSE must, notwithstanding the provisions of section 40(5) but unless otherwise required by the Act, only be issued after the Company has received the full consideration approved by the Board for the issuance of such Securities and must be freely transferable.

6.11 Subject to what may be authorised by the Act, the JSE Listings Requirements and at meetings of Shareholders in accordance with clause 6.13, and subject to clause 6.12, the Board may only issue unissued Shares if such Shares have first been offered to existing ordinary Shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the Board may determine, unless such Shares are issued for the acquisition of assets by the Company.

6.12 Notwithstanding the provisions of clause 6.11, the Shareholders may at a general meeting authorise the Directors to issue Shares of the Company at any time and/or grant options to subscribe for Shares as the Directors in their discretion think fit, provided that such corporate action(s) has/have been approved by the JSE and comply with the JSE Listings Requirements.

6.13 Notwithstanding the provisions of clauses 6.2, 6.11 and 6.12, any issue of Shares, options, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, in accordance with the provisions of section 41(3), require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% (thirty percent) of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.

9. Transfer of securities

9.4 All authorities to sign transfer deeds or other instruments of transfer granted by holders of Securities for the purpose of transferring Certificated Securities which may be lodged, produced or exhibited with or to the Company at its transfer office shall, as between the Company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the Company may allow the same to be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the Company's transfer office at which the authority was first lodged, produced or exhibited. Even after the giving and lodging of such notice, the Company shall be entitled to give effect to any instruments signed under the authority to sign and certified by any officer of the Company as being in order before the giving and lodging of such notice.

10. No lien

It is recorded for the avoidance of doubt that fully paid Securities shall not be subject to any lien in favour of the Company and shall be freely transferable.

13. Debt instruments

The Board may authorise the Company to issue secured or unsecured debt instruments as set out in section 43(2), but no special privileges associated with any such debt instruments as contemplated in section 43(3) may be granted, and the authority of the Board in such regard is limited by this Memorandum of Incorporation.

14. Capitalisation shares

14.1 Subject to the provisions of clauses 6.11 and 6.12 and compliance with the JSE Listings Requirements and section 47, to the extent applicable, the Board shall have the power and authority to –

14.1.1 approve the issuing of any authorised Shares as capitalisation Shares;

14.1.2 to issue Shares of one class as capitalisation Shares in respect of Shares of another class; and/or

14.1.3 subject to the provisions of clause 14.2, to resolve to permit Shareholders to elect to receive a cash payment in lieu of a capitalisation Share.

14.2 The Board may not resolve to offer a cash payment in lieu of awarding a capitalisation share, as contemplated in clause 14.1.3, unless the Board –

14.2.1 has considered the Solvency and Liquidity Test as required by section 46, on the assumption that every such Shareholder would elect to receive cash; and

14.2.2 is satisfied that the Company would satisfy the Solvency and Liquidity Test immediately upon the completion of the distribution.

15. Beneficial interests in securities

The Company's issued Securities may be held by, and registered in the name of, one person for the beneficial interest of another person as set out in section 56(1).

16. Financial assistance

Subject to compliance with the further requirements of the Act, the Board may authorise the Company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise to any person 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 such Securities, as set out in section 44, and the authority of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.

18. Odd-lot offers

18.1 If, upon implementation of any odd-lot offer made by the Company in accordance with the restrictions and procedures imposed by the JSE Listings Requirements and subject to the approval of the JSE, there are holders of Shares holding in aggregate less than 100 (one hundred) Shares, or such other number of shares as determined by the JSE as amounting to an odd-lot ("odd-lots") in the Company ("odd-lot holders"), then the Company shall, save in respect of odd-lot holders who have elected to retain their odd-lots in the Company -

18.1.1 cause the odd-lots to be sold in such manner as the Directors may direct; and

18.1.2 procure that the proceeds of such sales are paid to such odd-lot holders.

18.2 All unclaimed proceeds (of such sales) may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, provided that such proceeds unclaimed for a period of 3 (three) years from the date on which the Directors caused the odd-lots to be sold may be declared forfeited by the Directors for the benefit of the Company.

19. Record date for exercise of shareholder rights

The record date for the purpose of determining which Shareholders are entitled to –

19.1 receive notice of a Shareholders' meeting;

19.2 participate in and vote at a Shareholders' meeting;

19.3 decide any matter by written consent or by Electronic Communication;

19.4 receive a distribution;

19.5 be allotted or exercise other rights; or

19.6 participate in any other transaction, shall be determined by the Board, provided that, for as long as the JSE Listings Requirements apply to the Company and prescribe a record date, such record date shall be the record date so prescribed.

20. Shareholders' meetings

20.1 Calling of Shareholders' meetings

20.1.1 The Board, or any Prescribed Officer of the Company authorised by the Board, is entitled to call a Shareholders' meeting at any time.

20.1.2 Subject to the provisions of section 60 dealing with the passing of resolutions of Shareholders otherwise than at a meeting of Shareholders, the Company shall hold a Shareholders' meeting –

20.1.2.1 at any time that the Board is required by the Act, the JSE Listings Requirements or this Memorandum of Incorporation to refer a matter to Shareholders for decision; or

20.1.2.2 whenever required in terms of the Act to fill a vacancy on the Board; or

20.1.2.3 when required in terms of clause 20.1.3 or by any other provision of this Memorandum of Incorporation.

26. Composition and powers of the board of directors

26.1 Number of Directors

26.1.1 In addition to the minimum number of Directors, if any, that the Company must have to satisfy any requirement in terms of the Act to appoint an audit committee and a social and ethics committee, the Board must comprise at least 4 (four) Directors and the Shareholders shall be entitled, by ordinary resolution, to determine such maximum number of Directors as they from time to time shall consider appropriate.

26.1.2 All Directors shall be elected by an ordinary resolution of the Shareholders at a general or annual general meeting of the Company and no appointment of a Director in accordance with a resolution passed in terms of section 60 shall be competent.

26.1.3 Every person holding office as a Director, Prescribed Officer, company secretary or auditor of the Company immediately before the effective date of the Act will, as contemplated in item 7(1) of Schedule 5 to the Act, continue to hold that office.

31. Borrowing powers

31.1 Subject to the provisions of clause 31.2 and the other provisions of this Memorandum of Incorporation, the Directors may from time to time

31.1.1 borrow for the purposes of the Company such sums as they think fit; and

31.1.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of Securities, mortgage or charge upon all or any of the property or assets of the Company.

31.2 The Directors shall procure (but as regards subsidiaries of the Company only insofar as by the exercise of voting and other rights or powers of control exercisable by the Company they can so procure) that the aggregate principal amount at any one time outstanding in respect of monies so borrowed or raised by –

31.2.1 the Company; and

31.2.2 all the subsidiaries for the time being of the Company (excluding monies borrowed or raised by any of such companies from any other of such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the Company or any of its subsidiaries for the time being for the indebtedness of any other company or companies whatsoever and not already included in the aggregate amount of the monies so borrowed or raised),

shall not exceed, to the extent applicable, the aggregate amount at that time authorised to be borrowed or secured by the Company or the subsidiaries for the time being of the Company (as the case may be).

33. Annual financial statements

33.1 The Company shall keep all such accurate and complete accounting records as are necessary to enable the Company to satisfy its obligations in terms of –

33.1.1 the Act;

33.1.2 any other law with respect to the preparation of financial statements to which the Company may be subject; and

33.1.3 this Memorandum of Incorporation.

33.2 The Company shall each year, after the end of its financial year, prepare annual financial statements within the period prescribed by the Act, or such shorter period as may be appropriate to provide the required notice of an annual general meeting in terms of section 61(7).

33.3 The Company shall appoint an auditor each year at its annual general meeting. If the Company appoints a firm as its auditor, any change in the composition of the members of that firm shall not by itself create a vacancy in the office of auditor.

33.4 The annual financial statements of the Company must be prepared and audited in accordance with the provisions of section 30 of the Act.

33.5 Not less than 15 (fifteen) business days before the date of any annual general meeting, a summarised form of the financial statements to be presented at such meeting and directions for obtaining a copy of the complete financial statements for the preceding financial year shall be sent to every Shareholder, subject and in accordance with the provisions of the Act, the JSE Listings Requirements and all other applicable laws. In addition, the requisite number of copies as may be required by law shall be sent to the Commission and the JSE in accordance with the provisions of applicable law. Nothing contained in this clause, shall impose a duty on the Directors to send copies of such documents to any person whose Address is not known to the Company, or where any Shares are jointly held, to more than one of the joint holders of such Shares.

33.6 The annual financial statements shall be prepared on a basis that is not inconsistent with any unalterable provision of the Act and shall –

33.6.1 satisfy, as to form and content, the financial reporting standards of IFRS; and

33.6.2 subject to and in accordance with IFRS –

33.6.2.1 present fairly the state of affairs and business of the Company and explain the transactions and financial position of the business of the Company;

33.6.2.2 show the Company's assets, liabilities and equity, as well as its income and expenses;

33.6.2.3 set out the date on which the statements were produced and the accounting period to which they apply; and

33.6.2.4 bear on the first page thereof a prominent notice indicating that the annual financial statements have been audited and the name and professional designation of the person who prepared them.

36. Distributions

36.1 Subject to the provisions of the Act, and particularly section 46 and this Memorandum of Incorporation, the Company may make any proposed distribution, as defined and contemplated in the Act, if such distribution –

36.1.1 is pursuant to an existing legal obligation of the Company, or a court order; or

36.1.2 is authorised by resolution of the Board, in compliance with the JSE Listings Requirements.

36.2 No distribution shall bear interest against the Company, except as otherwise provided under the conditions of issue of the Shares in respect of which such distribution is payable.

36.3 Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.

36.4 The Directors may from time to time declare and pay to the Shareholders such interim distributions as the Directors consider to be appropriate.

36.5 No larger distribution shall be declared by the Company in general meeting than is recommended by the Directors, but the Company in general meeting may declare a smaller distribution.

36.6 All unclaimed dividends may be invested by the Company in trust for the benefit of the Company until claimed, and dividends that remain unclaimed for a period of 3 (three) years from the date on which they were declared may be declared by the Directors to be forfeited for the benefit of the Company. The Directors may at any time annul such forfeiture upon such conditions (if any) as they think fit. Subject to the provisions of clause 18.2, all unclaimed monies, other than dividends, that are due to Shareholder/s shall be held by the Company in trust for an indefinite period until lawfully claimed by such Shareholder/s but subject to the laws of prescription.

36.7 Any distribution, interest or other sum payable in cash to the holder of a Share may be paid by cheque or warrant sent by post and addressed to -

36.7.1 the holder at his registered address; or

36.7.2 in the case of joint holders, the holder whose name appears first in the Securities Register in respect of the share, at his registered address; or

36.7.3 such person and at such address as the holder or joint holders may in writing direct.

36.8 Every such cheque or warrant shall -

36.8.1 be made payable to the order of the person to whom it is addressed; and

36.8.2 be sent at the risk of the holder or joint holders.

36.9 The Company shall not be responsible for the loss in transmission of any cheque or warrant or of any document (whether similar to a cheque or warrant or not) sent by post as aforesaid.

36.10 A holder or any one of two or more joint holders, or his or their agent duly appointed in writing, may give valid receipts for any distributions or other monies paid in respect of a Share held by such holder or joint holders.

36.11 When such cheque or warrant is paid, it shall discharge the Company of any further liability in respect of the amount concerned.

36.12 A distribution may also be paid in any other way determined by the Directors, and if the directives of the Directors in that regard are complied with, the Company shall not be liable for any loss or damage which a Shareholder may suffer as a result thereof.

36.13 Without detracting from the ability of the Company to issue capitalisation Shares, any distribution may be paid wholly or in part -

36.13.1 by the distribution of specific assets; or

36.13.2 by the issue of Shares, debentures or securities of the Company or of any other company; or

36.13.3 in cash; or

36.13.4 in any other way which the Directors or the Company in general meeting may at the time of declaring the distribution determine.

36.14 Where any difficulty arises in regard to such distribution, the Directors may settle that difficulty as they think expedient, and in particular may fix the value which shall be placed on such specific assets on distribution.

36.15 The Directors may -

36.15.1 determine that cash payments shall be made to any Shareholder on the basis of the value so fixed in order to secure equality of distribution; and

36.15.2 vest any such assets in trustees upon such trusts for the benefit of the persons entitled to the distribution as the Directors deem expedient.

36.16 Any distribution must be made payable to Shareholders registered as at a date subsequent to the date of declaration thereof or the date of confirmation thereof, whichever is the later date.

36.17 Without limiting the provisions of clause 36.1.2 above, all payments made to holders of Securities listed on the JSE (“Listed Securities”) must be in accordance with the JSE Listings Requirements and capital payments to holders of Listed Securities may not be made on the basis that it can be called up again.

38. Access to company records

38.1 Each person who holds or has a beneficial interest in any Securities issued by the Company is entitled to inspect and copy, without any charge for any such inspection or upon payment of no more than the prescribed maximum charge for any such copy, the information contained in the records of the Company referred to in section 26(1), being –

38.1.1 this Memorandum of Incorporation, and any amendments or alterations thereof;

38.1.2 a record of the Directors, including the details of any person who has served as a Director, for the period as prescribed by the Act after that person has ceased to serve as a Director, and any information relating to such persons referred to in section 24(5).

40. Notices

40.1 All notices shall be given by the Company to each Shareholder of the Company who has elected to receive such notices and simultaneously to The Issuer Regulation Division of the JSE, and shall be given in writing in any manner authorised by the JSE Listings Requirements and/or the Act, as may be applicable. All notices shall, in addition to the above, be released through SENS provided that, in the event that the Shares or other Securities of the Company are not listed on the JSE, all the provisions of this Memorandum of Incorporation relating to the publication of notices via SENS shall no longer apply and such notices shall thereafter only be delivered in accordance with the provisions of the Act.

43. Amendment of Memorandum of Incorporation

43.1 This Memorandum of Incorporation may only be altered or amended by way of a special resolution of the ordinary Shareholders in accordance with section 16(1)(c), except if such amendment is in compliance with a Court order as contemplated in section 16(1)(a).

43.2 An amendment of this Memorandum of Incorporation will take effect from the later of –

43.2.1 the date on, and time at, which the Commission accepts the filing of the notice of amendment contemplated in section 16(7); and

43.2.2 the date, if any, set out in the said notice of amendment,

save in the case of an amendment that changes the name of the Company, which will take effect from the date set out in the amended registration certificate issued by the Commission.

44. Company rules

The Board shall not have the authority to make, amend or repeal any Rules as contemplated in section 15(3).

Annual financial statements

A copy of the annual financial statements must be distributed to shareholders at least 15 business days before the date of the annual general meeting at which they will be considered.

Ordinary Resolution 7 – Signing authority

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the Annual General Meeting. It is proposed that the company secretary and/or director be authorised accordingly.

General

Shareholders and proxies attending the Annual General Meeting on behalf of shareholders are reminded that section 63(1) of the Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting. This could be in the form of an original or certified copy of an identity document, driver's licence or passport.

Administration

Full name	Imbalie Beauty Limited (formerly Skinwell Holdings Limited)
Registration number	2003/025374/06
JSE abbreviated name	“Imbalie”
JSE code	ILE
ISIN	ZAE000165239
Sector	AltX
Exchange	Alternative Exchange
Founded	2003
Listed JSE	21 August 2007
Website	www.imbaliebeauty.co.za

Business Address
Imbalie Beauty Boulevard
Samrand Avenue
Kosmosdal Extension 4
Centurion
Gauteng, 0157
Telephone : (012) 621 3300
Facsimile: (012) 621 3369

Company Secretary and Registered Office
Itemba Governance and Statutory Solutions (Pty) Limited,
Represented by Ms Elize Greeff
Block 5 – Suite 102, Monument Office Park
79 Steenbok Avenue
Monument Park, 0181
(PO Box 25160, Monument Park, Pretoria, Gauteng, 0105)
Telephone : 086 111 1010
Facsimile: 086 604 1315

Transfer Secretaries
Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Telephone: (011) 370 5000
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Attorneys
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(Registration number 2003/016254/21)
Block A
7 Eton Road
Sandhurst, 2196
(PO Box 78894, Sandton, 2146)
Telephone: (011) 685 0000
Facsimile: (011) 685 0003

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

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

Shareholders’ Diary

Financial year end	29 February 2012
Reports and profit announcements	
– Annual Report	13 August 2012
– Interim Report	November 2012
Annual General Meeting	12 September 2012

Form of Proxy

Imbalie Beauty Limited

(formerly Skinwell Holdings LImited)
(Incorporated in the Republic of South Africa)
(Registration number: 2003/025374/06)
Share code: ILE
ISIN: ZAE000165239
("Imbalie" or "the company")

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN NAME" REGISTRATION ONLY

For completion by registered members of Imbalie unable to attend the Annual General Meeting ("AGM") of the company to be held on Wednesday, 12 September 2012 at 10h00 at the company's registered office located at Imbalie Beauty, Imbalie Beauty Boulevard, Samrand Avenue, Kosmosdal, Centurion, or at any adjournment thereof.

I/We

of (address)

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

1 or, failing him/her

2 or, failing him/her

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:

		Number of votes		
		For	Against	Abstain
1.	Ordinary Resolution 1: To re-elect the directors required to retire in terms of the Memorandum of Incorporation			
	1.1 Mr MM Patel			
	1.2 Mr TJ Schoeman			
	1.3 Ms HA Lunderstedt			
2.	Ordinary Resolution 2: To re-elect the members of the Audit Committee			
	2.1 Mr MM Patel			
	2.2 Mr GSJ van Nieuwenhuizen			
	2.3 Mr TJ Schoeman			
3.	Ordinary Resolution 3: To re-appoint auditors			
4.	Ordinary Resolution 4: To authorise directors to allot and issue unissued ordinary shares			
5.	Ordinary Resolution 5: To authorise directors to allot and issue ordinary shares for cash			
6.	Ordinary Resolution 6: To approve remuneration philosophy by way of a non-binding, advisory vote			
7.	Special Resolution 1: To authorise directors to repurchase company shares			
8.	Special Resolution 2: To approve directors' remuneration			
9.	Special Resolution 3: To approve financial assistance to related and inter-related companies			
10.	Special Resolution 4: To approve the new Memorandum of Incorporation			
11.	Ordinary Resolution 7: To provide signing authority			

A proxy need not be a shareholder.

A shareholder who has dematerialised his/her shares, other than a shareholder which has dematerialised his/her shares with "own name" registration, should contact his/her CSDP or broker in the manner and time stipulated in his/her agreement with the CSDP or broker, in order to furnish his/her CSDP or broker with his/her voting instructions or to obtain the necessary letter of authority to attend the AGM, in the event that he/she wishes to attend the AGM.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the company.

A proxy may not delegate his/her authority to act on his/her behalf to another person. (see note 11).

This proxy form will lapse and cease to be of force and effect immediately after the AGM of the company and any adjournment(s) thereof, unless it is revoked earlier (as to which see notes 15 and 16).

Signed at this day of 2012

Signature

Assisted by me, where applicable (name and signature)

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.

Notes to the Form of Proxy

Summary of holders' rights in respect of proxy appointments as set out in sections 56 and 58 of the Act and notes to the form of proxy

1. Section 56 grants voting rights to holders of beneficial interests in certain circumstances, namely if the beneficial interest includes the right to vote on the matter, and the person's name is on the company's register of disclosures as the holder of a beneficial interest. A person who has a beneficial interest in any securities that are entitled to be voted on by him/her, may demand a proxy appointment from the registered holder of those securities, to the extent of that person's beneficial interest, by delivering such a demand to the registered holder, in writing, or as required by the applicable requirements of a central securities depository.
2. A proxy appointment must be in writing, dated and signed by the person appointing a proxy.
3. Forms of proxy must be delivered to the company before a proxy may exercise any voting rights at the AGM either by returning them to Computershare Investor Services (Pty) Limited at the following address Ground Floor, 70 Marshall Street, Johannesburg, to be received on or before 09h00 on Monday, 10 September 2012 or if not so received by Tuesday, 11 September 2012, by presenting it to a representative of Computershare Investor Services (Pty) Limited at the premises of the company, immediately before the commencement of the AGM. Forms can be posted or hand delivered.
4. Each person entitled to exercise any voting rights at the AGM may appoint a proxy or proxies to attend, speak, vote or abstain from voting in place of that holder.
5. A person entitled to vote may insert the name of a proxy or the name of an alternative proxy of the holder's choice in the space provided, with or without deleting the Chair of the AGM. Any such deletion must be initialled. The person whose name stands first on the form of proxy and who is present at the AGM shall be entitled to act as proxy to the exclusion of the person whose name follows as an alternative. In the event that no names are indicated, the proxy shall be exercised by the Chair of the AGM.
6. An "X" in the appropriate box indicates that all your voting rights are exercisable by that holder. If no instructions are provided in the form of proxy, in accordance with the above, then the proxy shall be entitled to vote or abstain from voting at the AGM, as the proxy deems fit in respect of all your voting rights exercisable thereat, but if the proxy is the Chair, failure to provide instructions to the proxy in accordance with the above will be deemed to authorise the proxy to vote only in favour of the resolution.
7. You or your proxy are not obliged to exercise all your voting rights exercisable, but the total of the voting rights cast may not exceed the total of the voting rights exercisable by you.
8. Your authorisation to the proxy, including the Chairman of the AGM, to vote on your 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 you from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, in which case the appointment of any proxy will be suspended to the extent that you choose to act in person in the exercise of your voting rights at the AGM.
10. The company's memorandum of incorporation does not permit delegation by a proxy.
11. Documentary evidence establishing the authority of a person attending the AGM on your behalf in a representative capacity or signing this form of proxy in a representative capacity must be attached to this form.
12. The company will accept an original and valid identity document, driver's licence or passport as satisfactory identification.
13. Any insertions, deletions or alteration to this form must be initialled by the signatory(ies).
14. The appointment of a proxy is revocable unless you expressly state otherwise in the form of proxy.
15. You may revoke the proxy appointment by: (i) cancelling it in writing, or making a later, inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the company at its premises or at Ground Floor, 70 Marshall Street, Johannesburg for the attention of Computershare Investor Services (Pty) Limited, to be received before the replacement proxy exercises any of your rights at the AGM.
16. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on your behalf at the later of (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument is delivered as required in paragraph 15.
17. If this form of proxy has been delivered to the company in accordance with paragraph 3 then, as long as that appointment remains in effect, any notice that is required by the Act or the company's memorandum of incorporation to be delivered by the company to the holder of the voting rights must be delivered by the company to:
    a. the holder; or
    b. the proxy, if the holder has :
        i. directed the company to do so, in writing; and
        ii. has paid any reasonable fee charged by the company for doing so.
18. In terms of section 56 of the Act, the registered holder of any shares in which any person has a beneficial interest, must deliver to each such person a notice of any meeting of the company at which those shares may be voted on, within two business days after receiving such a notice from the company.

Transfer Secretaries
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