

OVERVIEW

The directors of Skinwell are pleased to present the reviewed interim results for the six months ended 31 August 2011 ("interim period"). The group has been restored to profitability, which is mainly attributable to the better performance achieved by our franchised beauty salons and ongoing measures to control the overheads of the group. The profitability of our franchised outlets was improved through the introduction of new standardised service offerings and the launch of new innovative products. Skinwell remains the largest franchisor in the beauty industry with almost 100 beauty salons nationally.

Skinwell's main focus will always be to increase the profitability of our underlying beauty salons through innovation, marketing and training activities. In this regard significant spending was allocated to enhance and improve our training during the interim period. This will assist Skinwell to achieve its mission, which is to make a positive change in the world through self-improvement, self-empowerment and increasing the self-esteem of our customers.

System-wide sales revenue (including gift cards), for the six months ended 31 August 2011, grew by 15.8% to R60.8 million (2010: R52.5 million) through the group's franchise and corporate store system incorporating the Placecol, Dreamnails & Body (DNB) and World of Beauty salons. Beauty care remains very important to South African consumers, however consumers remain cautious and price-sensitive and will continue to be prudent in the years ahead. Consumers are continuously trading down and searching for promotional offerings.

In May 2011 the group introduced a new innovative Dr Gobac anti-ageing beauty treatment into its beauty salons and has introduced a second skin care range in terms of the group's exclusive distribution agreement with Dr Gobac Cosmeceuticals.

Subsequent to the interim period new innovative products and services relating to eyebrow shaping were introduced into our beauty salons. This was another step by Skinwell to diversify its product and service offerings in its salons with the introduction of new cutting edge technology brands.

Cash flow remained under pressure during the interim period as a result of the introduction of new brands into the distribution channel of the group and the increase in working capital requirements due to the growth during the interim period, which necessitated additional funding through shareholders' loans. An improvement in cash flow is envisaged during the latter part of the financial year as a result of the festive season which normally results in an upturn in the beauty industry.

FINANCIAL RESULTS

Group revenue increased by 15% to R30.6 million (2010: R26.6 million) during the interim period as a result of increased marketing, the introduction of new brands and increased royalty income earned. Gross profit increased by 5.2% to R20.2 million (2010: R19.2 million) and gross profit margins decreased by 8% to 66% (2010: 72%), 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 12% to R18.1 million (2010: R20.5 million), however marketing and advertising activities grew 88% compared to the previous interim period. The cost savings are mainly as a result of effective overhead structures implemented which will be monitored closely to further enhance cost savings. This will be an ongoing process.

Corporate stores available for resale to the value of R6.1 million are included in inventories. It will be a primary focus point of management to sell these stores to franchisees in order to strengthen the cash flow of the group. Subsequent to the interim period two of these outlets were sold to new franchise owners. The group had no material capital commitments for the purchase of property, plant and equipment as at 31 August 2011.

PROSPECTS

The core focus will continue to be to vigorously train our staff members, providing post development training to all salons to ensure standardisation and service excellence levels across the various brands. Our detailed research has been completed on our loyalty programme which will now be piloted in 9 stores across South Africa before final implementation and roll out.

The group has strengthened its marketing division and is of the opinion that it will render the required returns to take Skinwell to the next level. Notwithstanding positive financial results, Skinwell 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 to ensure sustainable franchisee profitability.

DIRECTORATE

There were no changes in directors during the interim period.

BASIS OF PREPARATION

The reviewed condensed interim financial results have been prepared in accordance with IAS 34 (Interim Financial Reporting), 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 previous year-end, and are in accordance with International Financial Reporting Standards.

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

The auditors, SAB&T, have reviewed these condensed interim financial results for the period ended 31 August 2011. A copy of their unqualified review opinion 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 clients for their support during the period.

By order of the Board

Esna Colyn
Chief Executive Officer

M Jacobs
Financial Director

24 October 2011

skinwell
investing in wellness

SKINWELL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2003/025374/06)

JSE code: SKW

ISIN: ZAE000135893

("Skinwell" or "the company" or "the group")

REVIEWED CONDENSED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2011

CORPORATE INFORMATION

Non-executive directors: T J Schoeman* (*Chairman*),
G S J van Nieuwenhuizen*,
M M Patel* (*Chairman of Audit Committee*),
W P van der Merwe
* *Independent*

Executive directors: E Colyn (*Chief Executive Officer*),
M Jacobs (*Financial Director*)

Registration number: 2003/025374/06

Registered address: Placecol 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 (Pty)
Limited

Designated Adviser: Grindrod Bank Limited

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 6 months August 2011 R'000	Reviewed 6 months August 2010 R'000	Audited 12 months February 2011 R'000
Revenue	30 599	26 649	56 572
Cost of sales	(10 445)	(7 427)	(16 830)
Gross profit	20 154	19 222	39 742
Other income	428	1 326	2 298
Operating expenses	(18 086)	(20 532)	(40 774)
Earnings before interest, tax, depreciation and amortisation	2 496	16	1 266
Depreciation and amortisation	(447)	(386)	(921)
Operating profit/(loss)	2 049	(370)	345
Investment revenue	297	479	974
Finance costs	(626)	(1 210)	(2 210)
Profit/(Loss) before taxation	1 720	(1 101)	(891)
Taxation	(546)	836	379
Profit/(Loss) attributable to ordinary shareholders	1 174	(265)	(512)
Total comprehensive income/(loss) attributable to ordinary shareholders	1 174	(265)	(512)
Reconciliation of headline earnings/(loss):			
Profit/(Loss) attributable to ordinary shareholders	1 174	(265)	(512)
Adjusted for:			
Loss on disposal of non-current assets	-	47	150
Headline earnings/(loss) attributable to ordinary shareholders	1 174	(218)	(362)
Weighted average shares in issue	236 172 773	236 172 773	236 172 773
Fully diluted weighted average shares in issue	236 172 773	236 172 773	236 172 773
Earnings/(Loss) per share (cents)	0.5	(0.1)	(0.2)
Headline earnings/(loss) per share (cents)	0.5	(0.1)	(0.2)
Fully diluted earnings/(loss) per share (cents)	0.5	(0.1)	(0.2)
Fully diluted headline earnings/(loss) per share (cents)	0.5	(0.1)	(0.2)

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Reviewed 6 months August 2011 R'000	Reviewed 6 months August 2010 R'000	Audited 12 months February 2011 R'000
ASSETS			
Non-current assets	25 218	28 834	26 090
Property, plant and equipment	5 418	6 016	5 515
Goodwill and intangible assets	7 274	7 264	7 282
Other financial assets	1 215	3 241	1 436
Deferred tax	11 311	12 313	11 857
Current assets	23 105	26 377	22 211
Inventories	12 815	13 605	11 680
Other financial assets	4 890	5 077	4 207
Current tax receivable	86	165	86
Trade and other receivables	5 148	7 169	6 144
Cash and cash equivalents	166	361	94
Total assets	48 323	55 211	48 301
EQUITY AND LIABILITIES			
Equity	20 653	19 727	19 479
Share capital	49 830	49 830	49 830
Retained earnings	(29 177)	(30 103)	(30 351)
Non-current liabilities	6 837	5 470	4 292
Other financial liabilities	6 607	5 157	4 292
Finance lease obligation	-	30	-
Operating lease liability	230	283	-
Current liabilities	20 833	30 014	24 530
Loans from shareholders	5 035	2 472	3 216
Other financial liabilities	4 882	7 743	6 133
Current tax payable	577	988	795
Finance and operating lease obligations	-	247	352
Trade and other payables	6 515	13 760	9 730
Bank overdraft	3 824	4 804	4 304
Total equity and liabilities	48 323	55 211	48 301
Number of shares in issue at period end	236 172 773	236 172 773	236 172 773
Net asset value per share (cents)	8.7	8.4	8.2
Net tangible asset value per share (cents)	5.7	5.3	5.2

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Reviewed 6 months August 2011 R'000	Reviewed 6 months August 2010 R'000	Audited 12 months February 2011 R'000
Balance at beginning of period	19 479	19 992	19 991
Total comprehensive income/(loss) for the period	1 174	(265)	(512)
Balance at end of period	20 653	19 727	19 479

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Reviewed 6 months August 2011 R'000	Reviewed 6 months August 2010 R'000	Audited 12 months February 2011 R'000
Cash flows from operating activities	(1 412)	(2 210)	(2 448)
Cash flows from investing activities	(803)	2 377	4 742
Cash flows from financing activities	2 767	258	(1 636)
Net increase in cash and cash equivalents	552	425	658
Cash and cash equivalents at beginning of period	(4 210)	(4 868)	(4 868)
Cash and cash equivalents at end of period	(3 658)	(4 443)	(4 210)

GROUP SEGMENT REPORT

	Reviewed 6 months August 2011 R'000	Reviewed 6 months August 2010 R'000	Audited 12 months February 2011 R'000
Revenue			
Brands	30 599	27 189	56 572
Inter-segment	-	(540)	-
	30 599	26 649	56 572
Segment profit/(loss)			
Brands	1 174	(265)	(512)
	1 174	(265)	(512)
Depreciation and amortisation			
Brands	447	464	921
Adjustments and eliminations	-	(78)	-
	447	386	921