

The following remained points of focus during the interim period:

1. Continuation of "Project Facelift" with more than 40 salons in the group being revamped and modernised to date.
2. Continuation with our innovation drive with the introduction of state of the art hair removal and skin rejuvenation technology into the Placecol Skin Care Clinics, as well as the latest skin care products in skin rejuvenation, which will reposition these salons as skin care clinics and increase barriers to entry.
3. The continued growth of the Imbalie Beauty Training Academy with the addition of more trainers and provision of business and beauty training for franchisees and their staff on a national basis.
4. Continued improvement of the systems in our Perfect 10 Nail & Body Studios.

The expansion of the independent Imbalie Beauty pension fund assists the group in living its mission of empowering and improving the lives of the workforce, a new drive in the beauty salon industry.

#### FINANCIAL RESULTS

Group revenue increased by 23.25% to R43.0 million (2012: R34.9 million) during the interim period as a result of effective marketing, increased royalty income earned and the selling of the new technology hair removal and skin rejuvenation machines. Gross profit increased by 13.29% to R25.3 million (2012: R22.3 million) and gross profit margins decreased by 7.8% to 59% (2012: 64%), mainly due to the selling of corporate owned salons and equipment which attract lower margins.

Operating expenses increased by 17.21% to R22.9 million (2012: R19.5 million) as a result of a 49% increase in marketing expenses, as well as a result from the buyback of certain franchised stores, from the previous comparable period. Effective marketing will remain the focus of management. Overhead structures were strengthened during the interim period in order to position Imbalie Beauty as the beauty franchisor that offers the best support to its franchisees. The cost effectiveness of overhead cost structures will be closely monitored for the remainder of the financial year.

Corporate stores which are available for resale are included in inventories. The value increased to R8.2 million due to salons being revamped and salons being bought back from franchisees. Two of these salons were sold to new franchisees subsequent to the interim period. It remains a primary focus point of management to sell these stores to new franchisees in order to strengthen the cash flow of the group. The profitability of the group's corporate stores improved during the interim period.

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

Cash flow used from operations is mainly as a result of the successful launch of new products through the group's drive and commitment towards ongoing innovation, which required working capital.

The group had no material capital commitments for the purchase of property, plant and equipment as at 31 August 2013.

#### PROSPECTS

The group has managed to secure a significant pipeline of new franchise opportunities for 2014 and 2015, but will remain prudent when opening new stores to ensure that long-term sustainable success is created.

The Imbalie Beauty group will continue to seek growth opportunities in line with our vision to be the largest and most desirable beauty franchisor in South Africa.

The group will continue to focus on training of salon owners and staff members, providing post development training to all salons to ensure standardisation and service excellence levels across the various brands.

Notwithstanding positive financial results, Imbalie Beauty remains focused on training, marketing and innovation as well as growing the number of franchised outlets over the next financial period with the main objective of ensuring sustainable franchisee profitability.

#### DIRECTORATE

There were no changes to the board during the six month under review.

#### BASIS OF PREPARATION

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

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

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

#### POST BALANCE SHEET EVENTS

There are no subsequent events to report on.

#### STATEMENT ON GOING CONCERN

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

#### AUDITORS' REVIEW CONCLUSION

The auditors, Nexia SAB&T, have reviewed these condensed group interim financial results for the period ended 31 August 2013. A copy of their unmodified conclusion is available for inspection at the company's registered office.

#### DIVIDEND POLICY

No dividend has been declared for the interim period.

#### APPRECIATION

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

By order of the Board

4 November 2013

**Eсна Colyn**  
*Chief Executive Officer*

**Melinda Malan**  
*Financial Director*



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



## REVIEWED GROUP CONDENSED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2013

#### CORPORATE INFORMATION

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

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

**Registration number:** 2003/025374/06

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

**Postal address:** PO Box 8833, Centurion, 0046

**Company secretary:** Ithemba Governance and Statutory Solutions (Pty) Limited

**Telephone:** (012) 621 3300

**Facsimile:** (012) 621 3369

**Transfer secretaries:** Computershare Investor Services 2004 (Pty) Limited

**Designated Adviser:** Grindrod Bank Limited

**CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME**

	Reviewed 6 months Aug 2013 R'000	Reviewed 6 months Aug 2012 R'000	Audited 12 months Feb 2013 R'000
Revenue	43 033	34 916	71 487
Cost of sales	(17 783)	(12 629)	(27 653)
Gross profit	25 250	22 287	43 834
Other income	985	647	1 363
Operating expenses	(22 878)	(19 519)	(40 237)
Earnings before interest, taxation, depreciation and amortisation	3 357	3 415	4 960
Depreciation and amortisation	(422)	(412)	(933)
Profit before interest and taxation	2 935	3 003	4 027
Investment revenue	15	57	70
Finance costs	(698)	(778)	(1 080)
Profit before taxation	2 252	2 282	3 017
Taxation	(464)	(687)	(1 032)
Profit for the period	1 788	1 595	1 985
Other comprehensive income			
Revaluation surplus	-	-	163
Total comprehensive income attributable to ordinary shareholders	1 788	1 595	2 148
Reconciliation of headline earnings:			
Profit attributable to ordinary shareholders	1 788	1 595	1 985
Adjusted for:	-	-	-
Loss on sale of property, plant and equipment	19	-	7
Headline earnings attributable to ordinary shareholders	1 807	1 595	1 992
Number of ordinary shares in issue on which earnings per share are based			
weighted and diluted average	345 547 773	295 870 463	345 547 773
Earnings per share (cents)	0.52	0.54	0.57
Headline earnings per share (cents)	0.52	0.54	0.58
Fully diluted earnings per share (cents)	0.52	0.54	0.57
Fully diluted headline earnings per share (cents)	0.52	0.54	0.58

**CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY**

	Reviewed 6 months Aug 2013 R'000	Reviewed 6 months Aug 2012 R'000	Audited 12 months Feb 2013 R'000
Balance at beginning of period	41 663	22 015	22 015
Changes in equity	-	17 500	17 500
Other comprehensive income	-	-	163
Total comprehensive income for the period	1 788	1 595	1 985
<b>Balance at end of period</b>	<b>43 451</b>	<b>41 110</b>	<b>41 663</b>

**CONDENSED GROUP STATEMENT OF FINANCIAL POSITION**

	Reviewed Aug 2013 R'000	Reviewed Aug 2012 R'000	Audited Feb 2013 R'000
<b>ASSETS</b>			
Non-current assets	36 345	38 878	37 705
Property, plant and equipment	4 101	4 622	4 380
Goodwill and intangible assets	22 397	22 267	22 419
Other financial assets	176	1 536	770
Deferred taxation	9 671	10 453	10 136
Current assets	33 805	24 979	28 061
Inventories	16 879	13 592	15 562
Other financial assets	2 507	2 774	2 118
Current tax receivable	86	86	86
Trade and other receivables	14 031	8 339	9 960
Cash and cash equivalents	302	188	335
<b>Total assets</b>	<b>70 150</b>	<b>63 857</b>	<b>65 766</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	43 451	41 110	41 663
Share capital	67 330	67 330	67 330
Reserves	163	-	163
Retained earnings	(24 042)	(26 220)	(25 830)
Non-current liabilities	7 308	8 948	8 461
Other financial liabilities	7 243	8 948	8 396
Deferred taxation	65	-	65
Current liabilities	19 391	13 799	15 642
Trade and other payables	10 249	5 944	8 217
Other financial liabilities	4 888	3 540	3 269
Current tax payable	-	186	9
Operating lease liabilities	216	240	222
Bank overdraft	4 038	3 889	3 925
<b>Total equity and liabilities</b>	<b>70 150</b>	<b>63 857</b>	<b>65 766</b>
Number of shares in issue at period end	345 547 773	345 547 773	345 547 773
Net asset value per share (cents)	12.57	11.89	12.06
Net tangible asset value per share (cents)	6.10	5.45	5.57

**CONDENSED GROUP STATEMENT OF CASH FLOWS**

	Reviewed 6 months Aug 2013 R'000	Reviewed 6 months Aug 2012 R'000	Audited 12 months Feb 2013 R'000
Cash flows (used)/from operating activities	(669)	2 089	1 881
Cash flows from/(used) in investing activities	56	(16 444)	(901)
Cash flows from financing activities	467	15 193	(31)
Net (decrease)/increase in cash and cash equivalents	(146)	838	949
Cash and cash equivalents at beginning of period	(3 590)	(4 539)	(4 539)
Cash and cash equivalents at end of period	(3 736)	(3 701)	(3 590)

**SEGMENTAL REPORTING**

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

Therefore, the group determines and presents its operating segments based on the information that is internally provided to the Chief Executive Officer, who is the chief operating decision maker.

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

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

All revenues from external customers originate in South Africa, or from operations in South Africa with branches in Africa.

**OVERVIEW**

The directors of Imbalie Beauty are pleased to present the reviewed interim results for the six months ended 31 August 2013 ("interim period"). Imbalie Beauty is mainly a franchisor who markets and distributes its own and independent health and beauty brands to its own distribution footprint of more than 150 mainly franchised and owned beauty salons, large retailers, independent beauty salons and selected pharmacies.

The group's vision is to be the largest and most desirable Beauty Franchise Group. It has three main salon brands namely Placecol Skin Care Clinics, Dream Nails Beauty Salons and Perfect 10 Nail & Body Studios. Most of the hard work around the integration of the acquisition of the Perfect 10 Nail & Body Studio chain (acquired in March 2012) has been finalised and the group is in a position to grow its footprint to double the number of salons over the next three years.

A significant improvement in trading conditions was experienced by the Imbalie Beauty group from June 2013 onwards as a result of reaping the rewards from the repositioning of the salon brands, significant marketing, ongoing training and the commitment of management towards innovation.

Most importantly, system-wide sales revenue (including gift cards), for the six months ended 31 August 2013, grew by 18.26% to R117.2 million (2012: R99.1 million) through the group's franchise and corporate store system incorporating Placecol Skin Care Clinics, Dream Nails Beauty salons, and Perfect 10 Nails & Body Studios. This can directly be attributed to better marketing, ongoing training in the group (the Imbalie Beauty Training Academy trains on average 200 salon owners, salon managers and employees per month), innovation within the group and the continuation of "Project Facelift" (refer below).

The launch within the group of the BIOEFFECT product range from a Biotechnology company in Iceland also proved to be very successful and contributed significantly towards salon profitability during the interim period. Beauty care remains very important to South African consumers, with consumers requesting visible results and value for money.