IMBALIE® BEAUTY

# INTEGRATED ANNUAL REPORT 2016


IMBALIE


IMBALIE
BEAUTY


23
IMBALIE
BEAUTY

# Contents

## About Imbalie

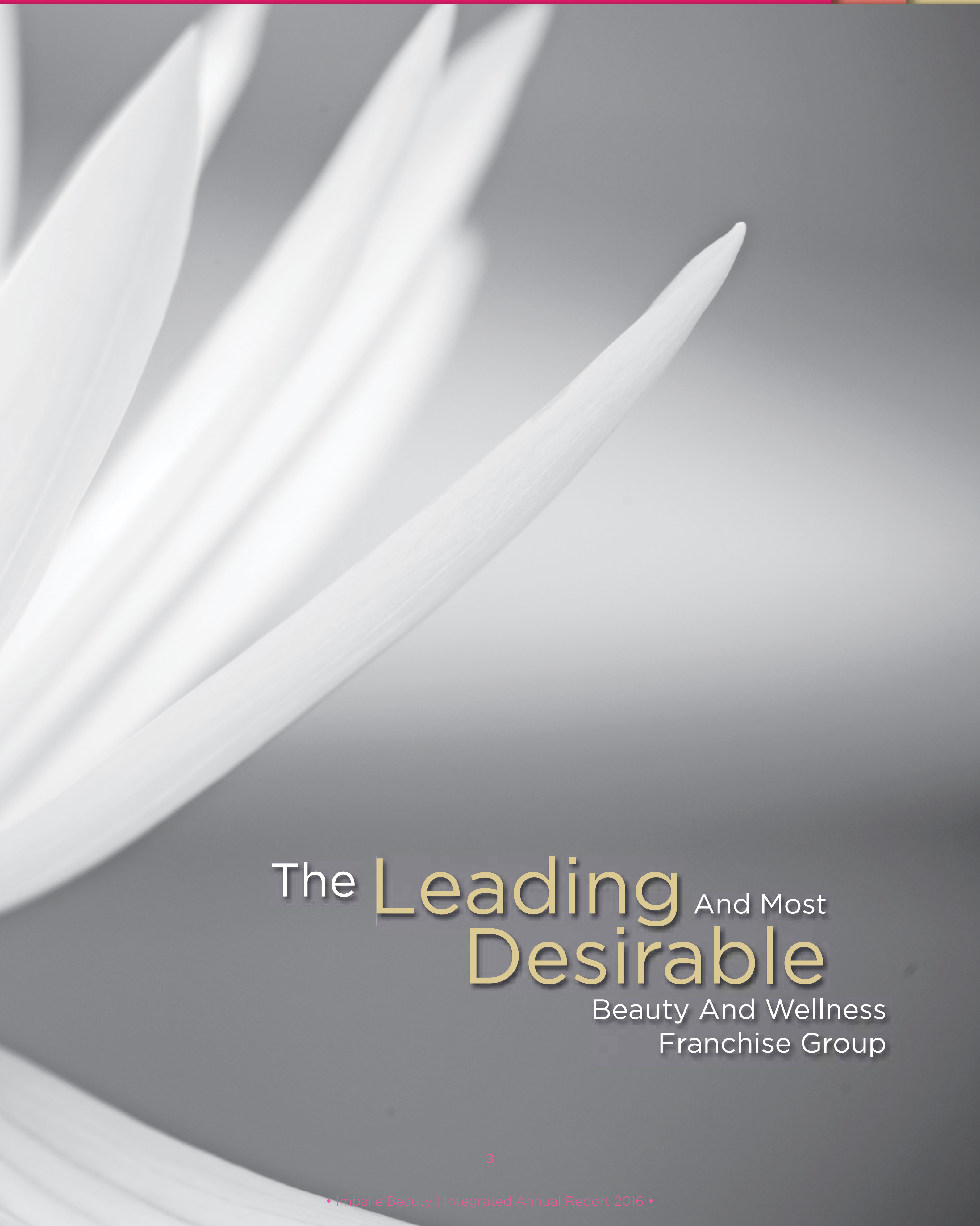


## Corporate Governance



## Annual Financial Statements

# ABOUT IMBALIE BEAUTY



# The Leading And Most Desirable Beauty And Wellness Franchise Group

# ABOUT IMBALIE

Imbalie Beauty is a franchisor that markets and distributes its own and independent health and beauty brands to its own distribution footprint of more than 150 mainly franchised and owned beauty salons, independent beauty salons and selected pharmacies. It has three main salon brands namely Placecol Skin Care Clinic, Dream Nails Beauty and Perfect 10 Nail & Body Studio.

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

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

# VISION AND MISSION

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

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

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

## VALUES

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

## IMBALIE BEAUTY GUARANTEE

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

# AWARDS

| | |
|---|---|
| **FASA AWARDS** | Winner Franchisee of the Year Category April 2016: Placecol Elardus Park<br><br>Finalist in Franchisor of the Year Category April 2016: Perfect 10 Highveld Mall |
| **ELLE AWARDS** | Best product: Placecol Illuminé Firming Masque |
| **WOMAN & HOME AWARDS** | Best product: Placecol Optimum Hydro Mask<br><br>Best Product: BIOEFFECT EGF Serum |
| **BEELD AWARDS** | Placecol voted as the favourite beauty salon by readers of Beeld in May 2015 |
| **BEST OF BLOEMFONTEIN AWARDS** | Placecol Skin Care Clinic Victorian Square voted as best nail salon in Bloemfontein in October 2015. |
| **BEST OF PRETORIA AWARDS** | Placecol products voted as best pampering and beauty products in Pretoria in October 2015.<br>Placecol Skin Care Clinic Silver Oaks voted as best beauty salon in Pretoria in October 2015.<br>Placecol Skin Care Clinic Silver Oaks voted as best nail salon in Pretoria in October 2015. |


Best of Bloemfontein
2015
BEST NAIL BAR
Placecol Skin Care Clinic


Placecol®
skin care clinic
More than 95 000 voters*
*(audited results)
Best of Pretoria
THANK YOU PRETORIA!
You have voted us the
BEST OF THE BEST!
PLACECOL SKIN CARE RANGE
First Place:
Best Pampering and Best Beauty Products
PLACECOL SKIN CARE CLINIC SILVER OAKS
First Place:
Best Beauty Salon
PLACECOL SKIN CARE CLINIC SILVER OAKS
First Place:
Best Nail Bar


Placecol®
skin care clinic
Best of Bloemfontein
THANK YOU BLOEM!
You have voted us the
BEST OF THE BEST!
PLACECOL SKIN CARE CLINIC VICTORIAN SQUARE
First Place:
Best Nail Bar
PLACECOL SKIN CARE CLINIC VICTORIAN SQUARE
Runner up:
Beauty Mecca

## BUSINESS MODEL

IMBALIE BEAUTY

IMBALIE TRAINING ACADEMY

Placecol skin care clinic

Dream Nails Beauty

perfect10

## SUPPORT STRUCTURE

IMBALIE BEAUTY

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

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


IMBALIE TRAINING ACADEMY

OLD SCHOOL SMARTS MODERN DAY BRILLIANCE IMBALIE TRAINING ACADEMY

**Imbalie Training Academy**

Imbalie Beauty is proud to announce that the group has embarked on an exciting new venture with the launch of the Imbalie Training Academy in March 2016.

The Imbalie Training Academy is ITEC Accredited.

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

We offer world class, modular courses at affordable prices that can be done while you work or in your free time. The modular courses all have a credit value and can be accumulated towards a certified and accredited qualification.

# MAIN SALON BRANDS

Placecol® skin care clinic

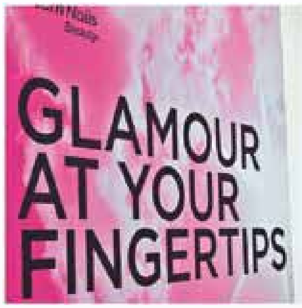
## PLACECOL® SKIN CARE CLINIC

Placecol® is an authentic South African franchise brand offering, that is more than 36 years old. Our Placecol Skin Care Clinics use technology that is scientifically proven to be safe and effective that delivers visible results. The Placecol range of professional skin care products is of pharmaceutical grade, transforming and illuminating overall skin health.


Dream Nails Beauty®

## DREAM NAILS BEAUTY®

Dream Nails Beauty® is an original 31 year old beauty franchise brand, where true passion and dedication transformed this original nail and beauty leader into one of the most desirable beauty franchises today. Dream Nails Beauty is committed to deliver high quality beauty and nail enhancements, by using only leading nail brands in the industry ensuring that the highest of standards are maintained.




perfect10®

## PERFECT 10® NAIL & BODY STUDIO

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

## OWN BRANDS

Placecol®
skin care clinic

Placecol®
ILLUMINÉ

skinderm®

## EXCLUSIVE BRANDS

nsi® Africa
nail systems international

bodyography™
PROFESSIONAL COSMETICS

BEAUTÉ PACIFIQUE
MADE IN DENMARK

BIOEFFECT


23
IMBALIE
BEAUTY


IMBALIE

# BOARD OF DIRECTORS

MITESH PATEL

Independent
Chairman of the Board
BCom Hons (CA) SA

Mitesh Patel is a qualified Chartered Accountant and has over 10 years of experience in assurance and business advisory, both in the private and public sector. Mitesh is currently the Managing Partner of Nkonki Inc. Mitesh has also been involved in Audit Committees for at least ten years.

Mitesh is also an Independent Non-Executive Director and Chairman of Audit Committees of companies listed on Johannesburg Stock Exchange. Mitesh is the Chairman of Imbalie Beauty Limited and Wearne Limited, he is also the chairman of Audit Committee of Howden Africa Limited and Chairman of the Risk Committee of Verimark Limited.

Mitesh has a very strong grasp of corporate governance principals, Risk Management, Director Responsibilities Principles, Integrated Reporting and the new Companies Act 71 of 2008 and has been advising the private and public sector on best practice recommendations of King III and Compliance with new Companies Act 71 of 2008.

PUMLA TLADI

Independent
Chairman of the Social and Ethics Committee
BCom

Pumla holds a BCom Degree from the University of Natal (Durban). She has 14 years of banking experience in the personal, SMME and Corporate lending areas of Nedbank, Standard Bank, Rand Merchant Bank (RMB) and Investec. Her specialities include property finance and structured lending. She held the position of Gauteng Regional chairperson of the Women's Property Network (WPN) from 2008 to 2010 and has been affiliated to bodies such as the South African Institute of Black Property Professionals (SAIBPP) and Women in Finance (WIF). Pumla also holds a post graduate diploma in Property Development (PDP) which she obtained through UCT Graduate School of Business.

THEO SCHOEMAN

Independent
Chairman of the Audit and Risk Committee
BCom (Computer Science), BCom Hons (CA) SA

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 and also has international experience. He received the "Centurion Businessman of the Year" award in 2005. He is currently the Chief Executive Officer of the Centurion Academy.

## ESNA COLYN

Chief Executive Officer
BCom Hons; CA (SA)

Esna joined Imbalie Beauty in May 2010 as the CEO of the Group, after many years' experience in banking, private equity and corporate finance. One of Esna's proudest moments at Imbalie Beauty was two years later in March 2012 when Imbalie Beauty acquired the Perfect 10 Franchise chain of approximately 55 beauty salons nationally, establishing the Imbalie Beauty Group as the leading and most desirable beauty franchise group with more than 150 beauty salons. Esna assisted in simplifying the internal structures for the franchisees, to become more efficient as a franchisor and to offer enhanced support to the franchisees. In line with achieving the Group's vision, of being the leading and most desirable beauty franchise group, the Group embarked on "project facelift" three years ago and has revamped more than 90 beauty salons to date. Another significant milestone achieved in July 2015 was the completion and successful launch of the upgrade of the Placecol skin care range, and the recent launch of Skinderm into its Perfect 10 franchise group. Both the Placecol skin care range and Skinderm are considered to be the best skin care ranges in South Africa.

## WESSEL VAN DER MERWE

Financial and Corporate Strategy Director
BCom Hons; CA (SA)

Wessel has accumulated more than 20 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.

## DEBBIE WOLFENDALE

Executive Director: Marketing, Sales and Training
H Dip in Somatology

Debbie has a passion and drive for people and beauty products, and has more than 27 years experience in the cosmetic and skincare industry.

Debbie completed her studies in 1985, and started to work with the Clarins group in KZN. Thereafter, she completed a two year lecturing cycle at the then Natal Technikon, in all subjects in the Health and Allied Medicine department. Debbie then relocated to Johannesburg and started her career with the Clarins Group as National Education Manager. She then became a Director of Education, and finally Managing Director. In 2011 Debbie ventured out alone, and headed up her own company – Prana Products as the CEO – importing and distributing Medi-ceauticals and Professional colour and hair brands. Today, Debbie and her company, Prana, have been integrated into Imbalie, where Debbie heads up Sales, Marketing, and Training as an executive director.

# REPORT OF THE CHAIRMAN AND CEO

**STRATEGIC HIGHLIGHTS AND ACHIEVEMENTS OF IMBALIE BEAUTY FOR THE YEAR**

- More than 150 beauty salons nationally
- FASA award winner "Franchisee of the Year Category" April 2016: Placecol Elardus Park
- Launch of the Imbalie Training Academy in Woodmead, offering 34 ITEC Accredited modular courses in beauty and wellness
- Outsourcing of the Group's distribution
- Relocation of the Imbalie Beauty head office to Woodmead
- Launch of two new Placecol Aesthetic Clinic concept stores in Woodlands, Pretoria and Clearwater, Johannesburg
- Launch of the new Perfect 10 concept stores in Cresta Crossing and Mall of Africa, Johannesburg

**REVIEW OF THE YEAR**

Imbalie Beauty managed to increase its revenue despite difficult trading conditions during the second half of the financial year mainly as a result of its exposure to a large retailer that encountered difficult trading conditions. The continued growth is as a result of the highly sought after brands acquired by the Imbalie Beauty Group through the Prana Products (Proprietary) Limited acquisition in June 2015, being launched into the Imbalie Beauty salon footprint. This strategy coupled with the Group's exit from the large retailer, assisted beauty salons to diversify their revenue streams and making the salons more resilient in tough trading conditions.

The Imbalie Beauty Group successfully relocated its head office to Woodmead at the end of February 2016 with significant costs saving to be achieved over the medium to long-term. The Group simultaneously took the strategic decision to outsource its distribution function to assist the management team to focus on sales, marketing and education, the core drivers of the business. As part of the Group's journey to vertically integrate its products and offerings as a measure to successfully standardise the Group the following positive achievements were made by Imbalie Beauty:

- Launch of the Imbalie Training Academy in Woodmead, offering 34 ITEC Accredited modular courses in beauty and wellness to continuously uplift, empower and transform our work force to become the most sought after and the best in the industry.

- On the back of the very successful launch of the upgraded Placecol skin care range into the market place, now considered to be the best skin care range in South Africa, the Group developed its own state of the art skin care range, "Skinderm" which were launched into its Perfect 10 salon footprint in July 2016.

The support structures implemented over the last couple of years are now adequate to provide great support to the Group's salon footprint and technology will furthermore be used to take this support for franchisees to the next level, which is ultimately required for sustainability.

The Imbalie Beauty Group will remember the 2016 year as a year of significant transformation, mainly relating to the upgrade and relaunch of its Placecol skin care range. The success of the launch of this product range bodes very well for future successful launches of own brands into its other franchise groups.

Imbalie Beauty has during May 2015 strengthened its management team with the acquisition of the business of Prana Products and the appointment of Debbie Wolfendale as the executive director: Marketing, Sales and Training of Imbalie Beauty. Debbie has more than 27 years' experience in the cosmetic and skincare industry. The acquisition and appointment was effective from 1 June 2015.

**OVERVIEW OF IMBALIE BEAUTY'S SALON BRANDS**

Imbalie Beauty is a multiple brand owner of the following franchise salon chains, Placecol Skin Care Clinics; Dream Nails Beauty Salons; and Perfect 10 Nail and Body Studios and newly developed Placecol Aesthetic Clinics. It is our vision to be the leading and most desirable beauty franchise group.

**Placecol**

The Imbalie Beauty Group is proud that its Placecol salon group was voted as the favourite beauty salon by readers of Beeld in May 2015. In addition, the Placecol salon group received awards at the FASA Awards in the following category after year end:

- Winners Franchisee of the Year Category April 2016: Placecol Elardus Park.

In terms of the Groups' strategy through the introduction of innovative products and treatments, the Placecol salon brand will be elevated to new levels. The know-how and the use of anti-ageing equipment during treatments will continue to increase the barriers to entry.

The Imbalie Beauty Group was proud to open its first two Aesthetic Clinics during the 2015/2016 year in Woodlands Boulevard and Clearwater Mall.

**Dream Nails Beauty**

The Dream Nails group celebrated its 30th anniversary in 2015. Towards the end of 2012, the Group commenced with the transformation of its Dream Nails Beauty salons in line with its vision to have the most desirable beauty salons. The Dream Nails Beauty brand was a finalist in the March 2014 FASA awards in the Franchisor of the Year category.

**Perfect 10 Nail & Body Studios**

The Perfect 10 brand was acquired by the Imbalie Beauty Group in March 2012. The Imbalie Beauty Group has embarked on a strategy to refresh and modernise this established and well known South African brand in the 2015 year, the first new look salon was opened in Cresta Crossing.

The Perfect 10 salon group received the following nomination at the FASA awards:

- Finalist in Franchisor of the Year Category April 2016: Perfect 10 Highveld Mall.

**OVERVIEW OF OWN PRODUCT BRANDS**

On the back of this very successful upgrade of the Placecol skin care range the Group has developed its own state of the art skin care range, “Skinderm” which was launched into its Perfect 10 salon footprint during July 2016.

The upgraded Placecol skin care range and Skinderm are now considered to be the best skin care ranges in South Africa.

**OUR PROSPECTS**
**(INVESTMENTS AND TRENDS INFLUENCING OUR STRATEGY)**

Imbalie Beauty remains optimistic about the future, following the continued strengthening of its management team in Education and Marketing. The Group will continue to focus on the continued opening of more successful beauty salons.

Imbalie Beauty remains steadfast on it journey to transform and empower women working in our Group, upgrading its existing product offering and to innovate, offer better marketing, pricing and support structures to its franchisees.

The Group has recently secured export orders for its high quality brands and it is the intention of the Group to grow the exports division over the next couple of years.

**STRATEGY**

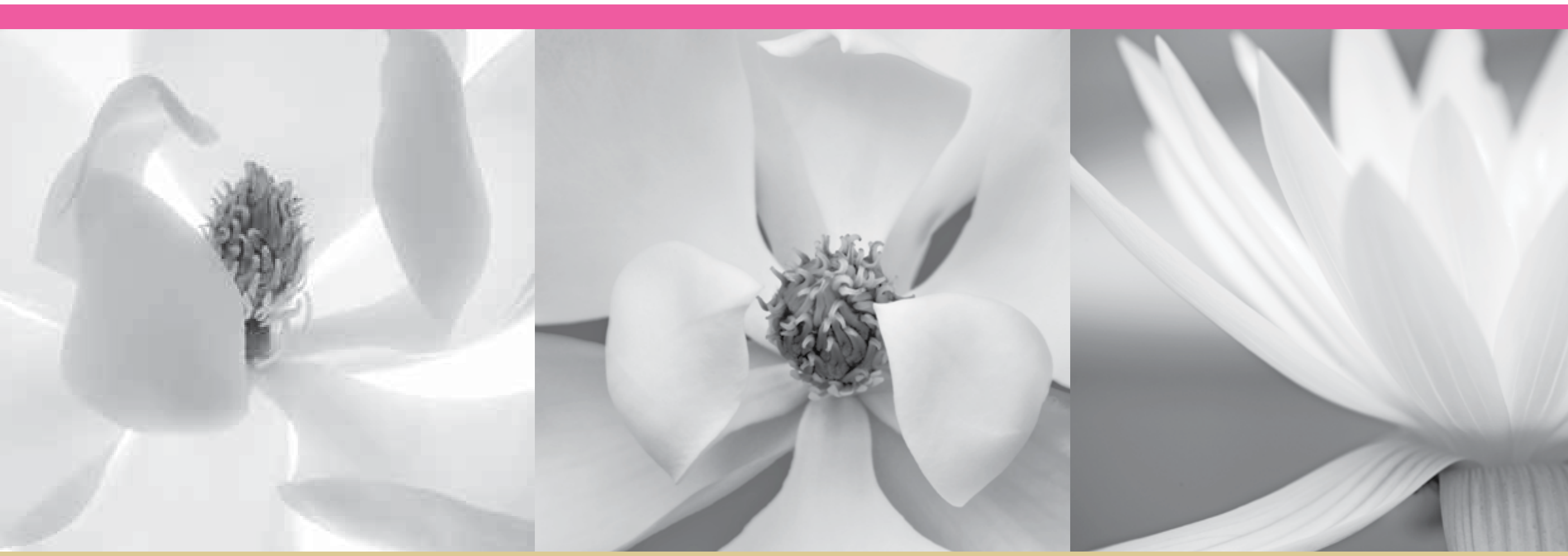
Our strategy is aligned with our vision to be the leading and most desirable beauty franchise group. The management team is committed to uplift leaders and their teams in business. We are here to partner our franchisees and customers, give attention to detail and to ensure that the customer has a memorable experience.

**APPRECIATION**

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

Mitesh Patel
Chairman of the Board

Esna Colyn
Chief Executive Officer



# AUDIT AND RISK COMMITTEE REPORT

**BACKGROUND**

The Committee presents its report for the financial year ended 29 February 2016 as recommended by the King III report on Corporate Governance and in line with the Companies Act of South Africa, 2008 (Act 71 of 2008) ("the Act").

**OBJECTIVE AND SCOPE**

The overall objectives of the Committee are as follows:

To review the principles, policies and practices adopted in the preparation of the accounts of companies in the Group and to ensure that the annual financial statements of the Group and any other formal announcements relating to the financial performance comply with all statutory, regulatory and Imbalie Beauty Limited requirements as may be required;

- To ensure that the consolidated financial statements of the Group comply with all statutory, regulatory and Imbalie Beauty Limited requirements and similarly, that the financial information contained in any consolidated submissions to Imbalie Beauty Limited is suitable for inclusion in its consolidated financial statements;
- To annually assess the appointment of the external auditors and their independence, recommend their appointment and approve their fees;
- To review the work of the Group's external auditors to ensure the adequacy and effectiveness of the Group's financial controls;
- To review the management of risk and the monitoring of compliance effectiveness within the Group; and
- To perform duties that are attributed to it by the Act, the JSE and King 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; and
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - the audited results for the year ended 29 February 2016; and
  - the interim results for the six months ended 31 August 2015.

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 was comprised solely of independent non-executive directors. They are Theo Schoeman (Independent Chairman), Mitesh Patel and Pumla Tladi.

**EXTERNAL AUDIT**

The Committee has satisfied itself through enquiry that the auditor of Imbalie Beauty Limited is independent as defined by the Act. The Committee, in consultation with executive management, agreed to an audit fee for the 2016 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services, and each engagement letter for such work is reviewed in accordance with set policy and procedure. Meetings were held with the auditor where management was not present, and no matters of concern were raised. The Committee 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 2016 financial year.

**ANNUAL FINANCIAL STATEMENTS**

The Audit Committee has evaluated the consolidated annual financial statements for the year 29 February 2016 and considers that they comply, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The Committee has therefore recommended the annual financial statements for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

**COMPANIES ACT**

The Audit Committee, together with the board and management, has taken appropriate steps to ensure that the Company had processes in place to comply fully with the Companies Act of South Africa, 2008 (Act 71 of 2008), before the conclusion of the financial year ended 29 February 2016.

TJ Schoeman
Audit and Risk Committee Chairman

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE REPORT

Imbalie Beauty Limited ("the Company") is guided by the JSE Listing Requirements, Companies Act No. 71 of 2008, as amended ("Companies Act"); King Code on Governance 2009 ("King III") and international best practice on corporate governance. This report sets out some of the key principles adopted by the Board relating to the governance of its activities and its interaction with stakeholders.

Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to external capital. The Board is committed to enhancing and consistently reviewing the corporate governance processes of the Company, to deliver on the mandate and to ensure that best principles are applied. It is essential that the directors apply their minds to what is in the best interest of the Company from time to time. King III is based on the "apply or explain principle" expecting the Board to apply recommendations which are in the best interests of the Company and a reason should be provided where the recommendations are not applied.

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

**BOARD OF DIRECTORS**

The Board includes both executive and non-executive directors, in order to maintain a balance of power and to ensure that independent unbiased decisions are made. The Board of Directors' oversees the governance of Imbalie Beauty, in accordance with the principles set out in the Companies Act and King III. The Board is committed to best practice principles that include, ethical fairness, accountability, transparency and social development. The Board is the highest governing authority of the Company. The Board Charter outlines its the objectives and responsibilities. The Sub-Committees operate in accordance with written terms of reference, which are regularly reviewed by the Board. The Board takes ultimate responsibility for the Company's adherence to sound corporate governance standards and sees to it that all business decisions and judgments' are made with reasonable care, skill and diligence.

Non-executive directors are expected to contribute an independent view on matters considered by the Board. All directors have the requisite knowledge and experience required to properly execute their duties, and all participate actively in Board meetings. In terms of the Memorandum of Incorporation ("MOI") the number of directors shall not be less than four. The Board comprises of six directors, of whom three are executive directors and three independent non-executive directors.

**Responsibilities of the Board**

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

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

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

**Board Composition**

| | |
|---|---|
| MM Patel | Independent Chairman |
| TJ Schoeman | Independent Non-Executive Director |
| P Tladi | Independent Non-Executive Director |
| E Colyn | Executive Director: CEO |
| DL Wolfendale | Executive Director: Marketing, Sales and Training |
| WP Van Der Merwe | Executive Director: Financial and Corporate Strategy |

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

***Attendance table of Board meetings during the financial year ended 29 February 2016***

| Member | 30/03/15 | 28/05/15 | 31/07/15 | 23/10/15 | 17/02/16 |
|---|---|---|---|---|---|
| Ms HA Lunderstedt | A | R | R | R | R |
| MS E Colyn | P | P | P | P | P |
| Mr WP van der Merwe | P | P | P | P | P |
| Mr MM Patel | P | A | P | P | P |
| Ms M Malan | P | R | R | R | R |
| Mr TJ Schoeman | P | P | A | P | P |
| Ms P Tladi | P | P | P | P | P |
| Ms DL Wolfendale | N/A | N/A | P | P | P |

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

**BOARD CHARTER**

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

The Board Charter details and governs the manner in which the business is to be conducted by the Board in accordance with the principles of sound corporate governance. The Charter is reviewed annually and amended when necessary by the Board ensuring that the Charter remains relevant, incorporates best practices and aims to achieve high levels of good governance. The Charter regulates and deals with, *inter alia*:

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

# Corporate Governance Report

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

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

An orientation and induction 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.

**COMPANY SECRETARY**

The Board has the responsibility of appointment and removal of Company Secretaries. iThemba Governance and Statutory Solutions (Pty) Limited resigned as Company Secretary effective from 31 May 2016. Arenkwe Governance Services ("Arenkwe") was appointed as the Company Secretary with effect from 1 June 2016. The Board is content that Arenkwe is competent to fulfill the Company Secretariat function. In compliance with the JSE Listings Requirements, the Board has satisfied itself of the competence, qualifications and experience of the Company Secretary by way of a formal review of these items. The Company Secretary is independent and is not a related party in the Group.

The Company Secretary is fully empowered by the Board to perform the function and reports directly to the Independent Non-Executive Chairman. Amongst other duties, the Company Secretary ensures that the Company adheres to all legislative, regulatory and Shareholder requirements by advising the Board on all legislation and governance issues affecting the Company, assisting the directors in execution of their duty of care, skill and diligence. The Board members have unrestricted access to the advice and guidance of the Company Secretary. The Company Secretary has an independent relationship with the Board of directors. Arenkwe is represented by Natasha Camhee *(Chartered Secretary) (FCIS) (HDip: Corporate Law) (Certified Ethics Officer) (ACIBM) (IWFSA: Fellow)*.

**ROTATION AND RETIREMENT FROM THE BOARD**

In accordance with the MOI, one-third of the non-executive directors shall retire from office at each annual general meeting and their re-appointment is subject to Shareholders' approval. All non-executive directors are subject to retirement and re-election by Shareholders every second year. The Board, assisted by the Remuneration and Nominations Committee, recommends the eligibility of the retiring director (subject to availability and his/her contribution to the business) for re-appointment. The director retiring by rotation at the forthcoming annual general meeting is Mr TJ Schoeman.

**RENUMERATION**

Details of directors' fees and remuneration are fully disclosed in the Annual Financial Statements. Furthermore, the projected fees to be paid to non-executive directors for approval by Shareholders by way of a special resolution are set out in the notice of the annual general meeting forming part of this report. Non-executive directors only receive a fee which is due to them as members of the Board. Directors serving as members on Board sub-Committees receive additional remuneration. Remuneration of Executive directors in their capacities as management team as recommended by the Remuneration and Nomination Committee is fully disclosed in the financial statements.

**MONITORING OF PERFORMANCE**

The Remuneration and Nominations Committee assists in the appointment of the Chairman of the Board on an annual basis. The independence of non-executive directors is assessed by the Remuneration and Nominations Committee annually. At the last meeting of the 2016 financial year a detailed self-assessment of the performance of the Board and its Committees was conducted in line with the latest recommendations by King III and the results thereof were considered in order to identify areas for improvement. The assessments found the structures and processes governing the Board and its Committees were well-established and functioning satisfactorily. Moreover the Board had fulfilled its roles and responsibilities and had discharged its obligations to the Company, Shareholders and other stakeholders in an impeccable manner.

**BOARD COMMITTEES**

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

## AUDIT AND RISK COMMITTEE

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

| | |
|---|---|
| Mr TJ Schoeman | Chairman |
| Mr MM Patel | Independent Non-Executive Director |
| Ms P Tladi | Independent Non-Executive Director |

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

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

The Committee is responsible for the following:

- Incorporating annual financial statements, interim reports, preliminary or provisional result announcements;
- Reviewing and recommendation of the annual financial statements to the Board for approval;
- Completion of the integrated report and recommends it to the Board for approval;
- Monitor significant judgments and reporting decisions affecting the integrated report made by management;
- Makes a statement on the going concern status of the Company;
- Reviews sustainability information to ensure that the information provides a proper appreciation of the key drivers that will enable the Company to achieve these forward-looking goals;
- Ensures that the Company carries out its responsibilities as they relate to financial and risk management and other reporting practices;
- Provides strategic guidance and assistance with regards to accounting policies and procedures, internal controls and management of risks;
- Monitoring of the risk management policy and plan and compliance with laws, regulations and ethics;
- Ensures risk management assessments are performed annually;
- Oversees the external audit processes;
- Evaluates the performance of the Chief Financial Officer;
- Govern (IT) and the effectiveness of the Company's information systems;
- Facilitates the relationship with the external auditors and for monitoring the non-audit services provided by the external auditors. The external auditors have direct access to the Chairman of the Committee and attend all meetings of the Committee ensuring that auditors are able to maintain their independence;
- Recommends the appointment of a firm of external auditors to the Board who in turn will recommend the appointment to the shareholders;
- Determines that the designated appointee has the necessary experience, qualifications and skills and that the audit fee is adequate;
- Satisfies itself as to the appropriateness of the experience and expertise of the Financial Director as required in terms of the JSE Listings Requirements; and
- Reports to the Board and shareholders on how it has discharged its duty.

***Attendance table of Audit and Risk Committee Meetings during the financial year ended 29 February 2016***

| Member | 26/06/15 | 23/07/15 | 20/10/15 | 05/11/15 | 11/02/16 |
|---|---|---|---|---|---|
| Mr MM Patel | P | P | P | P | P |
| Mr TJ Schoeman | P | P | P | A | P |
| Ms P Tladi | P | P | P | P | A |

*Key: P - Present R – Resigned A – Absent*

### RENUMERATION AND NOMINATION COMMITTEE

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

| | |
|---|---|
| Mr TJ Schoeman | Chairman of Remuneration Committee |
| Mr MM Patel | Chairman of Nominations Committee |
| Ms P Tladi | Independent Non-Executive Director |

The Committee has the responsibility of:

- assisting the Board in formulating remuneration and other employment policies;
- formulating remuneration philosophy of the Company;
- structuring appropriate remuneration packages for Executive directors, based on industry standards and the best interests of all parties concerned;
- assisting the Board in the nomination of new Board candidates; and
- ensuring regular assessment of Board performance.

The Chairman of the Board acts as Chairman of the combined Committee in the event of the Committee dealing with nomination related matters. The salary structure is in accordance with the Company's overall reward philosophy and is designed to:

- enable the Company to attract, retain and motivate the right caliber of individuals so as to ensure that a consistent and high level of performance is achieved;
- provide guidelines so that decisions are made timeously with confidence and integrity;
- maintain fair, consistent and equitable total remuneration practices in alignment with the Company's core values;
- foster individual development and teamwork;
- encourage internal development of talent; and
- reinforce roles and accountabilities.

***Attendance table of Remuneration and Nominations Committee Meetings during the financial year ended 29 February 2016***

| Member | 26/05/15 | 20/10/15 | 11/02/16 |
|---|---|---|---|
| Mr MM Patel | P | P | P |
| Mr TJ Schoeman | P | P | P |
| Ms P Tladi | N/A | P | A |
| Mr WP Van Der Merwe | P | P | P |

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

### SOCIAL AND ETHICS COMMITTEE

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

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

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

The Social and Ethics Committee composition is a follows:

| | |
|---|---|
| Ms P Tladi | Chairman |
| Ms E Colyn | Chief Executive Officer |
| Ms DL Wolfendale | Executive Director: Marketing, Sales and Training |

***Attendance table of Social and Ethics Committee Meetings during the financial year ended 29 February 2016***

| Member | 20/10/15 | 11/02/16 |
|---|---|---|
| Ms P Tladi | P | A |
| Ms E Colyn | A | P |
| Ms DL Wolfendale | A | P |
| Mr WP Van Der Merwe | P | P |

*Key: P- Present R – Resigned A – Absent*

**CLOSED PERIODS**

The Company complies with the JSE Listings Requirements as far as closed periods are concerned and a specific policy has been approved to address the procedures in respect of the trading in the Company's shares by directors of the listed entity and its major subsidiaries. Closed periods extend from 31 August to 29 February, being the commencement of interim and year-end reporting dates, up to the date of announcement of the results and include any other period during which the Company is trading under cautionary announcement.

**STAKEHOLDER COMMUNICATION**

The Board recognises its duty to present a balanced and understandable assessment of the Company's position in reporting to stakeholders. Proactive communication with stakeholders addresses material matters of significant interest to shareholders and other stakeholders. The quality of information is based on the guidelines of promptness, relevance and transparency.

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

**CODE OF CONDUCT**

The Company's code of ethics requires all executives and employees to maintain the highest ethical standards. An anonymous whistleblowing facility allows for any unethical, fraudulent or dishonest behaviour to be reported. During the year no reports were received through this facility. The Company takes ethical behaviour across all its operations very seriously and aims to create an environment where open communication is encouraged.

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

# SOCIAL RESPONSIBILITY

Any organisation is reliant on its employees, community and environment to make it successful. At Imbalie Beauty we strive to manage these relationships to produce an overall positive impact on society and to make a positive change in the world through improvement and empowerment, and by increasing the esteem of our customers.

Imbalie Beauty ensures its social sustainability by focusing on the following prominent factors:

- Employee welfare
- Labour practices and decent work environment
- Human rights
- Community welfare
- The environment

## EMPLOYEE WELFARE

At Imbalie Beauty we strive to keep our employees happy, as they are our beauty force, focus on our values and on achieving results. We value employee participation, we allow room for growth and promotion within and contribute to educational growth opportunities. We strive to make a positive change in their lives, so they can help us achieve our goals. We strive to make our employees happy by taking the following measures:

## LABOUR PRACTICES AND DECENT WORK ENVIRONMENT EMPLOYMENT:

The Imbalie Beauty Group has 182 employees spread throughout South Africa. All full-time employees have access to a pension fund and medical aid. Imbalie has partnered with Attooh since 2012 to improve our employee welfare, our pension fund benefits are tailor-made for our business in empowering our staff.

**Occupational health and safety:**

Imbalie Beauty complies with the regulatory requirements of employment and labour law for South African companies in terms of the International Labour Organisation Protocol on decent work and working conditions.

**Training and education:**

Imbalie Beauty recognises the importance of ongoing development and training of its staff and continuously sends staff for training such as; VIP, HeadStart, Pastel, etc. Employees that show initiative and a passion for growth and development into a certain department are granted opportunities where Imbalie Beauty funds their studies in return for signing a working agreement for a certain period of time, or alternatively funding the course and making deductions from their salary on a month to month basis. For beauty therapists, nail technicians and franchisees the Company offers continuous training at our in-house training facility based in Woodmead. Imbalie also launched its own Training Academy which offers world class modular courses that is ITEC accredited. Our Training Academy is the key to staff retention and empowering staff within our organisation.

## HUMAN RIGHTS

Imbalie Beauty ensures it is compliant in terms of the Human Rights Principles, as set out by the United Nations Global Compact Principles. Imbalie Beauty supports and respects the protection of internationally proclaimed human rights. In future Imbalie Beauty will develop an explicit Company policy on human rights and provide effective training for its managers and staff in international human rights and standards. Imbalie Beauty is not complicit in human rights abuse and endeavours to ensure that all suppliers that are used are not in any way complicit in human rights abuses and if any are, to sever all ties with them and report them to the authorities.

## COMMUNITY WELFARE

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

**Imbalie Beauty Training Academy Learnership Program:**

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

**Employment Solutions:**

Imbalie Beauty utilises Employment Solutions for the packaging of treatment packs that are utilised in the salons during facial treatments. Employment Solutions is a unique non-profit organisation that supplies training and creates employment possibilities for persons with a variety of disabilities, including physical disabilities, mental challenges and hearing impairment, across all borders of our society.

**Reach for a Dream:**

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

**The Tomorrow Trust:**

The Tomorrow Trust is a non-profit organisation providing education and holistic support to orphaned and vulnerable children in South Africa. Through a network of schools and grassroots-level organisations, or "key" organisations, the Tomorrow Trust identifies the children and youth most in need of educational intervention. These youths are then brought into the Tomorrow Trust's programs where they receive personal attention to their individual learning and psychosocial needs, thereby filling the gaps in their education. By the time a learner leaves the Tomorrow Trust, he or she is a mature, career- ready individual. Imbalie Beauty believes in the vision of the Tomorrow Trust and how they endeavour to change the lives of underprivileged children in South Africa.

**67 Minutes for Mandela Day:**

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

**Dignity Dreams:**

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

**THE ENVIRONMENT**

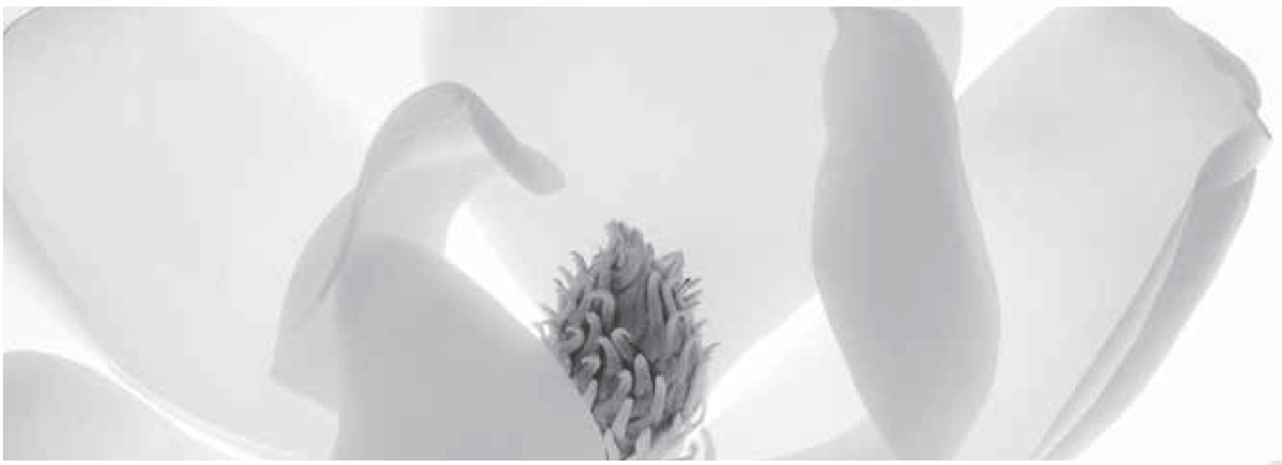
At Imbalie Beauty we strive to be sustainable in terms of reducing our impact on the environment and focusing on a total green environment. We strive to create a working environment where our employees focus on saving paper, recycling and minimising electricity usage and to be a completely paperless company in the near future.

**Materials, services and products:**

The materials used within the skin care ranges or services offered are not harmful to the environment or to the consumer and are in no way tested on animals. The formulas are scientifically developed and consumer orientated to ensure outcomes as stipulated and desired for each different product. Imbalie Beauty brands are cruelty free.

**Energy:** South Africa has seen a steep increase in the demand for electricity. The Department of Energy and Eskom have embarked on a campaign to reduce the use of electricity and create awareness on managing electricity. As part of this campaign Imbalie Beauty is aware of its responsibility to reduce electricity consumption. Employees are urged to save on electricity by ensuring that electrical items are switched off when not in use and when leaving the office all non-essential electrical items are switched off. All lights are also placed on timers to reduce electricity usage. Our salon group which consist of more than 150 salons are also driven towards power saving.

**Water:** Similar plans for the use of water are and need to be continuously implemented within Imbalie Beauty. Each individual is aware of his/her responsibility to save water and not waste this valuable resource. The Imbalie Beauty EXCO has launched a head office campaign to improve overall business acumen, to train everyone to be aware of their individual usage of electricity, water and paper etc. This will not only help generate profits but also assist with Imbalie Beauty's initiative to start "going green". Imbalie Beauty ensures it is compliant in terms of the environment principles, as set out by the United Nations Global Compact Principles. Imbalie Beauty will in future endeavour to develop a code of conduct or practice for its operations and products that confirm commitment to care for health and the environment. Imbalie Beauty endeavours to work with suppliers to improve environmental performance, extending responsibility up the product chain and down the supply chain and co-operating with industry partners to ensure that use of environmentally sound technologies is implemented. To conclude, Imbalie Beauty is aware that social sustainability is an ongoing process, and is constantly monitoring and assessing the impact of the business activity on social and environmental ecosystems, to ensure we are reaching our business goals.



# INDEX

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 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 and their interpretations adopted by the International Accounting Standards Board, the Financial Reporting Guides issued by the Accounting Practices Committee of South African Institute of Chartered Accountants, the Listings Requirements of the JSE Limited and the Companies Act of South Africa. 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 their interpretations adopted by the International Accounting Standards Board, the Financial Reporting Guides issued by the Accounting Practices Committee of South African Institute of Chartered Accountants, the Listings Requirements of the JSE Limited and the Companies Act of South Africa and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 of directors 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 group's cash flow forecast and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing 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 33.

The annual financial statements set out on pages 34 to 72, which have been prepared on the going concern basis, were approved by the board of directors on 31 May 2016 and were signed on its behalf by:

**Ms E Colyn**
Chief Executive Officer

**Mr WP van der Merwe**
Financial and Corporate Strategy Director

# DECLARATION BY THE COMPANY SECRETARY

I certify, in my capacity as Company Secretary and in accordance with section 88 of the Companies Act of South Africa, 2008 (Act 71 of 2008), as amended, that for the year ended 28 February 2016 the Company has lodged with the Registrar of Companies all such returns as are required from a public company in terms of the Act and that these returns are true, correct and up to date.

EJFourie

**Mariaan Fourie**
For: iThemba Governance and Statutory Solutions (Pty) Limited
Company Secretary
Samrand
29 February 2016

# DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of Imbalie Beauty Limited and its subsidiaries for the year ended 29 February 2016.

**1. NATURE OF BUSINESS**

Imbalie Beauty Limited and its subsidiaries is a franchisor, retailer and service provider of skin care, nail care and other beauty products incorporated in South Africa. The group operates principally in South Africa.

**2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES**

The operating results and state of affairs of the group and company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

**3. AUTHORISED AND ISSUED SHARE CAPITAL**

Refer to note 15 of the consolidated annual financial statements for detail of the movement in authorised and issued share capital.

**4. DIVIDENDS**

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

**5. DIRECTORS**

The directors in office at the date of this report are as follows:

- Mr MM Patel (Independent non-executive Director, Chairman of Board of Directors)
- Mr TJ Schoeman (Non-executive Director, Chairman of Audit and Risk Committee)
- Ms P Tladi (Independent non-executive Director)
- Ms E Colyn (Chief Executive Officer)
- Mr WP van der Merwe (Executive Director, appointed 30 April 2015 as Financial and Corporate Strategy Director)
- Ms D Wolfendale (Executive Director: Marketing, Sales and Training, appointed 1 June 2015)
- Ms HA Lunderstedt (Non-executive Chairman-resigned 30 April 2015)
- Ms M Malan (Financial Director resigned 30 April 2015)

**6. DIRECTORS' INTERESTS IN COMPANY SHARES**

The directors of the company held direct and indirect interest in the issued share capital of the company at 29 February 2016 as set in note 31.

**7. NON-CURRENT ASSETS**

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

**8. INTERESTS IN SUBSIDIARIES**

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

**9. 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.

**10. SPECIAL RESOLUTIONS**

Special Resolutions passed for Imbalie Beauty Limited and its subsidiaries:

- Approval of chairman of the board fees per month.
- Approval of non-executive directors of the board fees per month.
- Ad hoc fee to non-executive directors per hour.
- Approval of financial assistance to all related and inter-related companies.
- Conversion to no-par value shares.
- Approval of increase in the number of authorised shares.
- Amendmant of MOI - Conversion to no-par value shares and increase in the number of authorised shares.
- Approval to acquire the company's own securities.

**11. EVENTS AFTER THE REPORTING PERIOD**

On 2 October 2015, the group entered into an agreement with G Meiboom to sell property Carnegie Park unit no 24 Hennopspark Ext 9, Centurion for R 1 150 000. The transfer of ownership was concluded on 9 March 2016.

On 3 February 2016, the group entered into an agreement with R Jansen van Rensburg to sell property Sandolien Complex Unit no 49, The Hoewes Ext 189, Centurion for R850 000. The transfer of ownership was concluded on 26 May 2016.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

# DIRECTORS' REPORT

**12. 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.

**13. AUDITORS**

Nexia SAB&T registered auditors continued in office in accordance with section 90 of the Companies Act of South Africa.

**14. SECRETARY**

The company secretary is Arenkwe Governance Services CC. Arenkwe Governance Services CC has been appointed as Company Secretary with effect from 1 June 2016 replacing iThemba Governance and Statutory Solutions (Pty) Limited who was the company secretary until 31 May 2016.

| **Postal address** | **Business address** |
| --- | --- |
| P.O. Box 652 | 19 Titaan Road |
| Ruimsig | Wilropark |
| 1732 | 1732 |

**15. FINANCIAL STATEMENTS**

The annual results and financial position of the group and company are set out on pages 8 to 58.

The audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), the Financial Reporting Guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants, Listings Requirements of the JSE Limited and the Companies Act of South Africa and remain consistent with those applied in the prior year.

# INDEPENDENT AUDITORS' REPORT

**To the Shareholders of Imbalie Beauty Limited**

We have audited the consolidated and separate annual financial statements of Imbalie Beauty Limited, as set out on pages 34 to 72, which comprise the consolidated and separate statements of financial position at 29 February 2016, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the consolidated and separate annual financial statements**

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate 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 consolidated and separate 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 consolidated and separate annual financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate annual financial statements present fairly, in all material respects, the financial position of Imbalie Beauty Limited as at 29 February 2016, and its consolidated and separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

**Other reports required by the Companies Act**

As part of our audit of the consolidated and separate annual financial statements for the year ended 29 February 2016, we have read the Directors' Report and the declaration by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate annual audited financial statements. These reports are the responsibility of the respective preparer. However, we have not audited these reports and accordingly do not express an opinion thereon.

**Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Imbalie Beauty Limited for 6 years.

Nexia SAB&T

**Nexia SAB&T**
**Registered Auditors**
**Per: T.J. de Kock - Registered Auditor and Director**

**119 Witch-Hazel Avenue,**
**Highveld Technopark,**
**Centurion.**

**31 May 2016**

# STATEMENTS OF FINANCIAL POSITION
## as at 29 February 2016

| Figures in Rand | Note(s) | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | 2 544 330 | 3 960 954 | - | - |
| Goodwill | 4 | 6 808 807 | 6 808 807 | - | - |
| Intangible assets | 5 | 20 554 561 | 17 002 976 | 62 131 | 72 245 |
| Investments in subsidiaries | 6 | - | - | 16 570 376 | 16 570 376 |
| Other financial assets | 7 | - | 68 811 | - | - |
| Deferred taxation | 8 | 11 785 634 | 10 558 848 | 1 958 001 | 2 056 630 |
| | | **41 693 332** | **38 400 396** | **18 590 508** | **18 699 251** |
| **Current Assets** | | | | | |
| Inventories | 9 | 36 375 243 | 19 247 658 | - | - |
| Loans to group companies | 10 | - | - | 63 708 434 | 36 444 513 |
| Other financial assets | 7 | 884 076 | 4 366 934 | - | 50 000 |
| Trade and other receivables | 11 | 14 550 875 | 11 714 060 | - | - |
| Cash and cash equivalents | 12 | 4 351 220 | 226 851 | 3 891 446 | 1 005 |
| | | **56 161 414** | **35 555 503** | **67 599 880** | **36 495 518** |
| Non-current assets held for sale | 14 | 1 900 000 | - | - | - |
| **Total Assets** | | **99 754 746** | **73 955 899** | **86 190 388** | **55 194 769** |
| **Equity and Liabilities** | | | | | |
| **Equity** | | | | | |
| Share capital | 15 | 98 250 284 | 67 330 461 | 98 250 284 | 67 330 461 |
| Reserves | 16 | 329 071 | 406 671 | - | - |
| Accumulated loss | | (27 164 708) | (26 038 276) | (12 059 896) | (12 313 511) |
| | | **71 414 647** | **41 698 856** | **86 190 388** | **55 016 950** |
| **Liabilities** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Other financial liabilities | 17 | 6 717 567 | 12 322 710 | - | - |
| Deferred taxation | 8 | 1 085 569 | 276 316 | - | - |
| | | **7 803 136** | **12 599 026** | **-** | **-** |
| **Current Liabilities** | | | | | |
| Other financial liabilities | 17 | 4 881 903 | 3 671 205 | - | - |
| Operating lease liability | 18 | 578 247 | 182 747 | - | - |
| Trade and other payables | 19 | 15 076 164 | 12 079 545 | - | - |
| Bank overdraft | 12 | 649 | 3 724 520 | - | 177 819 |
| | | **20 536 963** | **19 658 017** | **-** | **177 819** |
| **Total Liabilities** | | **28 340 099** | **32 257 043** | **-** | **177 819** |
| **Total Equity and Liabilities** | | **99 754 746** | **73 955 899** | **86 190 388** | **55 194 769** |

# STATEMENTS OF COMPREHENSIVE INCOME
## for the year ended 29 February 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| Figures in Rand | Note(s) | 2016 | 2015 | 2016 | 2015 |
| Revenue | 21 | 101 111 403 | 91 885 577 | 1 920 000 | 1 920 000 |
| Cost of sales | 22 | (41 906 020) | (38 346 714) | - | - |
| **Gross profit** | | **59 205 383** | **53 538 863** | **1 920 000** | **1 920 000** |
| Other income | | 2 799 116 | 1 976 336 | - | - |
| Operating expenses | | (63 183 677) | (57 759 065) | (1 565 036) | (1 811 892) |
| **Operating (loss)/ profit** | **23** | **(1 179 178)** | **(2 243 866)** | **354 964** | **108 108** |
| Investment revenue | 24 | 813 | 1 374 | 7 | 5 |
| Finance costs | 25 | (343 201) | (984 038) | (2 728) | (1 395) |
| **(Loss)/ profit before taxation** | | **(1 521 566)** | **(3 226 530)** | **352 243** | **106 718** |
| Taxation | 26 | 395 134 | 825 500 | (98 628) | (29 881) |
| **(Loss)/ profit for the year** | | **(1 126 432)** | **(2 401 030)** | **253 615** | **76 837** |
| **Other comprehensive (loss)/ income:** | | | | | |
| Revaluation of land and buildings | | (100 000) | 300 000 | - | - |
| Tax effect of revaluation of land and buildings and rate change | | 22 402 | (55 994) | - | - |
| **Total comprehensive loss for the year** | | **(1 204 030)** | **(2 157 024)** | **-** | **-** |
| **Loss per share** | | | | | |
| Basic loss per share (cents) | 28 | (0.29) | (0.65) | - | - |
| Diluted loss per share (cents) | 28 | (0.29) | (0.65) | - | - |

# STATEMENT OF CHANGES IN EQUITY
## for the year ended 29 February 2016

| Figures in Rand | Share capital | Share premium | Total share capital | Revaluation reserve | Accumulated loss | Total equity |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Balance at 1 March 2014** | 17 523 617 | 49 806 844 | 67 330 461 | 162 665 | (23 637 246) | 43 855 880 |
| Loss for the year | - | - | - | - | (2 401 030) | (2 401 030) |
| **Total comprehensive loss for the year** | - | - | - | - | **(2 401 030)** | **(2 401 030)** |
| Revaluation | - | - | - | 244 006 | - | 244 006 |
| **Total contributions by and distributions to owners of company recognised directly in equity** | **-** | **-** | **-** | **244 006** | **-** | **244 006** |
| **Balance at 1 March 2015** | **17 523 617** | **49 806 844** | **67 330 461** | **406 671** | **(26 038 276)** | **41 698 856** |
| Loss for the year | - | - | - | - | (1 126 432) | (1 126 432) |
| Other comprehensive income: Fair value adjustment | - | - | - | (77 600) | - | (77 600) |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **(77 600)** | **(1 126 432)** | **(1 204 032)** |
| General issue of shares | 11 806 400 | - | 11 806 400 | - | - | 11 806 400 |
| Rights issue | 22 713 930 | (3 600 507) | 19 113 423 | - | - | 19 113 423 |
| **Total issue of shares** | **34 520 330** | **(3 600 507)** | **30 919 823** | **-** | **-** | **30 919 823** |
| **Balance at 29 February 2016** | **52 043 947** | **46 206 337** | **98 250 284** | **329 071** | **(27 164 708)** | **71 414 647** |
| Note(s) | 15 | 15 | 15 | 16 | | |
| **Company** | | | | | | |
| **Balance at 1 March 2014** | **17 523 617** | **49 806 844** | **67 330 461** | **-** | **(12 390 348)** | **54 940 113** |
| Profit for the year | - | - | - | - | 76 837 | 76 837 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **76 837** | **76 837** |
| **Balance at 1 March 2015** | **17 523 617** | **49 806 844** | **67 330 461** | **-** | **(12 313 511)** | **55 016 950** |
| Profit for the year | - | - | - | - | 253 615 | 253 615 |
| Other comprehensive income for the year | - | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **253 615** | **253 615** |
| General issue of shares | 11 805 400 | - | 11 805 400 | - | - | 11 805 400 |
| Rights issue | 22 714 930 | (3 600 507) | 19 114 423 | - | - | 19 114 423 |
| **Total issue of shares** | **34 520 330** | **(3 600 507)** | **30 919 823** | **-** | **-** | **30 919 823** |
| **Balance at 29 February 2016** | **52 043 947** | **46 206 337** | **98 250 284** | **-** | **(12 059 896)** | **86 190 388** |
| Note | 15 | 15 | 15 | | | |

# STATEMENT OF CASH FLOWS
## as at 29 February 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| Figures in Rand | Note(s) | 2016 | 2015 | 2016 | 2015 |
| **Cash flows (utilised in)/generated from operating activities** | | | | | |
| Cash (utilised in)/generated from operations | 29 | (12 601 592) | 1 494 761 | 365 078 | 118 222 |
| Investment revenue | | 813 | 1 374 | 7 | 5 |
| Finance costs | | (343 201) | (984 038) | (2 728) | (1 395) |
| Taxation received | 30 | - | 86 277 | - | - |
| **Net cash (utilised in)/generated from operating activities** | | **(12 943 980)** | **598 374** | **362 357** | **116 832** |
| **Cash flows (utilised in)/generated from investing activities** | | | | | |
| Purchase of property, plant and equipment | 3 | (1 265 103) | (791 008) | - | - |
| Proceeds from disposal of property, plant and equipment | | 20 973 | 4 949 | - | - |
| Purchase of intangible assets | 5 | (2 439 835) | (1 462 978) | - | - |
| Business combinations | 36 | (2 114 400) | - | - | - |
| Repayment to group companies | | - | - | (52 758 897) | (2 308 333) |
| Loans advanced to group companies | | - | - | 25 494 976 | 2 097 819 |
| Advance in financial assets | | (361 718) | (3 969 231) | - | - |
| Receipt from financial assets | | 426 926 | - | 50 000 | - |
| **Net cash utilised in investing activities** | | **(5 733 157)** | **(6 218 268)** | **(27 213 921)** | **(210 514)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from share issue | 15 | 30 919 823 | - | 30 919 823 | - |
| Repayment of other financial liabilities | | (19 992 625) | (3 103 650) | - | - |
| Proceeds from other financial liabilities | | 15 598 179 | 9 228 570 | - | - |
| **Net cash from financing activities** | | **26 525 377** | **6 124 920** | **30 919 823** | **-** |
| Total cash movement for the year | | 7 848 240 | 505 026 | 4 068 260 | (93 682) |
| Cash at the beginning of the year | | (3 497 669) | (4 002 695) | (176 814) | (83 132) |
| **Total cash at end of the year** | 12 | **4 350 571** | **(3 497 669)** | **3 891 446** | **(176 814)** |

# ACCOUNTING POLICIES
## as at 29 February 2016

1. **Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretations adopted by the International Accounting Standards Board, the Financial Reporting Guides issued by the Accounting Practices Committee of South African Institute of Chartered Accountants, the Listings Requirements of the JSE Limited and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for the cash flow information which is measured on a cash basis and land and buildings which is measured at fair value and incorporate the principal accounting policies set out below.

Except for the adoption of the new and revised accounting standards, the principal accounting policies of the Group are consistent with those applied in the audited consolidated financial statements for the year ended 28 February 2015.

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

**Standards and Interpretations effective in 2017:**

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 which are controlled by the Company.

Control exists when the Company has the power over the investee, exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the consolidated 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.

**Business combinations**

Imbalie Beauty Limited and its subsidiaries determines 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 constitute a business. If the assets acquired are not a business, the reporting entity accounts 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 company (acquirer) measures 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 effected against goodwill, unless they can be accurately measured in the period.

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.

Major changes relating to the measurement of the non-controlling interests, the accounting for business combinations are achieved in stages this will include treatment of contingent consideration and acquisition-related costs. Any previously held equity interest identified in this stages 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 Group recognises 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.

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.

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.

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.

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

**Subsidiaries**

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

**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. Management used the most relevant information that is available and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Significant judgements include:

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

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

The group tests annually whether goodwill and intangible assets with an indefinite useful life has suffered any impairment, in accordance with the accounting policies stated in Note 4 for Goodwill and note 5 for Intangible assets. The assumptions used in the impairment testing are set out in Note 4 of the financial statements. The recoverable amounts of the cash generating unit have been determined based on value in use calculations. These calculations require the use of estimates in relation to the projections of future cash flows, the projected growth rate, the terminal value of the business and the discount rate.

**Taxation**

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

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

**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.

**1.3 Property, plant and equipment (continued)**

Costs include costs incurred initially to acquire or construct 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.

Revaluations are made with sufficient regularity with regard to land and buildings such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised initially against the revaluation surplus and once the total revaluation surplus is utilised the remainder against profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised, this will not affect profit or loss subsequently.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Land and buildings is revalued once a year.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

| Item | Average useful life |
|---|---|
| Land | Indefinite |
| 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 |

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.

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.

# ACCOUNTING POLICIES
## as at 29 February 2016

**1.4 Intangible assets (continued)**

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, 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 |
| Perfect 10 trademark and franchise agreements | Indefinite |
| Development cost | 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.

**Subsequent measurement**

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

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

**Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when its contractual obligations are discharged or cancelled or expire.

**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.

### 1.6 Financial instruments (continued)

**Impairment losses are recognised in profit or loss.**

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

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

**Loans to/(from) group companies**

These include loans to and from holding companies, fellow subsidiaries, subsidiaries 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 shareholders**

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

**Trade and other payables**

Trade payables are classified as financial liabilities measured at amortised cost.

**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 recorded at fair value and subsequently at amortised cost.

**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 classified as financial liabilities measured at amortised cost.

### 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, effects neither accounting profit nor taxable profit/(tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, 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:

# ACCOUNTING POLICIES
## as at 29 February 2016

**1.7 Tax (continued)**

- 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 tax losses will be recovered based on 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.

**1.8 Leases**

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

**Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. 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 is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Inventory consist of stock on hand and stores held for sale in ordinary cause of business.

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 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated while it is classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale are recognised in profit or loss.

**1.11 Impairment of non-financial assets**

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

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

**1.11 Impairment of non-financial assets (continued)**

- 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.

**1.12 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.

**1.13 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.

**1.14 Contingencies**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

**1.15 Earnings per share and headline earnings per share**

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for any dilutive effects.

The calculation of headline earnings per share is based on the net profit attributable to equity holders, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year.

The presentation of headline earnings is not an IFRS requirement, but is required by the JSE Limited.

**1.16 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.

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

### 1.17 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.

### 1.18 Borrowing costs

There are no borrowing costs that qualify to be capitalised, therefore all borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.19 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.

### 1.20 Financial instruments- Fair values and Risk management

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

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

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

**1.21 Statement of cash flows**

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

**1.22 Segmental reporting**

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

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

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

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

All revenues from external customers originate in South Africa.

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

**2. New Standards and Interpretations**

**2.1 Standards and interpretations effective and adopted in the current year**

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:

**IFRS 9 Financial Instruments**

Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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 10 Consolidated Financial Statements**

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities.

The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Company adopted the amendment 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 11 Joint Arrangements**

Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Company adopted the amendment for the first time in the 2017 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**

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities.

The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Company adopted the amendment for the first time in the 2016 annual financial statements.

# ACCOUNTING POLICIES
## as at 29 February 2016

**2.1 Standards and interpretations effective and adopted in the current year (continued)**

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

**IFRS 13 Fair Value Measurement**

Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables.

Annual Improvements 2011–2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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.

**IAS 1 Presentation of Financial Statements**

Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements.

Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Company adopted the amendment 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.

**IAS 16 Property, Plant and Equipment**

Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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.

**IAS 27 Consolidated and Separate Financial Statements**

Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Company adopted the amendment 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.

**IAS 38 Intangible Assets**

Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.

Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Company adopted the amendment 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 2 Share based payments**

Annual Improvements 2010–2012 Cycle: Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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 3 Business Combinations**

Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9.

Annual Improvements 2011–2013 Cycle: Amendments to the scope paragraph for the formation of a joint arrangement.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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.

**2.1 Standards and interpretations effective and adopted in the current year (continued)**

**IFRS 8 Operating Segments**

Annual Improvements 2010–2012 Cycle: Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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.

**IAS 19 Employee Benefits**

Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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.

**IAS 38 Intangible Assets**

Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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.

**IAS 40 Investment Property**

Annual Improvements 2011-2013 Cycle: Amendments to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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.

**IAS 24 Related Party Disclosures (Revised)**

Annual Improvements 2010-2012 Cycle: Amendments to the definitions and disclosure requirements for key management personnel.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Company adopted the amendment 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.

**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 1 March 2016 or later periods:

**IFRS 9 Financial Instruments**

A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cashflow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.

IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

The effective date of the amendment is for years beginning on or after 1 January 2018.

The company expects to adopt the amendment for the first time in the 2019 annual financial statements.

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

**2.2 Standards and interpretations not yet effective (continued)**

**IFRS 15 Revenue from Contracts from Customers**

New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The new standard supersedes:

(a) IAS 11 Construction Contracts;

(b) IAS 18 Revenue;

(c) IFRIC 13 Customer Loyalty Programmes;

(d) IFRIC 15 Agreements for the Construction of Real Estate;

(e) IFRIC 18 Transfers of Assets from Customers; and

(f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Company expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

**IFRS 16 Leases**

New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.

As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

IFRS 16 supersedes the following Standards and Interpretations:

(a) IAS 17 Leases;

(b) IFRIC 4 Determining whether an Arrangement contains a Lease;

(c) SIC-15 Operating Leases—Incentives; and

(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The Company expects to adopt the amendment for the first time in the 2020 annual financial statements.

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

**IAS 7 Statement of Cash Flows**

Amendments requiring entities to disclose information about changes in their financing liabilities.

The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Company expects to adopt the amendment for the first time in the 2018 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**

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Company expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
## for the year ended 29 February 2016

| Group | Cost / Valuation 2016 | Accumulated depreciation 2016 | Carrying value 2016 | Cost / Valuation 2015 | Accumulated depreciation 2015 | Carrying value 2015 |
|---|---|---|---|---|---|---|
| **3. Property, plant and equipment** | | | | | | |
| Land and buildings | - | - | - | 2 000 000 | - | 2 000 000 |
| Furniture and fixtures | 996 893 | (760 125) | 236 768 | 997 079 | (675 811) | 321 268 |
| Motor vehicles | 1 003 713 | (634 177) | 369 536 | 995 331 | (508 873) | 486 458 |
| Office equipment | 736 941 | (642 765) | 94 176 | 743 617 | (575 241) | 168 376 |
| IT equipment | 1 251 227 | (936 426) | 314 801 | 955 205 | (791 726) | 163 479 |
| Leasehold improvements | 1 207 036 | (55 279) | 1 151 757 | 303 423 | (41 336) | 262 087 |
| Laser equipment | 3 328 117 | (2 950 825) | 377 292 | 3 318 881 | (2 759 595) | 559 286 |
| **Total** | **8 523 927** | **(5 979 597)** | **2 544 330** | **9 313 536** | **(5 352 582)** | **3 960 954** |

**Reconciliation of property, plant and equipment - Group - 2016**

| | Opening balance | Additions | Disposals | Classified as held for sale | Depreciation | Impairment | Total |
|---|---|---|---|---|---|---|---|
| Land and buildings | 2 000 000 | - | - | (1 900 000) | - | (100 000) | - |
| Furniture and fixtures | 321 268 | - | - | - | (84 500) | - | 236 768 |
| Motor vehicles | 486 458 | 8 265 | - | - | (125 187) | - | 369 536 |
| Office equipment | 168 376 | 14 350 | (20 971) | - | (67 579) | - | 94 176 |
| IT equipment | 163 479 | 296 286 | - | - | (144 964) | - | 314 801 |
| Leasehold improvements | 262 087 | 936 966 | (11 613) | - | (35 683) | - | 1 151 757 |
| Laser equipment | 559 286 | 9 236 | - | - | (191 230) | - | 377 292 |
| | **3 960 954** | **1 265 103** | **(32 584)** | **(1 900 000)** | **(649 143)** | **(100 000)** | **2 544 330** |

**Reconciliation of property, plant and equipment - Group - 2015**

| | Opening balance | Additions | Disposals | Revaluations | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land and buildings | 1 700 000 | - | - | 300 000 | - | 2 000 000 |
| Furniture and fixtures | 417 686 | 6 669 | (145) | - | (102 942) | 321 268 |
| Motor vehicles | 391 948 | 287 578 | (54 606) | - | (138 462) | 486 458 |
| Office equipment | 254 860 | - | (11 663) | - | (74 821) | 168 376 |
| IT equipment | 259 617 | 10 350 | - | - | (106 488) | 163 479 |
| Leasehold improvements | 22 976 | 260 811 | - | - | (21 700) | 262 087 |
| Laser equipment | 745 468 | 225 600 | - | - | (411 782) | 559 286 |
| | **3 792 555** | **791 008** | **(66 414)** | **300 000** | **(856 195)** | **3 960 954** |

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **3. Property, plant and equipment (continued)** | | | | |
| **Pledged as security** | | | | |
| Carrying value of assets pledged as security: | | | | |
| **Details of properties** | | | | |
| **Sandolien Complex Unit no 49 The Hoewes Ext 187, Centurion** | | | | |
| Land: cost | - | 180 000 | - | - |
| Building: cost | - | 420 000 | - | - |
| Revaluation | - | 350 000 | - | - |
| **Balance at year end** | **-** | **950 000** | **-** | **-** |
| **Carnegie Park Unit no 24 Hennopspark Ext 9, Centurion** | | | | |
| Land: cost | - | 250 000 | - | - |
| Building: cost | - | 650 000 | - | - |
| Revaluation | - | 150 000 | - | - |
| **Balance at year end** | **-** | **1 050 000** | **-** | **-** |
| **Carrying value of the encumbered are as follows:** | | | | |
| Land and buildings | - | 2 000 000 | - | - |
| Motor vehicles | 369 536 | 486 458 | - | - |
| IT equipment | 314 801 | 163 479 | - | - |
| | **684 337** | **2 649 937** | **-** | **-** |

Land and buildings are carried at revalued amounts. The effective date of the revaluation was 29 February 2016. Revaluation was performed by an independent valuer, ABSA Bank Limited who is independent from the Group.

**IFRS 13 Disclosures**

| Recurring fair value | Fair Value | Unobservable input (Level 3) | Valuation technique |
|---|---|---|---|
| **2016:** | | | |
| Land and buildings | R 0 | R 0 | Discounted cash flow |
| **2015:** | | | |
| Land and buildings | R 2 000 000 | R 2 000 000 | Discounted cash flow |

**Reconciliation of land and buildings**

| | Opening balance | Unrealised gains/(loss) recognised in other comprehensive income | Disposal or movement to non-current asset held for sale | Closing balance |
|---|---|---|---|---|
| **2016:** | R 2 000 000 | (R100 000) | (R1 900 000) | – |
| **2015:** | R 1 700 000 | R 300 000 | - | R 2 000 000 |

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| Group | Cost | Accumulated impairment | Carrying value | Cost | Accumulated impairment | Carrying value |
| **4. Goodwill** | | | | | | |
| Goodwill | 6 808 807 | - | 6 808 807 | 6 808 807 | - | 6 808 807 |

| | Opening balance | Total |
|---|---|---|
| **Reconciliation of goodwill - Group - 2016** | | |
| Goodwill | 6 808 807 | 6 808 807 |

| | Opening balance | Total |
|---|---|---|
| **Reconciliation of goodwill - Group - 2015** | | |
| Goodwill | 6 808 807 | 6 808 807 |

Goodwill was tested for impairment, based on the assumptions detailed below:

**Placecol Fresh Beauty Proprietary Limited**

Key assumptions used in value-in-use calculations include budgeted retail product margins and budgeted franchise revenue streams relating to the specific Placecol brand. The assumptions are based on all historical results for the brand as well as the individual branded salons adjusted for the anticipated future growth of 9% (2015: 9%) per annum which is the average growth factor per management's judgement over a terminal value and at a discount rate of 17% (2015: 17%).

**Dream Nails Beauty Proprietary Limited**

Key assumptions used in value-in-use calculations include budgeted retail product margins relating to the Dream Nails trademark held. The assumptions are based on all historical results for the brand as well as the individual branded salons adjusted for the anticipated future growth of 9% (2015: 9%) per annum which is the average growth factor per management's judgement over a terminal value and at a discount rate of 15% (2015: 17%).

These assumptions are a reflection of management's past experience in the market in which these units operate. The impairment calculations were tested for sensitivity to significant changes in the key assumptions used. The basis for the sensitivity analysis was a reduction of up to 5% in the forcasted operating profit used in the value- in-use calculation and a reduction of 2% of the discounted rate. The sensitivity analysis did not result in any impairment.

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

| Goodwill arose as a result of: | **2016** | **2015** |
|---|---|---|
| 1. Acquisition of Placecol Fresh Beauty Proprietary Limited | R 3 249 163 | R 3 249 163 |
| 2. Acquisition of Dream Nails Beauty Proprietary Limited | R 3 559 644 | R 3 559 644 |
| **Total** | **R 6 808 807** | **R 6 808 807** |

| Group | 2016 Cost | 2016 Accumulated amortisation | 2016 Carrying value | 2015 Cost | 2015 Accumulated amortisation | 2015 Carrying value |
|---|---|---|---|---|---|---|
| **5. Intangible assets** | | | | | | |
| Perfect 10 trademark and franchise agreements | 14 340 000 | - | 14 340 000 | 14 340 000 | - | 14 340 000 |
| Computer software | 164 292 | (129 156) | 35 136 | 142 747 | (101 072) | 41 675 |
| Trademark and website costs | 1 169 112 | (428 902) | 740 210 | 1 156 251 | (312 384) | 843 867 |
| Development cost | 5 862 941 | (423 726) | 5 439 215 | 1 851 109 | (73 675) | 1 777 434 |
| **Total** | **21 536 345** | **(981 784)** | **20 554 561** | **17 490 107** | **(487 131)** | **17 002 976** |

| **Company** | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
|---|---|---|---|---|---|---|
| Trademark and website costs | 101 145 | (39 014) | 62 131 | 101 145 | (28 900) | 72 245 |

**Reconciliation of intangible assets - Group - 2016**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Perfect 10 trademark and franchise agreements | 14 340 000 | - | - | 14 340 000 |
| Computer software | 41 675 | 21 543 | (28 082) | 35 136 |
| Trademark and website costs | 843 867 | 208 727 | (312 384) | 740 210 |
| Development cost | 1 777 434 | 3 815 965 | (154 184) | 5 439 215 |
| | **17 002 976** | **4 046 235** | **(494 650)** | **20 554 561** |

**Reconciliation of intangible assets - Group - 2015**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Perfect 10 trademark and franchise agreements | 14 340 000 | - | - | 14 340 000 |
| Computer software | 70 251 | 17 704 | (46 280) | 41 675 |
| Trademark and website costs | 931 334 | 10 935 | (98 402) | 843 867 |
| Development cost | 415 218 | 1 434 339 | (72 123) | 1 777 434 |
| | **15 756 803** | **1 462 978** | **(216 805)** | **17 002 976** |

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| **Reconciliation of intangible assets - Company - 2016** | | | |
| Trademark and website costs | 72 245 | (10 114) | 62 131 |
| **Reconciliation of intangible assets - Company - 2015** | | | |
| Trademark and website costs | 82 360 | (10 115) | 72 245 |

**5. Intangible assets (continued)**

**Other information**

Recoverability of the intangible assets with an indefinite useful life:

The Perfect 10 business is a Beauty Franchised Group of 58 beauty studios nationally. The franchise is 14 years old and growing rapidly. The trademark and franchise agreements are tested for impairment on a yearly basis.

An impairment test was done at year end using the discounted cash flow method over a period of 5 years. Revenue growth was calculated at 9%. expenses at a growth of 6% and a discount rate of 17%. No impairment was attributed to the Perfect 10 trademark and franchise agreements.

Cash flows were projected on actual operating results. Cash flows were extrapolated into perpetuity using a related and applicable terminal growth rate per intangible. Management believes that this was justified due to the nature of the industries the group and its subsidiaries operate in. Tax rate and discount rates utilised in the calculation varied as per the applicable calculation.

The impairment calculations were tested for sensitivity to significant changes in the key assumptions used. The basis for the sensitivity analysis was a reduction of up to 5% in the forcasted operating profit used in the value-in-use calculation and a reduction of 2% of the discount rate. The sensitivity analysis did not result in any impairment.

**6. Investments in subsidiaries**

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

| **Company**<br>Name of company | Net profit/ (loss) after tax | % holding 2016 | % holding 2015 | Carrying amount 2016 | Carrying amount 2015 |
|---|---|---|---|---|---|
| Placecol Fresh Beauty Proprietary Limited | 287 543 | 100.00% | 100.00% | 11 163 951 | 11 163 951 |
| Dream Nails Beauty Proprietary Limited | 332 965 | 100.00% | 100.00% | 5 406 425 | 5 406 425 |
| Placecol Skin Care Clinic Proprietary Limited | (865 410) | 100.00% | 100.00% | - | - |
| Enjoy Beauty Proprietary Limited | 945 360 | 100.00% | 100.00% | - | - |
| Imbalie Innovvation Proprietary Limited | (97 319) | 100.00% | 100.00% | - | - |
| Imbalie Beauty Training Academy Proprietary Limited | (1 805 998) | 100.00% | 100.00% | - | - |
| | | | | **16 570 376** | **16 570 376** |

The carrying amounts of subsidiaries are shown net of impairment losses. There were no impairment or restrictions of subsidiaries.

It is management's policy to review each investment annually for impairment by assessing the carrying value of the investment against the value in use.

Imbalie Beauty Limited and its subsidiaries have not entered into any restrictive funding arrangements during the period under review.

Imbalie Beauty Limited and its subsidiaries have not repurchased any of its own shares during the period under review.

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **7. Other financial assets** | | | | |
| **Loans and receivables** | | | | |
| **Student loans** | | | | |
| The student loans bears no interest and are repayable within 3 years after completion of the studies. All student loans will be due during the next twelve months. | 80 849 | 175 309 | - | - |
| **Placecol Mountain Mill** | | | | |
| This loan agreement bears interest at prime. The current monthly instalment is R7 786 and is repayable over a period of 24 months, any payments not paid as per agreement is payable on the 24th month as a once-off payment on 28 February 2017. | 112 001 | 151 699 | - | - |
| **Loans made in respect of outlets franchised** | | | | |
| No interest is charged, the loans are payable within 12 months and unsecured. | 329 508 | 139 508 | - | 50 000 |
| **Dream Inventions Proprietary Limited** | | | | |
| This loan agreement bears no interest and is expected to be paid within 12 months. Any proceeds from the resale of business will be paid to Placecol Fresh Beauty Proprietary Limited. | - | 3 969 229 | - | - |
| **Placecol Moreleta Park** | | | | |
| This loan agreement bears interest at prime. The current monthly instalment is R25 000 and is repayable over a period of 12 months any payments not paid as per agreement is payable on the 24th month as a once-off payment on 28 February 2017. | 361 718 | - | - | - |
| | **884 076** | **4 435 745** | **-** | **50 000** |
| **Non-current assets** | | | | |
| Loans and receivables | - | 68 811 | - | - |
| **Current assets** | | | | |
| Loans and receivables | 884 076 | 4 366 934 | - | 50 000 |
| | **884 076** | **4 435 745** | **-** | **50 000** |

**Fair value information**

There are no differences between the fair value of the loans and their carrying amounts.

The Dream Invention loan of R3 969 229 was repaid to Imbalie Beauty Group through various beauty salons repurchased and placed back into inventory for resale into the marketplace.

**Loans and receivables past due but not impaired**

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 29 February 2016, no loans were past due and impaired.

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **8. Deferred tax** | | | | |
| **Deferred tax asset** | | | | |
| Tax losses | 10 732 382 | 10 029 060 | 1 958 001 | 2 056 629 |
| Allowance for doubtful debt | 209 198 | 129 865 | - | - |
| Leave pay | 61 307 | 68 601 | - | - |
| Lease straightening | 161 909 | 51 169 | - | - |
| Revaluation of land and buildings | (70 929) | (93 329) | - | - |
| Research and development | (759 370) | (263 795) | - | - |
| Allowance for future store build | 576 426 | 543 946 | - | - |
| Prepayments | (255 270) | (182 987) | - | - |
| Other intangibles | 44 412 | - | - | - |
| | 10 700 065 | 10 282 530 | 1 958 001 | 2 056 629 |
| **Reconciliation of deferred tax asset / (liability)** | | | | |
| At beginning of year | 10 282 530 | 9 513 025 | 2 056 629 | 2 086 510 |
| Increase /(Decrease) in tax losses available for set off against future taxable income | 703 322 | 266 841 | (98 628) | (29 881) |
| Other originating and reversing temporary differences | (285 787) | 502 664 | - | - |
| | **10 700 065** | **10 282 530** | **1 958 001** | **2 056 629** |

**Recognition of deferred tax asset**

The directors assessed the deferred tax assets per individual subsidiary and based on future budgeted figures the group as well as each individual subsidiary expects to be profitable in future, four subsidiaries were profitable at year end. In the current financial year the Group invested in the development of new skin care brands, which will enhance the companies brand and generate future revenue streams. The Group is also focused on opening new salons to expand the brand, generating future revenue in the form of product sales, royalties and franchise fees, as well as expand product distribution in the current salons. The Group has the ability and likelihood to recover the deferred tax asset over the foreseeable future based on the above operational plans and profitability forecasts.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
## for the year ended 29 February 2016

| | | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **8.** | **Deferred tax (continued)** | | | | |
| | **Deferred tax assets/liabilities** | | | | |
| | Non-current assets | 11 785 634 | 10 558 846 | - | 2 056 629 |
| | Non-current liabilities | (1 085 569) | (276 316) | - | - |
| | | **10 700 065** | **10 282 530** | **-** | **2 056 629** |
| **9.** | **Inventories** | | | | |
| | Raw materials, components | 2 066 355 | 1 017 904 | - | - |
| | Stock on hand | 14 397 176 | 9 594 800 | - | - |
| | Stores held for sale | 19 911 712 | 8 634 954 | - | - |
| | | **36 375 243** | **19 247 658** | **-** | **-** |
| **10.** | **Loans to group companies** | | | | |
| | **Subsidiaries** | | | | |
| | Placecol Fresh Beauty Proprietary Limited | | | | |
| | The loans are unsecured, bears no interest and has no fixed repayment terms. | - | - | 63 708 434 | 36 444 513 |
| | Non-current assets | - | - | - | - |
| | Current assets | - | - | 63 708 434 | 36 444 513 |
| | | **-** | **-** | **63 708 434** | **36 444 513** |

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

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

**Loans to group companies impaired**

As at 29 February 2016, no loans to group companies were impaired.

| | | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **11.** | **Trade and other receivables** | | | | |
| | Trade receivables | 12 488 268 | 9 276 624 | - | - |
| | Deposits | 596 204 | 498 303 | - | - |
| | VAT | 409 609 | 300 623 | - | - |
| | Prepaid expenses | 1 056 794 | 1 638 510 | - | - |
| | | **14 550 875** | **11 714 060** | **-** | **-** |

**Fair value of trade and other receivables**

The fair value of trade and other receivables approximates its carrying value due to its short-term nature.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
## for the year ended 29 February 2016

**11. Trade and other receivables**

**Trade and other receivables past due but not impaired**

At 29 February 2016, R5 191 319 (2015: R6 092 449) were past due but not impaired.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| 1 month past due | 1 433 884 | 1 818 187 | - | - |
| 2 months past due | 782 661 | 839 757 | - | - |
| 3 months past due | 368 714 | 1 390 160 | - | - |
| 120+ days | 2 606 060 | 2 044 345 | - | - |
| **Total** | **5 191 319** | **6 092 449** | **-** | **-** |

**Trade and other receivables provided for**

As of 29 February 2016, trade and other receivables of R996 178 (2015: R618 404) were impaired and provided for.

Movement in the provision for impairment of receivables were as follows:.

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Opening balance | 618 404 | 375 970 | - | - |
| Provision for the year | 1 318 829 | 735 600 | - | - |
| Utilised during the year | (941 055) | (493 166) | - | - |
| **Closing balance** | **996 178** | **618 404** | **-** | **-** |

**12. Cash and cash equivalents**

| | | | | |
|---|---|---|---|---|
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | 208 045 | 153 419 | - | - |
| Bank balances | 4 143 175 | 73 432 | 3 891 446 | 1 005 |
| Bank overdraft | (649) | (3 724 520) | - | (177 819) |
| | **4 350 571** | **(3 497 669)** | **3 891 446** | **(176 814)** |
| Current assets | 4 351 220 | 226 851 | 3 891 446 | 1 005 |
| Current liabilities | (649) | (3 724 520) | - | (177 819) |
| | **4 350 571** | **(3 497 669)** | **3 891 446** | **(176 814)** |

Placecol Skin Care Clinic Proprietary Limited has an approved facility for guarantees to the value of R1 517 884 (2015: R1 517 884) as reviewed and updated on 29 February 2016. There are no material contingencies.

## 13. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

| | Loans and receivables | Total |
|---|---|---|
| **Group - 2016** | | |
| Other financial assets | 884 076 | 884 076 |
| Trade and other receivables | 13 084 472 | 13 084 472 |
| Cash and cash equivalents | 4 351 220 | 4 351 220 |
| | **18 319 768** | **18 319 768** |
| **Group - 2015** | | |
| Other financial assets | 4 435 745 | 4 435 745 |
| Trade and other receivables | 9 774 927 | 9 774 927 |
| Cash and cash equivalents | 226 851 | 226 851 |
| | **14 437 523** | **14 437 523** |
| **Company - 2016** | | |
| Loans to group companies | 63 708 434 | 63 708 434 |
| Cash and cash equivalents | 3 891 446 | 3 891 446 |
| | **67 599 880** | **67 599 880** |
| **Company - 2015** | | |
| Loans to group companies | 36 444 513 | 36 444 513 |
| Other financial assets | 50 000 | 50 000 |
| Cash and cash equivalents | 1 005 | 1 005 |
| | **36 495 518** | **36 495 518** |

## 14. Non-current assets held for sale

On 2 October 2015, the Group entered into an agreement with G Meiboom to sell land and buildings Carnegie Park unit no 24 Hennopspark Ext 9, Centurion for R1 150 000, cost to sell R50 000. The transfer of ownership was concluded on 9 March 2016.

On 3 February 2016, the Group entered into an agreement with R Jansen van Rensburg to sell land and buildings Sandolien Complex Unit no 49, The Hoewes Ext 189, Centurion for R850 000, cost to sell R50 000. The transfer of ownership was concluded on 26 May 2016.

As none of the above transfers were completed prior to year end, both properties were classified as non-current assets held for sale in terms of IFRS 5 - Non-current assets held for sale. Assets are measured at fair value less cost to sell.

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Assets and liabilities** | | | | |
| **Non-current assets held for sale** | | | | |
| Land and buildings | **1 900 000** | - | - | - |

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **15. Share capital** | | | | |
| **Authorised** | | | | |
| 1 000 000 000 Ordinary shares of 0.0001 cent each (2015: 500 000 000) | 100 000 | 50 000 | - | - |
| **Reconciliation of number of shares issued:** | | | | |
| Opening Balance | 345 547 773 | 345 547 773 | 345 547 773 | 345 547 773 |
| General issue of shares | 95 040 000 | - | 95 040 000 | - |
| Rights issue | 189 284 785 | - | 189 284 785 | - |
| | **629 872 558** | **345 547 773** | **629 872 558** | **345 547 773** |

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.

A rights issue as per JSE circular was concluded on 29 February 2016. The total share rights offered by Imbalie Beauty Limited was 208 333 333, the total number of share rights issued was 189 284 785. Share rights not taken up and cancelled were 19 048 548. The share rights issue has resulted in the settlement of shareholders loans.

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **Issued** | | | | |
| Ordinary | 52 043 947 | 17 523 617 | 52 043 947 | 17 523 617 |
| Share premium | 46 206 337 | 49 806 844 | 46 206 337 | 49 806 844 |
| | **98 250 284** | **67 330 461** | **98 250 284** | **67 330 461** |

## 16. Revaluation reserve

The asset revaluation reserve is used to account for revaluations of land and building.

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Opening balance | 406 671 | 162 665 | - | - |
| Revaluation surplus net of tax | (77 600) | 244 006 | - | - |
| **Closing balance** | **329 071** | **406 671** | **-** | **-** |

| | | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **17.** | **Other financial liabilities** | | | | |
| | **Held at amortised cost** | | | | |
| | **Other bank loans** | 4 363 875 | 2 177 005 | - | - |
| | These loan agreements bear interest at an average effective rate of 15.09% (2015:13.33%) per annum. The current monthly instalment is R 96 089 (2015: R88 108) and is repayable over a period of 24 to 60 months. | | | | |
| | **Instalment sale agreements** | 6 013 240 | 4 804 065 | - | - |
| | These instalment sale bears interest at an average effective rate of 2016: 12.74% (2015: 9.34%) per annum. The current monthly instalment is R167 205 (2015: R 66 955) and is repayable over a period of 36 to 60 months. | | | | |
| | **BHW Consulting (Pty) Ltd** | - | 1 801 180 | - | - |
| | BHW loan is repayable in 36 months and bears interest at the rate of 8%. The rate will always exceed the call deposit rate of Investec Bank Limited by at least 50 basis points. | | | | |
| | **Giyatri Paper Mills (Pty) Ltd** | - | 5 197 822 | - | - |
| | The loan bears interest at the prime lending rate and is repayable in 60 monthly instalments. The loan is secured by a suretyship by W de Wet and WP van der Merwe and a pledge of all the shares in Placecol Fresh Beauty Proprietary Limited. | | | | |
| | **Mortgage bonds** | 989 756 | 993 844 | - | - |
| | ABSA mortgage bonds bearing interest at an average rate of 6.95% (2015: 6.95%) per annum. The current monthly instalment is R11 326 (2015: R11 326). The loans are secured by land and buildings with a carrying amount of R1 900 000 (2015: R2 000 000). These loans will be settled with the transfer of ownership. | | | | |
| | **Franchise stores: Placecol Garden Route (2015: Placecol Riversquare and Placecol Garden Route)** | 232 599 | 1 020 000 | - | - |
| | These loans are payable at a fixed monthly instalment of R60 000 (2015: R60 000) per month, bears no interest and is repayable in 12 months. | | | | |
| | The loans relates to the repayment of the individual Placecol Skin Care Clinics repurchased as a corporate owned stores during 2012 to 2016. | | | | |
| | | **11 599 470** | **15 993 916** | **-** | **-** |
| | **Non-current liabilities** | | | | |
| | At amortised cost | 6 717 567 | 12 322 710 | - | - |
| | **Current liabilities** | | | | |
| | At amortised cost | 4 881 903 | 3 671 205 | - | - |
| | | **11 599 470** | **15 993 915** | **-** | **-** |

**17. Other financial liabilities (continued)**

**Fair value information**

There are no differences between the fair value of the loans and their carrying amounts

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| **IAS 17 Instalment sale agreements** | | | | |
| Payments due within one year | 2 890 234 | 827 462 | - | - |
| Payments due in second to fifth year inclusive | 4 524 744 | 5 844 136 | - | - |
| Less: Future finance costs | (1 401 738) | (1 867 532) | - | - |
| | **6 013 240** | **4 804 066** | **-** | **-** |
| **18. Operating lease liability** | | | | |
| Operating lease accrual | 578 247 | 182 747 | - | - |
| **19. Trade and other payables** | | | | |
| Trade payables | 10 824 276 | 7 304 863 | - | - |
| VAT | 8 614 | 54 671 | - | - |
| Accrual shopfitting | 1 124 801 | 883 514 | - | - |
| Payroll accruals | 1 697 532 | 1 847 323 | - | - |
| Deposits received | 718 542 | 1 092 116 | - | - |
| Other payables | 702 399 | 897 058 | - | - |
| | **15 076 164** | **12 079 545** | **-** | **-** |

**Fair value of trade and other payables**

Trade and other payables, are short term in nature. The carrying amount of trade and other payables represents the fair value.

**20. Financial liabilities by category**

The accounting policies for financial instruments have been applied to the line items below:

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| **Group - 2016** | | |
| Other financial liabilities | 11 599 470 | 11 599 470 |
| Trade and other payables | 13 365 425 | 13 365 425 |
| Bank overdraft | 649 | 649 |
| | **24 965 544** | **24 965 544** |
| **Group - 2015** | | |
| Other financial liabilities | 15 993 915 | 15 993 915 |
| Trade and other payables | 10 177 551 | 10 177 551 |
| Bank overdraft | 3 724 520 | 3 724 520 |
| | **29 895 986** | **29 895 986** |
| **Company - 2015** | | |
| Bank overdraft | 177 819 | 177 819 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| **21.** | **Revenue** | | | | |
| | Sale of goods | 81 256 551 | 73 626 719 | - | - |
| | Royalty and other service income | 19 854 852 | 18 258 858 | 1 920 000 | 1 920 000 |
| | | **101 111 403** | **91 885 577** | **1 920 000** | **1 920 000** |
| **22.** | **Cost of sales** | | | | |
| | Sale of goods | | | | |
| | Cost of goods sold | 36 253 433 | 33 830 716 | - | - |
| | Rendering of services | | | | |
| | Cost of services | 5 652 587 | 4 515 998 | - | - |
| | | **41 906 020** | **38 346 714** | **-** | **-** |
| **23.** | **Operating** | | | | |
| | Operating loss for the year is stated after accounting for the following: | | | | |
| | **Operating lease charges** | | | | |
| | • Premises | 11 041 318 | 7 315 211 | - | - |
| | • Equipment | 1 717 320 | 1 261 011 | - | - |
| | | **12 758 638** | **8 576 222** | **-** | **-** |
| | Loss on sale of property, plant and equipment | (11 613) | (61 465) | - | - |
| | Amortisation on intangible assets | 494 650 | 216 805 | 10 114 | 10 114 |
| | Depreciation on property, plant and equipment | 649 143 | 856 195 | 10 115 | - |
| | Employee costs | 23 988 137 | 21 632 954 | - | - |
| **24.** | **Investment revenue** | | | | |
| | **Interest revenue** | | | | |
| | Franchised stores | - | 4 | - | - |
| | Bank | 813 | 1 370 | 7 | 5 |
| | | **813** | **1 374** | **7** | **5** |
| **25.** | **Finance costs** | | | | |
| | Other financial liabilities | 234 874 | 889 834 | - | - |
| | Bank | 2 728 | 1 395 | 2 728 | 1 395 |
| | Mortgage bonds | 105 599 | 92 809 | - | - |
| | | **343 201** | **984 038** | **2 728** | **1 395** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
## for the year ended 29 February 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| **26.** | **Taxation** | | | | |
| | **Major components of the tax expense/ (income)** | | | | |
| | **Deferred** | | | | |
| | Originating and reversing temporary differences | (395 134) | (825 500) | 98 628 | 29 881 |
| | **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% |
| | Assessed loss utilised | (2.89)% | – | % | - |
| | Other | 0.86% | 2.4 | % | - |
| | | **25.97%** | **(25.60%)** | **28.00%** | **28.00%** |
| **27.** | **Auditors' remuneration** | | | | |
| | Fees | 489 877 | 605 468 | 489 877 | 605 468 |

| | | Group 2016 | Group 2015 |
|---|---|---|---|
| **28.** | **Earnings per share** | | |
| | Basic loss per share | (0.29) | (0.65) |
| | **Basic loss per share is based on loss of R1 126 432 (2015: R2 401 030) and weighted average number of ordinary shares of 389 600 268 (2015: 372 230 276)** | | |
| | Loss for the year attributable to equity holders of the parent | (1 126 432) | (2 401 030) |
| | **Reconciliation of basic earnings to earnings used to determine diluted earnings per share** | - | - |
| | Basic loss | (1 126 432) | (2 401 030) |
| | **Diluted loss per share (cents)** | **(0.29)** | **(0.65)** |
| | Headline loss per share | (0.29) | (0.63) |
| | **Reconciliation between earnings and headline earnings** | | |
| | Loss attributable to ordinary equity holders of the parent entity | (1 521 566) | (3 226 530) |
| | Add IAS 16 loss on the disposal of plant and equipment | 11 613 | 61 465 |
| | Headline loss before taxation | (1 509 953) | (3 165 065) |
| | Taxation relating to (loss)/ profit attributable to ordinary equity holders of the parent entity | 395 134 | 825 500 |
| | Taxation relating to IAS 16 loss on the disposal of plant and equipment | (3 252) | (17 210) |
| | **Headline loss after taxation** | **(1 118 071)** | **(2 356 775)** |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| **29.** | **Cash (utilised in) / generated from operations** | | | | |
| | Profit before taxation | (1 521 566) | (3 226 530) | 352 243 | 106 718 |
| | **Adjustments for:** | | | | |
| | Depreciation and amortisation | 1 143 793 | 1 073 002 | 10 114 | 10 114 |
| | Loss on sale of assets | 11 613 | 61 465 | - | - |
| | Interest received | (813) | (1 374) | (7) | (5) |
| | Finance costs | 343 201 | 984 038 | 2 728 | 1 395 |
| | Movements in operating lease assets and accruals | 395 500 | (186 878) | - | - |
| | **Changes in working capital:** | | | | |
| | Inventories | (13 227 585) | 541 728 | - | - |
| | Trade and other receivables | (2 836 815) | (1 138 842) | - | - |
| | Trade and other payables | 2 996 619 | 2 464 801 | - | - |
| | Proceeds from financial assets | 94 461 | 923 351 | - | - |
| | | **(12 601 592)** | **1 494 761** | **365 078** | **118 222** |
| **30.** | **Tax received** | | | | |
| | Balance at beginning of the year | - | 86 277 | - | - |

**31. Related parties**

| | |
|---|---|
| Relationships | |
| Ultimate holding company | Imbalie Beauty Limited |
| Subsidiaries | Refer to note 6 |
| Shareholder with significant influence | Reign Capital Proprietary Limited |
| | BHW Consulting Proprietary Limited |
| Salons owned by Board members | |
| HA Lunderstedt and E Colyn | Beauty Flagship Proprietary Limited |
| | (Placecol Skin Care Clinic Cresta and Dream Nails Beauty Cresta) |
| E Colyn | Mundex Proprietary Limited |
| | (Placecol Skin Care Clinic Bram Fischer) |

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Related party balances | | | | |
| **Loans to/(from) subsidiaries** | | | | |
| Placecol Fresh Beauty Proprietary Limited | - | - | 63 708 434 | 36 444 513 |
| **Management fees received from related parties** | | | | |
| Placecol Fresh Beauty Proprietary Limited | - | - | 1 920 000 | 1 920 000 |
| **Loans from shareholders** | | | | |
| Reign Capital Proprietary Limited | - | (4 461 496) | - | - |
| BHW Consulting Proprietary Limited | - | (1 801 180) | - | - |
| **Royalties received from related parties** | | | | |
| Beauty Flagship Proprietary Limited | 396 324 | 372 892 | - | - |
| Mundex Proprietary Limited | 112 355 | 193 732 | - | - |
| **Outstanding debtors from related parties** | | | | |
| Beauty Flagship Proprietary Limited | 218 353 | 58 393 | - | - |
| Mundex Proprietary Limited | 35 609 | 29 827 | - | - |

All related party transactions are at arm's length.
Key management personnel emoluments - refer to note 32.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
## for the year ended 29 February 2016

Directors interest in shareholding of the company are disclosed below:

| | **2016 Direct** | **2016 Indirect** | **2016 Percentage Holding** | 2015 Direct | 2015 Indirect | 2015 Percentage Holding |
|---|---|---|---|---|---|---|
| **Interests in shares Director** | | | | | | |
| Ms HA Lunderstedt (Non-executive Chairman- resigned 30 April 2015) | - | - | | 78 125 000 | - | 22.61 |
| Mr TJ Schoeman (Non-executive director, Chairman of Audit and Risk Committee) | - | 73 500 | 0.01 | 73 500 | 2.13 | |
| Mr MM Patel (Independent non-executive director, Chairman of Board of Directors) | - | - | | - | - | - |
| Ms P Tladi (Independent non-executive director) | - | - | | - | - | - |
| Mr WP van der Merwe (Non-executive director, appointed 30 April 2015 as Financial and Corporate Strategy Director) | - | 191 169 065 | 30.35 | | 66 965 675 | 19.38 |
| Ms E Colyn (Chief executive officer) | 53 000 000 | - | 8.41 | 35 171 549 | | 10.18 |
| Ms M Malan (Financial director resigned 30 April 2015) | - | - | | 83 334 | | 2.41 |
| Ms D Wolfendale (Executive Director: Marketing, Sales and Training, appointed 1 June 2015) | 5 000 000 | - | 0.79 | - | - | - |
| | **58 000 000** | **191 242 565** | **39.56** | **113 379 883** | **67 039 175** | **52.21** |

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

**Executive**

| **2016** | Emoluments | Total |
|---|---|---|
| Ms E Colyn (Chief Executive Officer) | 826 231 | 826 231 |
| Ms M Malan (Financial Director resigned 30 April 2015) | 80 650 | 80 650 |
| Ms D Wolfendale (Executive Director: Marketing, Sales and Training, appointed 1 June 2015) | 629 723 | 629 723 |
| | **1 536 604** | **1 536 604** |
| **2015** | | |
| Ms E Colyn (Chief Executive Officer) | 747 000 | 747 000 |
| Ms M Malan (Financial Director resigned 30 April 2015) | 608 140 | 608 140 |
| | **1 355 140** | **1 355 140** |

**Non-executive**

| **2016** | Directors' fees | Total |
|---|---|---|
| Ms HA Lunderstedt (Non-executive Chairman - resigned 30 April 2015) | 45 000 | 45 000 |
| Mr TJ Schoeman (Non-executive Director, Chairman of Audit and Risk Committee) | 87 000 | 87 000 |
| Mr MM Patel (Independent non-executive Director, Chairman of Board of Directors) | 108 000 | 108 000 |
| Ms P Tladi (Independent non-executive Director) | 87 000 | 87 000 |
| Mr WP van der Merwe (Non-executive Director, appointed 30 April 2015 as Financial and Corporate Strategy Director) | 21 000 | 21 000 |
| | **348 000** | **348 000** |
| **2015** | | |
| Ms HA Lunderstedt (Non-executive Chairman - resigned 30 April 2015) | 180 000 | 180 000 |
| Mr TJ Schoeman (Non-executive Director, Chairman of Audit and Risk Committee) | 84 000 | 84 000 |
| Mr MM Patel (Independent non-executive director, Chairman of Board of Directors) | 96 000 | 96 000 |
| Ms P Tladi (independent non-executive director-appointed 1 April 2014) | 84 000 | 84 000 |
| Mr WP van der Merwe (Executive Director, appointed 30 April 2015 as Financial and Corporate Strategy Director) | 84 000 | 84 000 |
| | **528 000** | **528 000** |

**Prescribed officers**

| **2016** | Emoluments | Total |
|---|---|---|
| Distribution manager | 996 625 | 996 625 |
| Marketing manager | 409 511 | 409 511 |
| Outlet operation manager | 552 578 | 552 578 |
| Human resources manager | 462 890 | 462 890 |
| Finance Manager | 444 724 | 444 724 |
| | **2 866 328** | **2 866 328** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
## for the year ended 29 February 2016

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

**Prescribed officers**

| 2015 | Emoluments | Total |
|---|---|---|
| National sales executive | 544 200 | 544 200 |
| Distribution manager | 698 400 | 698 400 |
| Marketing manager | 346 000 | 346 000 |
| Outlet operation manager | 507 180 | 507 180 |
| Human resources manager | 307 838 | 307 838 |
| | **2 403 618** | **2 403 618** |

**33. Risk management**

**Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light if changes in economic conditions and the needs of the group. No changes were made to the objectives, policies or processes during the year ended 29 February 2016.

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

There are no externally imposed capital requirements.

**Financial risk management**

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

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

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

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

**Credit Risk**

Credit risk consistence mainly of other financial assets, cash deposits, cash equivalents and receivables. Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

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

| Financial Instrument | Group - 2016 | Group - 2015 | Company - 2016 | Company - 2015 |
|---|---|---|---|---|
| Other financial assets | 884 076 | 4 435 745 | – | 50 000 |
| Trade and other receivables | 13 084 472 | 9 774 927 | – | – |
| Cash and cash equivalents | 4 351 220 | 73 432 | 3 891 446 | 1 005 |
| Loans to group companies | – | – | 63 708 434 | 36 444 513 |

## 33. Risk management

| At 29 February 2016 | Less than 1 year | Between 1 and 2 years |
|---|---|---|
| **Group** | | |
| Other financial liabilities | 4 881 903 | 6 717 567 |
| Bank overdraft | 649 | - |
| Trade and other payables | 13 365 425 | - |
| At 28 February 2015 | | |
| Other financial liabilities | 3 671 205 | 12 322 710 |
| Bank overdraft | 3 742 520 | - |
| Trade and other payables | 10 177 551 | - |

| At 28 February 2015 | Less than 1 year |
|---|---|
| **Company** | |
| Bank overdraft | 177 819 |

At present the Group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Group expects the operating activity to generate sufficient cash inflows. In addition, the Group 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.

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**

| **Financial instrument** | Refer to note | **Carrying value at year end 2016** | After tax effect on statement of comprehensive income if the income interest rate increase/ (decrease) by 1% | Carrying value at year end 2015 | After tax effect on statement of comprehensive income if the income interest rate increase/ (decrease) by 1% |
|---|---|---|---|---|---|
| Cash and cash equivalent | 13 | 4 351 220 | 31 329 | 73 432 | 529 |
| Other financial assets | 8 | 473 719 | 3 411 | 151 699 | 1 092 |
| Bank overdraft | 13 | (649) | (5) | (3 724 520) | (26 816) |
| Other financial liabilities | 17 | (11 599 470) | (83 516) | (14 973 915) | (107 812) |

| **Financial instrument** | Current interest rate % | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| Cash and cash equivalent | 3%-4% | 4 351 220 | 73 432 | 3 891 446 | 1 005 |
| Other financial assets | 9.25% | 473 719 | 151 699 | - | - |
| Bank overdraft | 11.75% | (649) | (3 724 520) | - | (177 819) |
| **Other financial liabilities** | **8.5%-22%** | **(11 599 470)** | **(14 973 915)** | **-** | **-** |

**33. Risk management (continued)**

**Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro.

The Group does not hedge foreign exchange fluctuations.

The Group reviews its foreign currency exposure, including commitments on an ongoing basis.

**Foreign currency exposure at the end of the reporting period**

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand** | 2016 | 2015 | 2016 | 2015 |
| **(Assets)/Liabilities** | | | | |
| Trade and other receivables (2016: USD 3190)(2015: USD 188, EURO 1576) | 51 591 | 22 633 | - | - |
| Trade and other payables (2016: USD 129 057, EURO 22 558)(2015: USD 98 855) | (2 105 736) | (1 144 512) | - | - |
| **Sensitivity analysis** | | | | |
| Strenghening of the USD with R1 at USD 16.1414 (2015: USD 11.5777) | 129 057 | 98 667 | - | - |
| Strenghening of the EURO with R1 at EURO 17.5954 (2015: EURO 13.9837) | 22 558 | 1 576 | - | - |

Exchange rates used for conversion of foreign items were:

USD: 16.1414 (2014: 11.5777)
EURO: 17.5954 ( 2014: 12.9837)

**34. 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.

**35. Events after the reporting period**

The Group entered into agreements to sell both, Carnegie and Sandolien properties for the amount of R2 million. Transfer of Carnegie was concluded on 9 March 2016. The transfer of the Sandolien property was concluded on 26 May 2016.

As none of the above transfers were completed prior to year-end, both properties were classified as non-current assets held for sale in terms of IFRS 5 - Non-current assets held for sale.

**36. Business combinations**

During the year Placecol Fresh Beauty Proprietary Limited, a 100% subsidiary of Imbalie Beauty Limited acquired the business of Prana Products Proprietary Limited ("Prana Products"). Prana Products originated five years ago with the vision of creating an environment where potential business women are encouraged, empowered and enabled to grow and reach their full potential in both a business and personal capacity. Prana Products is an importer and distributor of chosen brands. The strengths of Prana Products can significantly be mobilised on the Imbalie Beauty platform.

Fair value of the assets acquired and liabilities assumed are as follows:

**Fair value of assets acquired and liabilities assumed**

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Cash | 100 000 | - | - | - |
| Intangible assets | 1 606 400 | - | - | - |
| Inventories | 508 000 | - | - | - |
| Total identifiable net assets | 2 214 400 | - | - | - |
| **Purchase consideration** | **2 214 400** | **-** | **-** | **-** |
| **Acquisition date fair value of consideration paid** | | | | |
| Cash | (608 000) | - | - | - |
| Equity – 10 040 000 ordinary shares in group | (1 606 400) | - | - | - |
| | **(2 214 400)** | **-** | **-** | **-** |

**37. Contingencies**

The directors are not aware of any material contingent liability which existed at the reporting date and up to the date of this report requiring disclosure.

# SHAREHOLDER ANALYSIS

**Company:** **Imbalie Beauty Ltd**
**Register date:** **29 February 2016**
**Issued Share Capital:** **629 872 558**

| SHAREHOLDER SPREAD | No of Shareholdings | % | No of Shares | % |
|---|---|---|---|---|
| 1 - 1 000 shares | 35 | 11.74 | 13 422 | 0.00 |
| 1 001 - 10 000 shares | 68 | 22.82 | 343 788 | 0.05 |
| 10 001 - 100 000 shares | 110 | 36.91 | 4 495 531 | 0.71 |
| 100 001 - 1 000 000 shares | 52 | 17.45 | 18 721 543 | 2.97 |
| 1 000 001 shares and over | 33 | 11.07 | 606 298 274 | 96.26 |
| **Totals** | **298** | **100.00** | **629 872 558** | **100.00** |

| DISTRIBUTION OF SHAREHOLDERS | No of Shareholdings | % | No of Shares | % |
|---|---|---|---|---|
| Close Corporations | 5 | 1.68 | 3 928 980 | 0.62 |
| Individuals | 260 | 87.25 | 254 675 672 | 40.43 |
| Trusts | 9 | 3.02 | 6 902 294 | 1.10 |
| Other Corporations | 5 | 1.68 | 772 646 | 0.12 |
| Private Companies | 19 | 6.38 | 363 592 966 | 57.72 |
| **Totals** | **298** | **100.00** | **629 872 558** | **100.00** |

| PUBLIC / NON - PUBLIC SHAREHOLDERS | No of Shareholdings | % | No of Shares | % |
|---|---|---|---|---|
| **Non - Public Shareholders** | **6** | **2.01** | **417 182 757** | **66.23** |
| Directors and Associates | 4 | 1.34 | 250 686 565 | 39.80 |
| Holding 10% or more | 2 | 0.67 | 166 496 192 | 26.43 |
| | | | | |
| **Public Shareholders** | **292** | **97.99** | **212 689 801** | **33.77** |
| **Totals** | **298** | **100.00** | **629 872 558** | **100.00** |

| Beneficial shareholders holding 3% or more | No of Shares | % |
|---|---|---|
| SA Madiba Investment Proprietary Limited | 153 825 312 | 24.42 |
| Holistic Remedies Proprietary Limited | 88 371 192 | 14.03 |
| Unihold Group Proprietary Limited | 78 125 000 | 12.40 |
| Colyn, E | 53 000 000 | 8.41 |
| Anne-Marie de Beer | 30 959 117 | 4.92 |
| Giyatri Paper Mills Proprietary Limited | 25 000 000 | 3.97 |
| Hendrik Christoffel Keyter | 19 020 327 | 3.02 |
| **Totals** | **448 300 948** | **71.17** |

| Directors | No of Shares | % |
|---|---|---|
| Van der Merwe, WP | 191 169 065 | 30.35 |
| Colyn, E | 53 000 000 | 8.41 |
| Wolfendale, D | 5 000 000 | 0.79 |
| Schoeman, T | 73 500 | 0.01 |
| **Totals** | **249 242 565** | **39.56** |

# SHAREHOLDER DIARY

| | |
|---|---|
| Financial year end | 29 February 2016 |
| REPORTS AND ANNOUNCEMENTS | |
| Integrated report | 26 August 2016 |
| Interim report | November 2016 |
| Annual general meeting | 30 September 2016 |

# NOTICE OF ANNUAL GENERAL MEETING

**iMBALIE BEAUTY LIMITED**
Incorporated in the Republic of South Africa
Registration Number: 2003/025374/06

Notice is hereby given that the annual general meeting of the shareholders of the Company will be held on Friday, 30 September at 10h00 at the Company's registered office located at Imbalie Beauty Boulevard, 23 Saddle Drive, Woodmead, 2191 ("the annual general meeting") for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions set out below.

**SALIENT DATES AND TIMES**

Notice of annual general meeting posted to shareholders Friday, 26 August 2016 and announced on SENS

Last date to trade in order to be eligible to vote at the annual general meeting Tuesday, 20 September 2016

Record date in order to vote at the annual general meeting Friday, 23 September 2016

Form of proxy to be lodged by no later than 10h00 on Wednesday, 28 September 2016

General meeting to be held at 10h00 on Friday, 30 September 2016

**Notes**

1. *The above dates and times are subject to amendment.*
2. *All times indicated above are given in South African time.*
3. *To be valid, the completed form of proxy must be lodged with the Transfer Secretaries of the Company, Trifecta Capital Investor Service (Pty) Limited, Trifecta House, 31 Beacon Road Florida North, Roodepoort, 1709 (PO Box 61272 Marshalltown, 2107), South Africa, to reach the Transfer Secretaries on or before 10h00 on Wednesday, 28 September 2016, being at least 48 hours (excluding Saturdays and Sundays and public holidays in South Africa) before the time appointed for the holding of the annual general meeting.* Shareholders are advised that facilities for electronic participation in the annual general meeting will not be made available.

**PRESENTATION OF AUDITED FINANCIAL STATEMENTS – FEBRUARY 2016**

As required in terms of section 30 of the Companies Act 71 of 2008 ("Companies Act"), the annual financial statements of the Company and its subsidiaries, incorporating the reports of the auditors, the audit committee and the directors for the financial year ended 29 February 2016 will be presented at the annual general meeting.

**PRESENTATION OF REPORT FROM THE SOCIAL AND ETHICS COMMITTEE**

As required in terms of Regulation 43 to the Companies Act, the Chairperson of the abovementioned committee will report to shareholders at the annual general meeting on the matters within its mandate.

**SPECIAL RESOLUTIONS**

In terms of the Companies Act, the passing of special resolutions requires the approval of at least 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting.

**Special resolutions 1.1 – 1.3: Approval of non-executive directors' fees**

"RESOLVED by special resolution that the Company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in section 66(8) and section 66(9) of the Companies Act, as amended, and that the remuneration structure and amounts as set out below, be and is hereby approved with effect from the current financial year for a period of 1 year until such time as rescinded or amended by shareholders by way of a special resolution:

**Fee**

| | |
|---|---|
| 1.1 Chairman of the board – per month | **R10 000** |
| 1.2 Members of the board – per month | **R7 500** |
| 1.3 Ad hoc – per hour | **R1 500** |

**Explanatory note**

In terms of section 66(8) and section 66(9) of the Companies, 2008, companies may pay remuneration to directors for their services as directors unless otherwise provided by the Memorandum of Incorporation ("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. In terms of the provisions of the Companies Act, special resolution number 1.1 – 1.3 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting for this resolution to become effective.

**Special resolution 2: financial assistance to all related and inter-related companies**

"RESOLVED THAT, as a special resolution, in terms of section 45 of the Companies Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 2, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation provided that:

(a) the board of directors of the Company ("the board") from time to time, determines

(i) the specific recipient or general category of potential recipients of such financial assistance;

(ii) the form, nature and extent of such financial assistance;

(iii) the terms and conditions under which such financial assistance is provided, and (b) the board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 2 unless the board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

Explanatory note

The purpose of special resolution number 2 is to grant the board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to a related or inter-related Company or corporation. Special resolutions to be adopted at this annual general meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting. Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the board authorising the Company to provide such direct or indirect financial assistance in respect of special resolution number 2:

(a) By the time that this notice of annual general meeting is delivered to shareholders of the Company, the board will have adopted a resolution ("Section 45 Board Resolution") authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a related or interrelated Company or corporation;

(b) the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 2 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and (c) in as much as the section 45 board resolution contemplates that such financial assistance will in the aggregate exceed one tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

**Special resolution 3: General approval to acquire shares**

"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% (ten percent) 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 repurchases;
- the Company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in a 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; and
- 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 solvency and liquidity tests 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.

# NOTICE OF ANNUAL GENERAL MEETING

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 repurchases:

- 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 ("IFRS"), 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."
- **Explanatory note**

The purpose of special resolution number 3 is to obtain an authority for, and to authorise, the Company and the Company's subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

It is the intention of the directors of the Company to use such authority should prevailing circumstances continued tax dispensations and market conditions) in their opinion warrant it.

Special resolutions to be adopted at this AGM require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

**ORDINARY RESOLUTIONS**

In terms of the Companies Act, the passing of ordinary resolutions requires the approval of more than 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting.

**Ordinary resolutions 1 Election and re-election of directors**

In accordance with the provisions of the Company's Memorandum of Incorporation the appointment of any directors appointed by the board shall be confirmed by shareholders at the first annual general meeting following such appointment.

In addition, one third of the non-executive directors, excluding the newly appointed directors, must retire from office at the annual general meeting and may, if eligible and willing, offer themselves for re-election. In terms hereof, Mr TJ Schoeman will be retiring from office at the annual general meeting. Mr TJ Schoeman has confirmed his willingness to continue to serve as a member of the board.

**Ordinary Resolution 1.**

"RESOLVED that, Mr TJ Schoeman, who retires by rotation at this annual general meeting in accordance with the Company's Memorandum of Incorporation and who is eligible and available for re-election, be and is hereby re-elected as an independent non-executive director of the Company."

**Ordinary resolutions 2.1 to 2.3: Appointment to audit and risk committee**

In terms of section 94(2) of the Companies Act, as amended, 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 Companies Act. Regulation 42 to the Companies 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. It is duly noted that the Companies Act requires a minimum of three members to be proposed to shareholders for appointment as members of the Audit Committee.

The board of directors of the Company is satisfied that the proposed members of the Audit and Risk Committee meet all relevant requirements, including being independent non-executive directors as defined by King III.

The appointment of Mr MM Patel, Mr TJ Schoeman and Ms P Tladi as members of the Audit and Risk Committee will be subject to their election and re-election as directors of the Company.

The appointment of Mr TJ Schoeman as a Chairman of the Audit and Risk Committee will be subject to his re-election as a director of the Company.

**Ordinary Resolution 2.1**

"RESOLVED THAT Mr TJ Schoeman be and is hereby elected as a member and Chairman of the Audit and Risk Committee."

**Ordinary Resolution 2.2**

"RESOLVED THAT Mr MM Patel be and is hereby elected as a member of the Audit and Risk Committee."

**Ordinary Resolution 2.3**

"RESOLVED THAT Ms P Tladi be and is hereby elected as a member of the Audit and Risk Committee."

**Ordinary resolution 3: Re-appointment of external auditors**

Nexia SAB&T has indicated its willingness to continue in office and ordinary resolution 3 proposes the reappointment of that firm as the Company's auditors by shareholders. Section 90(3) of the Companies Act, requires the designated auditor to meet the criteria as set out in section 90(2) of the Act. The board of directors of the Company is satisfied that both Nexia SAB&T and the designated auditor,

Mr T de Kock, met all relevant requirements.

"RESOLVED THAT Nexia SAB&T be and is hereby reappointed as the Company's external auditors, with

Mr T de Kock being the individual registered auditor, until the next AGM."

**Ordinary resolution 4: Authority to issue shares**

In terms of the Companies Act, directors are authorised to allot and issue the unissued shares of the Company, unless otherwise provided in the Company's MOI or in instances as listed in section 41 of the Act. In accordance with the provisions of the Company's MOI, shareholders in an annual 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, provided that such transaction(s) has/have been approved by JSE Limited 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 schemes, as at the date of this notice.

"RESOLVED THAT the board of directors be and are hereby authorised by way of a general authority 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 28 February 2016 for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by JSE Limited and are subject to the JSE Listings Requirements and the requirements of the Companies Act of 2008."

**Ordinary resolution 5: Authority to issue unissued shares for cash**

"RESOLVED THAT the directors be and are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements, when applicable, and the following limitations, namely 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 this authority is given;
- 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 and not related parties;
- 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;
- in respect of securities which are the subject of the general issue of shares for cash:
  - in the aggregate in any one financial year may not exceed 50% (fifty percent), being 314 936 278 shares, of the Company's relevant number of equity securities in issue of that class (for purposes of determining the securities comprising the 50% number in any one year, account must be taken of the dilution effect, in the year of issue of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities);
  - of a particular class, will be aggregated with any securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible;
  - as regards the number of securities which may be issued (the 50% number), shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application;
  - less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year; plus any securities of that class to be issued pursuant to:
    - a rights issue which has been announced, is irrevocable and is fully underwritten; or
    - acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application;
- an announcement, including the number of securities issued, the average discount to the weighted average traded price of the equity securities over the 30 business days prior to the date that the issue is agreed in writing between the issuer and the party/ies subscribing for the securities and an explanation of the intended use of the funds, be published after any issue representing, on a cumulative basis within one financial year, 5% or more of the number of equity securities in issue prior to that issue concerned;
- 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 of the Company 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.

In terms of the JSE Listings Requirements, the passing of ordinary resolution number 5 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at this annual general meeting.

**Ordinary resolution 6: Group remuneration philosophy**

The King Report on Corporate Governance for South Africa, 2009 (King III) 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.

"RESOLVED, by way of a non-binding, advisory vote, that the remuneration philosophy of the Company be and is hereby approved."

**Ordinary resolution 7: Signing authority**

"RESOLVED that, any director of the Company or the company secretary be and is hereby authorised to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to the implementation of the special and ordinary resolutions as set out in this notice of the annual general meeting."

**ADDITIONAL INFORMATION**

**Other disclosure in terms of Section 11.26 of the JSE Listings Requirements**

The JSE Listings Requirements require the following disclosure, which are contained in the integrated report of which this notice forms part: major shareholders of the Company and share capital of the Company.

**Material change**

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 this notice.

**Directors' responsibility statement**

The directors, whose names are given in the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 3 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 3 that have been omitted which would make any statement in relation to special resolution number 3 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 3 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 3.

**Adequacy of working capital**

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with IFRS, will be in excess of the consolidated liabilities of the Company and its subsidiaries; the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

**IDENTIFICATION, PROXIES AND VOTING**

Shareholders are reminded that:

- a shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in and vote at the annual general meeting in the place of the shareholder, and shareholders are referred to the proxy form attached to this notice in this regard; and
- a proxy need not also be a shareholder of the Company; and in terms of section 63(1) of the Companies Act, any person attending or participating in an annual general meeting of shareholders must present reasonably satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.
- All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant ("CSDP") or broker other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the annual general meeting.

Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the annual general meeting.

Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you at the annual general meeting, your CSDP or broker will assume that you do not wish to attend the annual general meeting or send a proxy.

Forms of proxy (which form may be found enclosed) must be dated and signed by the shareholder appointing a proxy and must be received at the offices of the transfer secretaries, Trifecta Capital Investor Service (Pty) Limited.

Before a proxy exercises any rights of a shareholder at the annual general meeting, such form of proxy must be so delivered.

In compliance with the provisions of section 58(8)(b)(i)of the Companies Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act, is set out immediately below: An ordinary shareholder entitled to attend and vote at the annual general meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the annual general meeting in the place of the shareholder. A proxy need not be a shareholder of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the annual general meeting.

A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's MOI to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so. The completion of a form of proxy does not preclude any shareholder from attending the annual general meeting. On a show of hands every shareholder present in person or by proxy, and if a member is a body corporate, its representative, shall have one vote and on a poll every shareholder present in person or by proxy and, if the person is a body corporate, its representative, shall have one vote for every share held or represented by him/her. Shareholders and proxies attending the annual general meeting on behalf of shareholders are reminded that section 63(1) of the Companies 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.

By order of the Board

**Natasha Camhee**
For: Arenkwe Governance Services
*Company Secretary*

26 August 2016

# FORM OF PROXY

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

To be completed by certificated shareholders and dematerialised shareholders with "own name" registration only For completion by registered members of the Company unable to attend the annual general meeting of the Company on Friday 30 September 2016 at 10h00 at the Company's registered office located at Imbalie Beauty Boulevard, 23 Saddle Drive, Woodmead, 2191 or at any adjournment thereof.

I/WE

(address)

Tel (work) (home) (mobile)

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

1.____________________________________ or, failing him/her

2.____________________________________ or failing him/her

the chairperson of the annual general meeting, as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the abovementioned annual general meeting of members or at any adjournment thereof, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

| | For | Against | Abstain |
|---|---|---|---|
| Special Resolution: 1.1: Approval of Chairman of the Board Fees – per month | | | |
| Special Resolution: 1.2: Approval of Members of the Board Fees – per month | | | |
| Special Resolution: 1.3: Ad hoc Fee – per hour | | | |
| Special Resolution 2: To approve provision of financial assistance to related and inter-related companies | | | |
| Special Resolution 3: General authority to acquire the Company's own securities | | | |
| Ordinary Resolution 1: To re-elect Mr TJ Schoeman as a non-executive director (independent) | | | |
| Ordinary Resolution 2.1: To appoint Mr TJ Schoeman as a member and Chairman of the Audit and Risk Committee | | | |
| Ordinary Resolution 2.2: To appoint Mr MM Patel as a member of the Audit and Risk Committee | | | |
| Ordinary Resolution 2.3: To appoint Ms P Tladi as a member of the Audit and Risk Committee | | | |
| Ordinary Resolution 3: To approve the re-appointment of the external auditors | | | |
| Ordinary Resolution 4: To authorise directors to allot and issue unissued ordinary shares | | | |
| Ordinary Resolution 5: To authorise directors to allot and issue unissued ordinary shares for cash | | | |
| Ordinary Resolution 6: To approve the Group remuneration philosophy | | | |
| Ordinary Resolution 7: Signing Authority | | | |

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at this____________________ day of ____________________2016

Signature ____________________________________

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

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

# NOTES TO THE PROXY FORM

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".

2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

3. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the company) of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting". The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the chairman of the meeting.

4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

5. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty-eight hours before the commencement of the AGM.

6. If a shareholder does not indicate on this form that his/ her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.

7. The chairman of the AGM may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

8. A shareholder's authorisation to the proxy including the chairman of the AGM, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the AGM.

9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the AGM.

11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.

12. Where there are joint holders of ordinary shares:

12.1. any one holder may sign the form of proxy;

12.2. the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

13. Forms of proxy should be lodged with or mailed to: Trifecta Capital Investor Service (Pty) Limited Trifecta

**Hand deliveries to**: **Postal deliveries to**:
Trifecta Capital Investor Service (Pty) Limited Trifecta House, 31 Beacon Road Florida North, Roodepoort, 1709 to be received by no later than 10h00 on on Wednesday, 28 September 2016.

14 A deletion of any printed matter and the completion of any blank space need not be signed or initialed. Any alteration or correction must be signed and not merely initialed.

# SUMMARY OF THE RIGHTS OF A SHAREHOLDER TO BE REPRESENTED BY PROXY AS SET OUT IN SECTION 58 OF THE COMPANIES ACT:

- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid until the end of the relevant shareholders' meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
- The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.
- If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the "Notes to proxy". The completion of a form of proxy does not preclude any shareholder from attending the annual general meeting

**Attention is also drawn to the "Notes to proxy". The completion of a form of proxy does not preclude any shareholder from attending the annual general meeting**