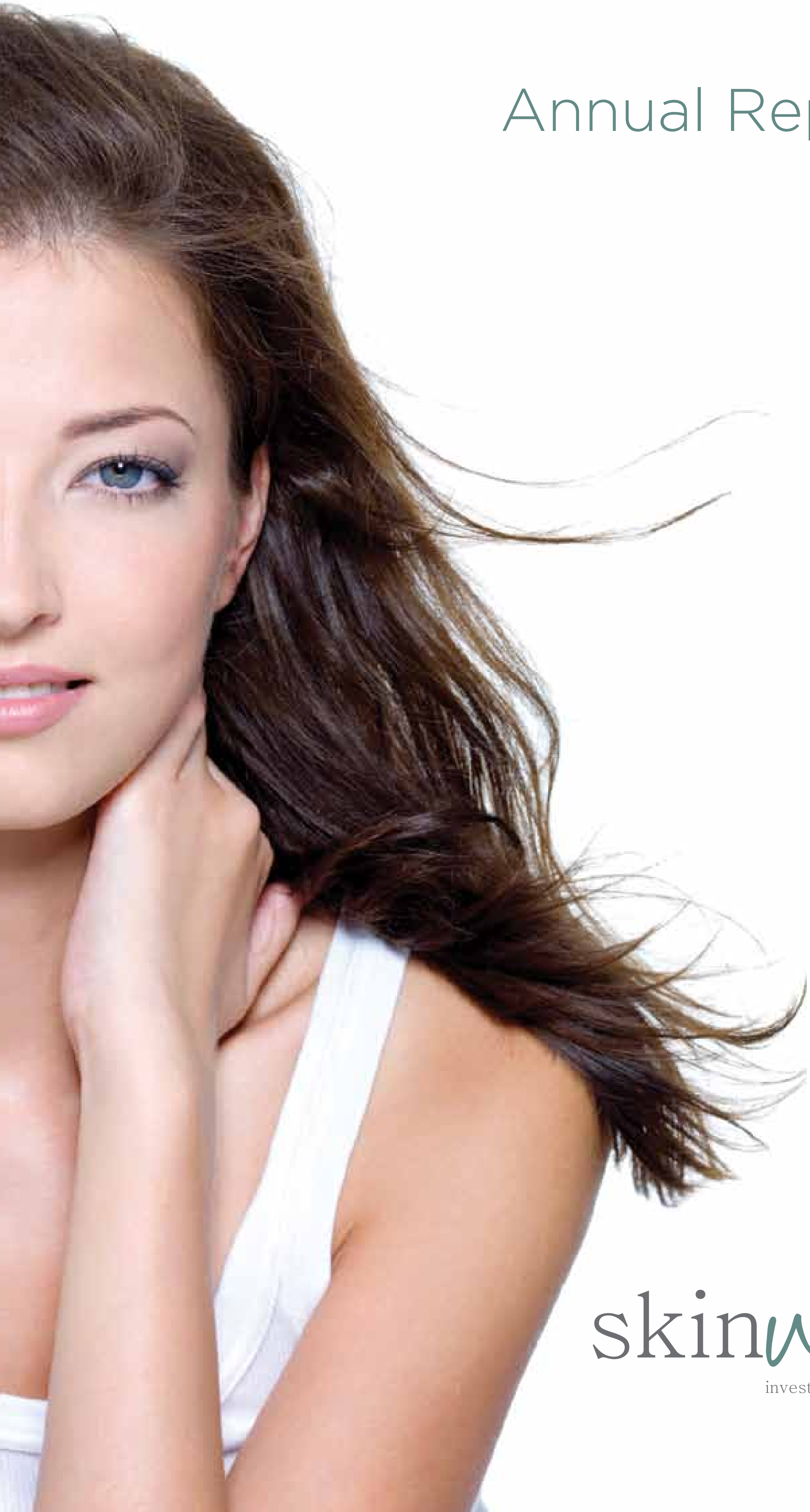
Annual Report
2011



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Contents

Overview of Skinwell

Purpose

Provider of regular beauty treatments and products, that are affordable, to all consumers.

Values

Empowering and transformation of all our staff through vigorous training, the most valuable asset in our organisation, to allow staff to provide services and product advice of the highest standard in the industry.

Objectives and Vision

- To establish the Placécol, Dream Nails & Body and World of Beauty brands in South Africa
- To make the best beauty offerings, through products and services, available to consumers
- To ensure service excellence levels and standardisation in all our beauty salons
- To broaden and increase our retail offering in salons

Main Business

Skinwell is mainly a franchisor that markets and distributes its own and independent health and beauty brands to its own distribution footprint of almost 100 own and franchised beauty salons as well as, large retailers, independent beauty salons and selected pharmacies. As a franchisor and service provider of beauty treatments, the group is engaged in ongoing training of beauty technicians in our own distribution footprint to ensure that service levels are maintained and that the group's service offerings are standardised.

Main Brands

Placecol Beauty Centres

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

Dream Nails & Body ("DNB") Salons

This 26 year old brand offers the best in nail enhancements and beauty treatments with retail products through the DNB nationwide salon network. All our nail enhancement services are performed using superior quality products.

World of Beauty Salons

The World of Beauty concept store offers the best in skincare, nail care and hair care in both services and retail offerings to its customers. The group has since the launch of the Clearwater Mall outlet in May 2010, four official World of Beauty salons.

Turnover Generation

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

Overview of 2011

The group experienced an increase in system–wide sales revenue for the 2011 year of 16% to R117 million (2010: R101 million) in respect of its own distribution footprint being, Placecol, Dreamnails & Body and World of Beauty branded salons.

The directors and management are of the view that the turnaround strategy is beginning to show the results envisaged. The beauty industry remains, however, a very competitive environment, but the fact that the group has its own distribution footprint and brands benefited the group during a challenging year. It will remain a priority of management, during the forthcoming financial year, to further improve credibility in the marketplace.

Overview of Skinwell

continued

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

During the 2011 year the group rolled out a new Point of Sales system to more than 80 of its corporate and franchised beauty outlets with the objective to install it into the remainder of beauty outlets imminently. This has significantly enhanced and simplified monthly reporting and the tracking of promotions held within the group. In conjunction with the new Point of Sales system, the group rolled out an integrated Gift Card system which resulted in overall cost savings for the group.

Two new Placecol branded salons were opened during the 2011 year in Sea Point and George in the Western Cape. The group has successfully converted four of its existing beauty salons to the World of Beauty brand, which is a one-stop innovative offering that incorporates all beauty services (skin, nails and hair care).

Strategic considerations dictated the de-franchising and the closure of certain outlets during the 2011 year, which resulted in the group increasing its number of corporate outlets to 16 at year end. These outlets are included under inventories as they are available for resale. The assessment of corporate store profitability is an ongoing process and continued emphasis will be placed by the group on restoring the profitability of all corporate stores.

In order to improve the overall profitability of the franchise chain, the group has successfully launched new treatments and retail slimming products, which were beneficial to the group's system-wide sales during the 2011 year. By strengthening the training team, the group has trained many therapists during the 2011 year in terms of general continuous training, in order to improve overall service levels.

The group received certain accolades where Placecol branded salons were voted as the Number 1 Beauty Salon as part of the Beeld Newspaper readers' awards in November 2010 and Dreamnails and Body salons as the Number 1 Nail Salon by the Star Newspaper, as part of the Star's Annual Reader's Choice Awards December 2010.

Cash flow remained a constraint during the 2011 financial year, and further funding through shareholders' loans was required. An improvement in cash flow was achieved during the latter part of the financial year. Reduced stock purchases and the festive season which normally results in an upturn in the beauty industry contributed to this.

Year to date achievements

The group became the exclusive distributor of the Dr Gobac Cosmeceuticals skin care range and beauty treatments, which are being distributed to its own and independent beauty salons, albeit being at lower margins. The services and products were successfully launched in beauty salons in May 2011.

The group is in the process of testing technology, which if successful will be introduced to the underlying footprint in order to differentiate our salons from other independent and competitor beauty salons.

Prospects

The launch of the group's new loyalty programme is imminent, with the expected date of launch in September 2011. The group will continue to source products and services which can be successfully introduced to its distribution footprint. It is envisaged that more beauty salons will be opened in the latter part of the financial year.

Board of Directors

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Executive Directors

Esna Colyn *(Chief Executive Officer) B Com Hons (CA) SA (44)*
Esna Colyn has over 15 years' experience in investment banking, private equity and corporate finance. She started her career at Hoek & Wiehahn (today's PricewaterhouseCoopers) and subsequently joined PWC's corporate finance division. Two years later, Esna moved to ABN Amro Bank's financial control department where she assisted in establishing the company's foreign banking division in South Africa. She also spent three years at Investec Bank Limited's private equity division before gaining experience as a shareholder and director of a manufacturing concern. Esna later joined a small corporate finance business where she was instrumental in listing various companies on the JSE. In 2007 she assisted with the listing of Placecol Holdings Limited (now Skinwell Holdings Limited) and subsequently joined the group in May 2010 as CEO.

Melinda Jacobs *(Financial Director) B Com Hons (CA) SA (26)*
Melinda joined Skinwell in January 2011 and has demonstrated strong execution and leadership qualities. She completed her articles at KPMG Inc in December 2010 and joined the Skinwell group as Financial Director as she has a special affinity with the beauty industry and is up to date with all the latest International Financial Reporting Standards.

Non-executive Directors

Theo Schoeman *(Independent Chairman) B Com (Computer Science), B Com Hons (CA) SA (47)*
Theo served his articles with Coopers & Lybrand. He has a corporate finance background and his wide business experience encompasses, *inter alia,* industry consolidation and the set-up of new businesses, involvement with new listings as well as international experience. He received the "Centurion Businessman of the Year" award in 2005. He is currently the Chief Executive Officer of the Centurion Academy.

Mitesh Patel *(Independent) (Chairman of Audit Committee) B Com Hons (CA) SA (37)*
Mitesh is a Chartered Accountant (S.A.) and has extensive experience in the South African auditing environment. Mitesh completed his articles with Deloitte & Touche. In 2007 he was approached by Ernst & Young Inc. where he accepted a partner position. He then joined Nkonki Inc. in 2008 as a partner/director. He is also Chairperson of various Audit Committees and acts as an independent non-executive director on a number of boards. Mitesh has a passion for education and social upliftment and started a bursary fund aimed at disadvantaged students keen on pursuing a career in Chartered Accounting.

Gys van Nieuwenhuizen *(Independent) (Chemical Engineer) (50)*
Gys is a Chemical Engineer and has vast experience in new product development, manufacturing and the set-up of new businesses locally, in the US and European markets. He has held the position of managing director to a number of companies. Gys has also been appointed to the group's Product Innovation Committee.

Wessel van der Merwe *B Com Hons (CA) SA (42)*
Wessel has accumulated more than 15 years' experience in investment banking and corporate finance. He completed his articles with Arthur Anderson before spending three years in investment banking at Gensec Bank. Wessel then founded a corporate finance business and later co-founded a JSE-Sponsor business, which was responsible for the most listings on the JSE's AltX to date. Wessel is experienced in all aspects of corporate finance, but his specific skills lie in deal negotiation and structuring as well as capital raising. He has an extensive network of clients and introduced BEE shareholders into most of the listings undertaken by his business. He currently serves as a member of the JSE's AltX Advisory Committee.

Report of the Chairman and Chief Executive Officer

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Introduction

Skinwell continues to distinguish itself as one of the leading beauty salon groups in South African through its Placecol Beauty Centres, Dream Nails & Body and World of Beauty branded salons, through a national footprint of almost 100 beauty salons. The main objective is to ensure that we have a healthy network of beauty salons and the viability and sustainability of existing salons will continuously be under scrutiny.

The group continued to be resilient because it owns its own brands. The year continued to be very challenging with on-going restructuring, as part of the overall turnaround strategy of the company.

The closure of more company-owned stores, in underperforming retail centres in the first half of the financial year, that were opened prior to the down-turn in the economy, was inevitable, but part of the turnaround strategy of the company. Certain stores were also de-franchised due to non-compliance with franchise agreements.

One of the group's ongoing challenges is to find and retain qualified beauty therapists in its national footprint. It remains a challenge to train the group's beauty therapists and nail technicians to ensure a very high standard of services to our customers that visit our salons and to ensure standardisation across the nationwide footprint.

As the group is a marketing and sales organisation where brand perceptions are critical, focus will remain on marketing activities.

Financial Overview

While system-wide sales increased by 16%, company revenue decreased by 19% to R56.6 million (2010: R69.9 million). The decrease in revenue was a result of less beauty outlets being opened during the 2011 year, the disposal of the manufacturing concern and training institute in 2010, the closure of certain loss making beauty outlets during the 2011 year and the overall condition of the economy.

Gross profit increased by 12% to R39.7 million (2010: R35.5 million) and gross profit margins improved to 70.3% (2010: 50.9%), due to increased royalty revenue without associated cost of sales.

Operating costs before depreciation and amortisation decreased by 41% to R40.8 million (2010: R69.2 million) as a result of significant cost savings implemented as part of the group's turnaround strategy. The group's marketing and advertising spend increased towards the latter part of the year. Operating costs for 2011 include once off retrenchment costs incurred of approximately R783 000.

Earnings before interest, taxation, depreciation and amortisation increased to R1.3 million (2010: loss of R30.8 million). Losses attributable to ordinary shareholders decreased to R512 400 (2010: loss of R25.8 million). Loss per share decreased to 0.22 cents (2010: loss of 16.6 cents) and headline loss per share decreased to 0.15 cents (2010: loss of 13.7 cents).

Corporate stores available for resale to the value of approximately R5 million are included in inventories. It will be a primary focus point of management to sell these stores to franchisees in order to strengthen the cash flow of the group. The group had no material capital commitments for the purchase of property, plant and equipment as at 28 February 2011.

Directorate

The group appointed Melinda Jacobs on 1 January 2011 as Financial Director. The group is considering the balance and composition of the board and envisages, in the near future, to strengthen the marketing expertise of the board.

Report of the Chairman and Chief Executive Officer *continued*

Prospects

The group remains cautious, but the interventions such as certain marketing initiatives, as well as training initiatives are yielding positive returns. The overhead cost structure will be monitored closely and further cost savings will be implemented where appropriate.

The group has formed certain strategic alliances to strengthen its own in-house research on product development and innovation, and as part of this strategic vision will continue to launch innovative new treatments and products in beauty salons. As the group is a marketing and sales organisation where brand perceptions are critical, focus will shift to above the line marketing activities.

The group will continue to open Placecol, Dreamnails & Body and World of Beauty outlets in instances where appropriate franchise owners have been identified. To ensure that individual franchised or corporate stores generate more revenue, service and retail offerings will be broadened.

Appreciation

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

Theo Schoeman
Non-Executive Chairman

Esna Colyn
Chief Executive Officer

Corporate Governance Report

Introduction

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

Statement of Compliance

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

Board of Directors

At the date of issuing the Annual Report the board consisted of four non-executive directors, three of whom are independent, and two executive directors. The Board appointed M Jacobs CA(SA) as Financial Director of the group on 1 January 2011. There is a clear division of responsibilities on the board which forms part of the policy to ensure a balance of power.

The board is chaired by an independent non-executive director, Mr TJ Schoeman.

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

- retain full and effective control of the group;
- review and approve corporate strategy;
- approve and oversee major capital expenditure, acquisitions and disposals;
- review and approve annual budgets and business plans;
- monitor operational performance and management;
- determine the group's purpose and values;
- ensure that the group complies with sound codes of business behaviour;
- ensure that appropriate control systems are in place for the proper management of risk, financial control and compliance with all laws and regulations;
- appoint the Chief Executive Officer and ensure proper succession planning for executive management;
- regularly identify and monitor key risk areas and the management thereof; and
- to oversee the company's disclosure and communication process.

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

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

Corporate Governance Report

continued

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

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

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

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

- communication on behalf of the company and the board; and
- trading in company shares.

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

One third of directors retire by rotation at each annual general meeting and their re-appointment is subject to shareholders' approval. All non-executive directors are subject to retirement and re-election by shareholders every second year. In addition, all directors are subject to election by shareholders at the first opportunity after their initial appointments. The directors retiring by rotation at the forthcoming annual general meeting are Messrs GSJ van Nieuwenhuizen and WP van der Merwe.

Details of the directors in office as on 28 February 2011 appear on page 3 of this report.

Details of directors' fees and remuneration are fully disclosed in note 31 to the financial statements. In addition, the proposed fees to be paid to non-executive directors for approval by shareholders by way of a special resolution are set out in the notice of the Annual General Meeting forming part of this report. Remuneration of executive directors in their capacities as executive members of the management team as approved by the remuneration committee is fully disclosed in note 31 to the financial statements.

Board Committees

The Board has appointed the committees below. Each committee has agreed terms of reference as approved by the board that addresses issues such as composition, duties, responsibilities and scope of authority.

Audit and Risk Committee

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

Mr MM Patel (Independent Chairman)

Mr GSJ van Nieuwenhuizen (Independent)

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

Corporate Governance Report

continued

Terms of reference for the Audit and Risk Committee intend to ensure compliance with both governance recommendations and statutory requirements. As indicated by the name of the Committee, the duties of the Committee were agreed in order to also provide assistance to the board in its responsibility for the risk management process. The terms of reference sets out the Committee' responsibility in respect of the following areas:

- the external auditors, audit process and annual financial statements;
- internal audit;
- risk management; and
- organisational integrity and ethics.

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

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

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

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

Mr MM Patel (Chairman)

Mr GSJ van Nieuwenhuizen

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

Remuneration Philosophy
Our salary structure is in accordance with Skinwell's overall reward philosophy and is designed to:

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

Corporate Governance Report

continued

Attendance of Directors at board meetings during the financial year ended 28 February 2011

Member	25/05/2010	24/08/2010	15/11/2010	21/02/2011
TJ Schoeman (Chairman)	P	P	A	P
MM Patel	P	P	P	P
E Colyn	P	P	P	P
GSJ Van Nieuwenhuizen	P	P	P	P
WP van der Merwe	P	P	P	P
M Jacobs	N/A	N/A	N/A	P

Attendance of members at the Audit & Risk Committee meetings during the financial year ended 28 February 2011

Member	7/04/2010	25/05/2010	24/08/2010	9/11/2010	15/11/2010	9/02/2011
MM Patel (Chairman)	P	P	P	P	P	P
GSJ van Nieuwenhuizen	P	P	P	P	P	P

As required by the JSE Listings Requirements, the company's Designated Advisors attended all the audit committee meetings.

Attendance of members at the Remuneration and Nomination Committee meetings during the financial year ended 28 February 2011

Member	15/11/2010	09/02/2011
GSJ van Nieuwenhuizen (Chairman)	P	P
MM Patel	P	P

Key

P – Present

A – Apology

R – Resigned

N/A – Not applicable

Company Secretary

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

Closed Periods

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

Corporate Governance Report

continued

Risk Management and Internal Control

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

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

- Recessionary economic climate
- Retention and development of human capital
- Financial and information systems not keeping pace with growth

The group does not yet have an independent internal audit function but has designed audit programmes within the accounting department to validate the performance of corporate stores and other areas within the business.

Information Technology

The Group has an appointed information technology ("IT") manager who is responsible for the IT Governance at Group level.

Sustainable Development

Sustainability remains a cornerstone of the group as our existence depends on the services provided to franchisees that consequently enable us to build lasting businesses, create employment and support communities. Given our sound belief that entrepreneurship is vital to economic growth and development, Skinwell will continue focusing on entrepreneurial support.

Ethics

The company's code of ethics requires all directors and employees to act with honesty and integrity and to maintain the highest ethical standards. The code deals with compliance with laws and regulations, conflict of interest, relationships with customers and suppliers, remuneration of outside employment and confidentiality.

Stakeholder Communication

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

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

Contents

ANNUAL FINANCIAL STATEMENTS

Independent Auditors' Report

for the year ended 28 February 2011

To the members of Skinwell Holdings Limited and its subsidiaries

We have audited the group and company annual financial statements of Skinwell Holdings Limited set out on pages 15 to 55, which comprise of the directors' report, the statement of financial position as at 28 February 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the group and company as at 28 February 2011, and its 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.

SABT

SAB&T Chartered Accountants Incorporated
Registered Auditors
Per: Aneel Darmalingam

Centurion
30 May 2011

Directors' Responsibilities and Approval

for the year ended 28 February 2011

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 and group financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

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

The directors have reviewed the company's and group's cash flow forecast for the year to 29 February 2012 and, in the light of this review and the current financial position, they are satisfied that the company and group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the annual financial statements and group's annual financial statements of Skinwell Holding Limited. The annual financial statements have been examined by the group's external auditors and their report is presented on page 12.

The annual financial statements set out on pages 15 to 55, which have been prepared on the going concern basis, were approved by the board on 30 May 2011 and were signed on its behalf by:

Mr TJ Schoeman
Independent Non-executive Chairman

Ms E Colyn
Chief Executive Officer

Certification by Company Secretary

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

Ms Elize Lensley
iThemba Governance and Statutory Solutions (Pty) Limited
Company Secretary

1 August 2011

Audit and Risk Committee Report

for the year ended 28 February 2011

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BACKGROUND

The committee presents its report for the financial year ended 28 February 2011 as required in terms of the Companies Act.

OBJECTIVE AND SCOPE

The overall objectives of the committee are as follows:

- To review the principles, policies and practices adopted in the preparation of the accounts of Companies in the Group and to ensure that the annual financial statements of the Group and any other formal announcements relating to the financial performance comply with all statutory, regulatory and Skinwell Holdings Limited requirements as may be required.
- To ensure that the consolidated financial statements of the group comply with all statutory, regulatory and Skinwell Holdings Limited requirements and similarly, that the financial information contained in any consolidated submissions to Skinwell Holdings 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.
- To perform duties that are attributed to it by the Act, the JSE and in future King III.

The committee performed the following activities:

- Received and reviewed reports from external auditors concerning the effectiveness of the internal control environment, systems and processes.
- Reviewed the reports of external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed.
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence.
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - the audited results for the year ended 28 February 2011
  - the interim results for the six months ended 31 August 2010.

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

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

MEMBERSHIP

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

EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditors of Skinwell Holdings Limited is independent as defined by the Act. The committee, in consultation with executive management, agreed to an audit fee for the 2011 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, SAB&T as the external auditor for the 2012 financial year.

ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the consolidated annual financial statements for the year ended 28 February 2011 and considers that it complies, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

COMPANIES ACT

The Audit Committee together with the Board and management have taken appropriate steps to ensure that the company has processes in place to comply fully with the relevant provisions of the Companies Act 71 of 2008 before 30 April 2013 as provided for in the transitional arrangements to this Act.

Mitesh Patel
Audit Committee Chairman
1 August 2011

Directors' Report

for the year ended 28 February 2011

The directors have pleasure in presenting their report, which forms part of the audited financial statements of the company and the group for the year ended 28 February 2011.

1. Review of activities

Main business and operations

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

Full details of the financial results are set out on pages 17 to 55 of the financial statements for the year ended 28 February 2011.

2. Going concern

We draw attention to the fact that at 28 February 2011, the group had accumulated losses of R30 351 215 and that the group's total assets exceeded its liabilities by R19 479 246.

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.

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations of the group.

3. Events after the reporting period

No material fact or circumstance has occurred between the year ended under review and the date of this report which has a material impact on the financial position of the company and the group.

4. Directors' interest in contracts

The following directors of the company held direct and indirect interest in the issued share capital of the company at 28 February 2011 as set out below:

Name	Direct	Indirect	Percentage holding
WP van der Merwe	–	66 965 675	28.4%
E Colyn	21 519 385	–	9.1%
TJ Schoeman	–	70 000	–

E Colyn and M Jacobs purchased 527 164 and 83 334 shares directly on 13 July 2011. Apart from these transactions there has been no changes in the other directors' interests since the end of the financial year to the date of the annual report.

5. Authorised and issued share capital

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

6. Borrowing limitations

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

7. Non-current assets

Movements in fixed assets during the financial year are set out in note 3 to the annual financial statements.

8. Dividends

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

Directors' Report

continued

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9. Directors

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

Name	Changes
Mr TJ Schoeman (Independent Non-executive Chairman)	
Mr MM Patel (Independent Non-executive and Chairman of the Audit Committee)	
Mr GSJ van Nieuwenhuizen (Independent Non-executive Director)	
Mr WP van der Merwe (Non-executive Director)	Appointed 8 March 2010
Ms E Colyn (Chief Executive Officer)	Appointed 11 May 2010
Ms M Jacobs (Financial Director)	Appointed 1 January 2011

10. Secretary

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

Business address:	Postal address:
Monument Office Park	PO Box 4896
Block 5, Suite 102	Rietvalleirand
79 Steenbok Avenue	0174
Monument Park	
0181	

11. Interest in subsidiaries

Name of subsidiary	Share capital R	Interest % 2011	Interest % 2010	Net income/ (loss) after tax R
Direct				
Placecol Cosmetics (Pty) Ltd	1 022 000	100	100	(2 362 741)
Nomic 136 (Pty) Ltd	120	100	100	914 241
Indirect				
Placecol Skin Care Clinic (Pty) Ltd	100	100	100	259 018
Placecol Beauty Centre Franchise (Pty) Ltd	120	100	100	480 549
Placecol Finance and Properties (Pty) Ltd	100	100	100	109 424
Salonquip (Pty) Ltd	950	100	100	168 446

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

12. Special resolutions

The following special resolution was registered by the company on 13 October 2010:

– general authority to repurchase the company's shares.

Other than the above, no special resolutions were passed by the company or the company's subsidiaries since the date of the previous directors report.

13. Auditors

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

14. Financial statements

The consolidated annual results and financial position are contained in the consolidated annual financial statements on pages 17 to 55 of the annual report.

The audited statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), the Listing Requirements of the JSE Limited (JSE) and the Companies Act 71 of 2008, as amended, remain consistent with those applied in the prior year.

Statement of Financial Position

for the year ended 28 February 2011

Figures in Rand	Note(s)	Group 2011	Group 2010	Company 2011	Company 2010
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	**5 514 642**	5 109 472	**5 759**	8 093
Goodwill	4	**6 808 807**	6 808 807	**–**	–
Intangible assets	5	**473 044**	79 285	**–**	–
Investments in subsidiaries	6	**–**	–	**14 852 665**	14 852 665
Loans to group companies	7	**–**	–	**22 849 332**	41 805 299
Other financial assets	9	**1 436 513**	3 223 322	**–**	–
Deferred tax	10	**11 856 863**	11 105 555	**3 120 451**	2 675 320
		26 089 869	26 326 441	**40 828 207**	59 341 377
Current Assets					
Inventories	11	**11 680 242**	10 051 023	**–**	–
Other financial assets	9	**4 206 748**	9 193 715	**207 743**	312 206
Current tax receivable		**86 277**	164 655	**–**	–
Trade and other receivables	12	**6 143 795**	11 267 714	**–**	–
Cash and cash equivalents	13	**94 017**	120 949	**39 535**	40 260
		22 211 079	30 798 056	**247 278**	352 466
TOTAL ASSETS		**48 300 948**	57 124 497	**41 075 485**	59 693 843
EQUITY AND LIABILITIES					
Equity					
Share capital	14	**49 830 461**	49 830 461	**49 830 461**	49 830 461
Accumulated loss		**(30 351 215)**	(29 838 815)	**(15 030 998)**	(14 596 587)
		19 479 246	19 991 646	**34 799 463**	35 233 874
LIABILITIES					
Non-Current Liabilities					
Loans from group companies	7	**–**	–	**–**	16 707 015
Other financial liabilities	15	**4 292 249**	5 442 022	**244 000**	850 000
Finance lease obligation	16	**–**	128 755	**–**	–
Operating lease liability		**–**	181 307	**–**	–
Deferred tax	10	**–**	2 980	**–**	–
		4 292 249	5 755 064	**244 000**	17 557 015
Current Liabilities					
Loans from shareholders	8	**3 215 510**	164 493	**3 215 510**	164 493
Other financial liabilities	15	**6 133 189**	9 343 644	**600 000**	1 644 675
Current tax payable		**795 421**	860 299	**3 095**	3 095
Finance lease obligation	16	**114 188**	311 870	**–**	–
Operating lease liability		**237 071**	–	**–**	–
Trade and other payables	17	**9 730 035**	15 708 076	**350 000**	2 490 787
Bank overdraft	13	**4 304 039**	4 989 405	**1 863 417**	2 599 904
		24 529 453	31 377 787	**6 032 022**	6 902 954
TOTAL LIABILITIES		**28 821 702**	37 132 851	**6 276 022**	24 459 969
TOTAL EQUITY AND LIABILITIES		**48 300 948**	57 124 497	**41 075 485**	59 693 843

Statement of Comprehensive Income

for the year ended 28 February 2011

		Group		Company	
Figures in Rand	Note(s)	**2011**	2010	**2011**	2010
Revenue	18	**56 572 376**	69 894 181	**–**	–
Cost of sales	19	**(16 830 379)**	(34 351 493)	**–**	–
Gross profit		**39 741 997**	35 542 688	**–**	–
Other income		**2 298 464**	5 311 634	**345 000**	1 158 196
Operating expenses		**(41 695 787)**	(70 480 113)	**(718 392)**	(10 204 899)
Impairment of goodwill		**–**	(2 438 906)	**–**	–
Operating profit/(loss)	20	**344 674**	(32 064 697)	**(373 392)**	(9 046 703)
Investment revenue	21	**974 184**	1 521 170	**387**	44 691
Finance costs	22	**(2 210 086)**	(3 702 410)	**(506 537)**	(489 487)
Loss before taxation		**(891 228)**	(34 245 937)	**(879 542)**	(9 491 499)
Taxation	23	**378 828**	8 441 057	**445 131**	2 400 925
Loss for the year		**(512 400)**	(25 804 880)	**(434 411)**	(7 090 574)
Other comprehensive income		**–**	–	**–**	–
Total comprehensive loss		**(512 400)**	(25 804 880)	**(434 411)**	(7 090 574)
Total comprehensive loss attributable to:					
Owners of the parent		**(512 400)**	(25 804 880)	**(434 411)**	(7 090 574)
Loss per share (cents)	33	**(0.22)**	(16.60)	**–**	–
Headline loss per share (cents)	33	**(0.15)**	(13.70)	**–**	–

Statement of Changes in Equity

for the year ended 28 February 2011

Figures in Rand	Share capital	Share premium	Total share capital	Accumulated loss	**Total equity**
Group					
Balance at 1 March 2009	**13 010**	**44 070 773**	**44 083 783**	**(4 033 935)**	**40 049 848**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(25 804 880)	(25 804 880)
Issue of shares	10 607	6 874 596	6 885 203	–	6 885 203
Share issue costs	–	(1 138 525)	(1 138 525)	–	(1 138 525)
Total changes	10 607	5 736 071	5 746 678	(25 804 880)	(20 058 202)
Balance at 1 March 2010	**23 617**	**49 806 844**	**49 830 461**	**(29 838 815)**	**19 991 646**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(512 400)	(512 400)
Total changes	–	–	–	(512 400)	(512 400)
Balance at 28 February 2011	**23 617**	**49 806 844**	**49 830 461**	**(30 351 215)**	**19 479 246**
Note(s)	14	14	14		
Company					
Balance at 1 March 2009	**13 010**	**44 070 773**	**44 083 783**	**(7 506 013)**	**36 577 770**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(7 090 574)	(7 090 574)
Issue of shares	10 607	6 874 596	6 885 203	–	6 885 203
Share issue costs	–	(1 138 525)	(1 138 525)	–	(1 138 525)
Total changes	10 607	5 736 071	5 746 678	(7 090 574)	(1 343 896)
Balance at 1 March 2010	**23 617**	**49 806 844**	**49 830 461**	**(14 596 587)**	**35 233 874**
Changes in equity					
Total comprehensive loss for the year	–	–	–	(434 411)	(434 411)
Total changes	–	–	–	(434 411)	(434 411)
Balance at 28 February 2011	**23 617**	**49 806 844**	**49 830 461**	**(15 030 998)**	**34 799 463**
Note(s)	14	14	14		

Statement of Cash Flows

for the year ended 28 February 2011

		Group		Company	
Figures in Rand	Note(s)	**2011**	2010	**2011**	2010
Cash flows from operating activities					
Cash utilised in operations	25	**(850 621)**	(15 428 410)	**(2 511 844)**	(5 616 729)
Interest income		**974 184**	1 521 170	**387**	44 691
Finance costs		**(2 210 086)**	(3 702 410)	**(506 537)**	(489 487)
Tax paid	26	**(361 960)**	(724 130)	**–**	(291 255)
Net cash used in operating activities		**(2 448 483)**	(18 333 780)	**(3 017 994)**	(6 352 780)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(1 793 317)**	(1 269 097)	**–**	(6 129)
Proceeds from disposal of property, plant and equipment	3	**204 255**	906 051	**–**	–
Purchase of intangible assets	5	**(442 149)**	(18 750)	**–**	–
Sale of businesses	27	**–**	982 067	**–**	517 396
Loans from/(to) group companies		**–**	–	**2 248 952**	(4 066 632)
Decrease in financial assets		**6 773 776**	4 907 769	**104 463**	941 939
Net cash from investing activities		**4 742 565**	5 508 040	**2 353 415**	(2 613 426)
Cash flows from financing activities					
Proceeds on share issue		**–**	5 746 678	**–**	5 746 678
Net movement of other financial liabilities		**(4 360 228)**	3 533 796	**(1 650 675)**	450 421
Proceeds from shareholders' loans		**3 051 017**	164 493	**3 051 017**	164 493
Finance lease payments		**(326 437)**	(202 594)	**–**	–
Net cash (to)/ from financing activities		**(1 635 648)**	9 242 373	**1 400 342**	6 361 592
Total cash movement for the year		**658 434**	(3 583 367)	**735 763**	(2 604 614)
Cash at the beginning of the year		**(4 868 456)**	(1 285 090)	**(2 559 645)**	44 969
Total cash at end of the year	13	**(4 210 022)**	(4 868 457)	**(1 823 882)**	(2 559 645)

Accounting policies

for the year ended 28 February 2011

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1. Presentation of Annual Financial Statements

The annual financial statements are prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa (Act no. 71 of 2008) as amended and the Listing Requirements of the JSE Limited. The annual financial statements have been prepared on the historical cost basis and except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies listed below.

They are presented in South Africa Rand.

These accounting policies are consistent with the previous period.

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 2010.

Adoption of Standards and Interpretations effective in 2012:

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

1.1 Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

Business combinations

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

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

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

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

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.

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

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

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

Impairment testing

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

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

Goodwill

Goodwill is the excess of the aggregate of the purchase consideration transferred and the amount of the non-controlling interest in the acquired value in terms of IFRS 3 over the net of the acquisition-date amounts of the identified assets acquired and liabilities assumed, measured in terms of IFRS 3.

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

Land and buildings is carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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.

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

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

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

Item	Average useful life
Buildings	60 years
Plant and machinery	5 years
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	6 years
IT equipment	3 years
Computer software	3 years
Leasehold improvements	10 years
Laser equipment	5 years
Promotional equipment	4 years

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

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

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

1.4 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

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

Item	**Useful life**
Trademark and website costs	10 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.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Financial instruments

Classification

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

- Financial assets at fair value through profit or loss - designated
- Loans and receivables
- Available-for-sale financial assets
- 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, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

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

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

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

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

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

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

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

Loans to shareholders, directors, managers and employees
These are loans classified as loans and receivables and are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

Accounting Policies

continued

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

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

Trade and other receivables are classified as loans and receivables.

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

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

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

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

1.7 Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Leases

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

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

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

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

Operating leases – lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease 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 of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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

1.10 Impairment of assets

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

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

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

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

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

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

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

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.

Accounting Policies

continued

1.11 Share capital and equity

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

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.14 Revenue

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

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

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

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

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

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

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

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

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

1.15 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.

1.16 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

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

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 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.

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 3 (Revised) Business Combinations

The revisions to IFRS 3 Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.

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

IAS 27 (Amended) Consolidated and Separate Financial Statements

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance.
- Changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill.
- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

IAS 7 Statement of Cash flows: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing transactions.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

IAS 28 Investments in Associates: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

When an investment in an associate is reduced but significant influence is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

IAS 12 Income Taxes – consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

The amendment is as a result of amendments to IAS 27 Consolidate and Separate Financial Statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

IAS 39 Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item; and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

IFRIC 17 – Distribution of non cash assets to owners
The interpretation provides guidance on accounting for non-reciprocal distributions of non-cash assets to owners, or distributions where owners have a choice between a cash or non-cash distribution. The distribution is to be recognised as a dividend on the date that the dividend has been appropriately authorised and is no longer subject to the discretion of the entity, and measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be reviewed at each reporting date and on settlement date to ensure it reflects fair value. Changes in measurement are recognised in equity as adjustments to the amount of the distribution. Additional disclosures are required.

The effective date of the interpretation is for years beginning on or after 01 July 2009.

The group has adopted the interpretation for the first time in the 2011 annual financial statements.

The impact of the interpretation is not material.

2009 Annual Improvements Project: Amendments to IFRS 2 Share-based payment
The amendment excludes common control transactions and the formation of joint ventures from the scope of IFRS 2 Share-based Payment.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
The amendment specifies that disclosures of other Standards do not apply to non-current assets (or disposal groups) held for sale or discontinued operations, unless specifically required by other Standards or for measurement disclosures of assets and liabilities in a disposal group which are outside the measurement requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IFRS 8 Operating Segments
Entities are only required to report segment assets if they are regularly reported to the chief operating decision maker.

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

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements
The amendment clarifies that a liability which could, at the option of the counterparty, result in its settlement by the issue equity instruments, does not affect its classification as current or non-current.

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

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 7 Statement of Cash Flows
The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

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

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 17 Leases
The amendment removes the guidance that leases of land, where title does not transfer, are operating leases. The amendment therefore requires that lease classification for land be assessed in the same manner as for all leases. The amendment is to be applied retrospectively, unless the information is not available. In these cases, existing leases shall be reconsidered based on facts and circumstances existing at the date of adoption of the amendment. The lease asset and lease liability shall, in these cases be recognised at their fair values on that date, with any difference in those fair values recognised in retained earnings.

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

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 18 Revenue
The amendment provides additional guidance in the determination of whether an entity is acting as an agent or principal in a revenue transaction.

The effective date of the amendment is for years beginning on or after 01 June 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 36 Impairment of Assets
The amendment now requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 Operating Segments. Thus the determination is now required to be made before operating segments are aggregated.

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

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 38 Intangible Assets
The amendment provides guidance on the measurement of intangible assets acquired in a business combination.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 39 Financial Instruments: Recognition and Measurement
In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

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

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IFRIC 9 Reassessment of Embedded Derivatives
The amendment excludes from the scope of the Interpretation all embedded derivatives acquired in a business combination, in the combination of entities under common control or the formation of joint ventures.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 March 2011 or later periods:

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. Phase one deals with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

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

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

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

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

IAS 24 Related Party Disclosures (Revised)

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

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

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

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

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

The group expects to adopt the amendment for the first time in the 2012 annual financial statements.

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

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

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

The group expects to adopt the amendment for the first time in the 2012 annual financial statements.

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

2010 Annual Improvements Project: Amendments to IFRS 3 Business Combinations
The amendment clarifies the initial measurement of non-controlling interests. Only those interests which represent a present ownership interest shall be measured at either fair value or the present ownership's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interest shall be measured at their acquisition date fair values, unless otherwise required by IFRS.

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

For equity settled share based payment transactions of the acquiree that the acquirer does not exchange for its share based payment transactions, vested transactions shall be measured as part of non-controlling interest at market based measure. Unvested transactions shall be measured at market based measure as if acquisition date were grant date. This measure is then allocated to non-controlling interest based on the ratio of vesting period completed to greater of total vesting period or original vesting period.

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

The group expects to adopt the amendment for the first time in the 2012 annual financial statements.

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

2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures
Additional clarification is provided on the requirements for risk disclosures.

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

The group expects to adopt the amendment for the first time in the 2012 annual financial statements.

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

2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements
The amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.

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

The group expects to adopt the amendment for the first time in the 2012 annual financial statements.

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

Accounting Policies

continued

IFRS 10 Consolidated financial statements:
New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

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

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

IFRS 11: Joint arrangements:
New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

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

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

IFRS 12 Disclosure of interests in other entities:
New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

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

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

IFRS 13 Fair value measurement:
New guidance on fair value measurement and disclosure requirements.

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

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

IAS 24 Related party disclosures:
Simplification of the disclosure requirements for government-related entities and clarification of the definition of a related party.

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

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

IAS 27 Consolidated and separate financial statements:
Consequential amendments resulting from the issue of IFRS 10,11 and 12.

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

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

Notes to the Annual Financial Statements

for the year ended 28 February 2011

Figures in Rand	2011 Cost	2011 Accumulated depreciation	2011 Carrying value	2010 Cost	2010 Accumulated depreciation	2010 Carrying value
3. Property, plant and equipment						
Group						
Land and buildings	**1 500 000**	**–**	**1 500 000**	1 450 000	(78 543)	1 371 457
Plant and machinery	**–**	**–**	**–**	333 888	(35 804)	298 084
Furniture and fixtures	**836 163**	**(426 544)**	**409 619**	917 193	(420 850)	496 343
Motor vehicles	**1 457 657**	**(685 055)**	**772 602**	1 991 021	(880 583)	1 110 438
Office equipment	**821 227**	**(315 067)**	**506 160**	820 495	(203 890)	616 605
IT equipment	**1 286 718**	**(883 887)**	**402 831**	1 421 282	(847 026)	574 256
Computer software	**13 195**	**(4 710)**	**8 485**	10 307	(3 499)	6 808
Leasehold improvements	**71 599**	**(32 974)**	**38 625**	74 296	(30 598)	43 698
Laser equipment	**3 748 053**	**(1 871 856)**	**1 876 197**	2 149 476	(1 558 021)	591 455
Promotional equipment	**23 104**	**(22 981)**	**123**	23 104	(22 776)	328
Total	**9 757 716**	**(4 243 074)**	**5 514 642**	9 191 062	(4 081 590)	5 109 472
Company						
Office equipment	**6 129**	**(1 592)**	**4 537**	6 129	(724)	5 405
IT equipment	**5 499**	**(4 277)**	**1 222**	5 499	(2 811)	2 688
Total	**11 628**	**(5 869)**	**5 759**	11 628	(3 535)	8 093

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Disposals	Fair value adjustment	Depreciation	Impairment loss	Closing balance
Group – 2011							
Land and buildings	**1 371 457**	**–**	**–**	**50 000**	**78 543**	**–**	**1 500 000**
Plant and machinery	**298 084**	**–**	**(298 084)**	**–**	**–**	**–**	**–**
Furniture and fixtures	**496 343**	**–**	**–**	**–**	**(86 724)**	**–**	**409 619**
Motor vehicles	**1 110 438**	**96 237**	**–**	**–**	**(218 190)**	**(215 883)**	**772 602**
Office equipment	**616 605**	**7 823**	**(10 771)**	**–**	**(107 497)**	**–**	**506 160**
IT equipment	**574 256**	**81 441**	**(43 130)**	**–**	**(215 225)**	**5 489**	**402 831**
Computer software	**6 808**	**5 888**	**–**	**–**	**(4 211)**	**–**	**8 485**
Leasehold improvements	**43 698**	**3 351**	**(3 241)**	**–**	**(5 183)**	**–**	**38 625**
Laser equipment	**591 455**	**1 598 577**	**–**	**–**	**(313 835)**	**–**	**1 876 197**
Promotional equipment	**328**	**–**	**–**	**–**	**(205)**	**–**	**123**
	5 109 472	**1 793 317**	**(355 226)**	**50 000**	**(872 527)**	**(210 394)**	**5 514 642**

Notes to the Annual Financial Statements

continued

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Closing balance
Group – 2010					
Land and buildings	1 395 624	–	–	(24 167)	1 371 457
Plant and machinery	665 305	373 382	(565 996)	(174 607)	298 084
Furniture and fixtures	829 823	129 985	(274 647)	(188 818)	496 343
Motor vehicles	1 516 122	21 691	(165 147)	(262 228)	1 110 438
Office equipment	732 306	350 207	(338 065)	(127 843)	616 605
IT equipment	1 093 682	215 757	(468 030)	(267 153)	574 256
Computer software	6 500	2 807	–	(2 499)	6 808
Leasehold improvements	637 959	37 631	(536 625)	(95 267)	43 698
Laser equipment	1 748 430	137 067	(1 180 352)	(113 690)	591 455
Promotional equipment	6 548	570	(6 195)	(595)	328
	8 632 299	1 269 097	(3 535 057)	(1 256 867)	5 109 472

Reconciliation of property, plant and equipment

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

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Depreciation	Closing balance
Company – 2010				
Office equipment	–	6 129	(724)	5 405
IT equipment	4 155	–	(1 467)	2 688
	4 155	6 129	(2 191)	8 093

Motor vehicles to the carrying value of R772 602 are subject to finance leases as per note 16. Laser equipment to the value of R 1 876 197 are subject to instalment sale agreements as per note 15.

The effective date of the revaluations for land and buildings were 10 January 2011. Revaluations were performed by ABSA Bank.

Figures in Rand	**Cost**	**2011 Accumulated impairment**	**Carrying value**	Cost	2010 Accumulated impairment	Carrying value
4. Goodwill						
Goodwill	**16 230 050**	**(9 421 243)**	**6 808 807**	16 230 050	(9 421 243)	6 808 807

Reconciliation of goodwill

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

Notes to the Annual Financial Statements

continued

skinwell
investing in wellness

Reconciliation of goodwill

Figures in Rand	Opening balance	Disposals through business divesture	Impairment loss	Total
Group – 2010				
Goodwill	10 063 732	(816 018)	(2 438 907)	6 808 807

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

Key assumptions used in value-in-use calculations include budgeted margins and budgeted franchise revenue streams. Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which these units operate.

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

Figures in Rand	**Cost**	**2011 Accumulated amortisation**	**Carrying value**	Cost	2010 Accumulated amortisation	Carrying value
5. Intangible assets						
Trademark and website costs	**588 564**	**(115 520)**	**473 044**	146 415	(67 130)	79 285

Reconciliation of intangible assets

Figures in Rand	**Opening balance**	**Additions**	**Amortisation**	**Total**
Group – 2011				
Trademark and website costs	**79 285**	**442 149**	**(48 390)**	**473 044**
Group – 2010				
Trademark and website costs	127 665	18 750	(67 130)	79 285

Name of company	**2011 Holding**	2010 Holding	**2011 Carrying amount**	2010 Carrying amount
6. Investments in subsidiaries				
Placecol Cosmetics (Pty) Ltd	**100.00%**	100.00%	**9 446 240**	9 446 240
Nomic 136 (Pty) Ltd	**100.00%**	100.00%	**5 406 425**	5 406 425
			14 852 665	14 852 665

The carrying amounts of subsidiaries are shown net of impairment losses.

Notes to the Annual Financial Statements

continued

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
7. Loans to (from) group companies				
Subsidiaries				
Placecol Skin Care Clinic (Pty) Ltd	**–**	–	**–**	(4 251 660)
Placecol Cosmetics (Pty) Ltd	**–**	–	**22 849 332**	37 740 840
Placecol Beauty Centre Franchise (Pty) Ltd	**–**	–	**–**	(11 849 278)
Nomic 136 (Pty) Ltd	**–**	–	**–**	660 253
Placecol Finance and Properties (Pty) Ltd	**–**	–	**–**	3 404 206
Salonquip (Pty) Ltd	**–**	–	**–**	(606 077)
	–	–	**22 849 332**	25 098 284
The loans are unsecured, bear no interest and have no fixed terms of repayment, however, are not repayable within the next 12 months.				
Non-current assets	**–**	–	**22 849 332**	41 805 299
Non-current liabilities	**–**	–	**–**	(16 707 015)
	–	–	**22 849 332**	25 098 284

Loans to group companies past due but not impaired

Loans to group companies have no fixed terms of repayment and are therefore not past due. The maximum exposure to credit risk at the reporting date is the fair value of each class of loan disclosed above.

Loans to group companies impaired

As of 28 February 2011, no loans to group companies were impaired.

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
8. Loans from shareholders				
WP van der Merwe	**945 047**	112 429	**945 047**	112 429
E Colyn	**2 270 463**	37 847	**2 270 463**	37 847
Other shareholders	**–**	14 217	**–**	14 217
	3 215 510	164 493	**3 215 510**	164 493

The loans are unsecured, bear interest at prime lending rate and have no fixed terms of repayment. Absa Bank is the cession holder of all shareholders loan accounts.

Notes to the Annual Financial Statements
continued

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
9. Other financial assets				
Instalment sale debtors	**955 087**	2 642 304	**–**	–
Instalment sale debtors bear interest at rates between 12.5% and 19.5% per annum repayable in monthly instalments ranging from R2 443 to R4 903 per agreement.				
CW Pharmaceuticals (Pty) Ltd	**392 160**	1 113 905	**–**	–
This loan bears interest at prime and is repayable in monthly instalments of R67 376.				
	1 347 247	3 756 209	**–**	–
Impairments	**–**	(27 725)	**–**	–
	1 347 247	3 728 484	**–**	–
Loans made in respect of outlets franchised	**1 928 771**	2 334 361	**–**	312 206
The loans are secured by Placecol Beauty Centres sold, interest is charged at prime, commencing 91 days after signature date. The loan is repayable within 48 months from signature date.				
Deed of sale debtor	**207 743**	976 208	**207 743**	–
These unsecured loans bears interest at prime plus two and no fixed term of repayment have been agreed upon.				
Loans made in respect of outlets franchised.	**–**	1 755 065	**–**	–
These unsecured loans bears interest at prime plus two and no fixed term of repayment have been agreed upon.				
Student loans	**2 159 500**	3 440 059	**–**	–
The student loans carries interest at prime and are repayable within 3 years after completion of the studies.				
Long-term loans	**–**	182 860	**–**	–
These unsecured loans bear no interest and there were no fixed terms of repayment.				
	4 296 014	8 688 553	**207 743**	312 206
Total other financial assets	**5 643 261**	12 417 037	**207 743**	312 206
Non-current assets				
Amortised cost	**1 436 513**	3 223 322	**–**	–
Current assets				
Amortised cost	**4 206 748**	9 193 715	**207 743**	312 206
	5 643 261	12 417 037	**207 743**	312 206
Fair value information				
There are no differences between the fair value of the loans made and their carrying amounts.				
Instalment sale debtors				
Minimum payments due				
– within one year	**492 082**	1 840 031	**–**	–
– in second to fifth year inclusive	**551 197**	955 087	**–**	–
	1 043 279	2 795 118	**–**	–
Less: Future finance income	**(88 192)**	(152 814)	**–**	–
	955 087	2 642 304	**–**	–

Notes to the Annual Financial Statements

continued

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
10. Deferred tax				
Deferred tax asset				
Accelerated capital allowances for tax purposes	**4 154 199**	4 045 252	**3 120 451**	–
Tax losses available for set off against future taxable income	**7 702 664**	7 057 323	**–**	2 675 320
	11 856 863	11 102 575	**3 120 451**	2 675 320
Reconciliation of deferred tax asset				
At beginning of the year	**11 102 575**	3 852 677	**2 675 320**	274 395
Increase in tax losses available for set off against future taxable income	**645 341**	5 855 131	**445 131**	2 401 093
Other originating temporary differences	**108 947**	1 394 767	**–**	(168)
	11 856 863	11 102 575	**3 120 451**	2 675 320
11. Inventories				
Finished goods	**6 731 589**	4 556 553	**–**	–
Stores held for sale	**4 975 955**	5 794 470	**–**	–
	11 707 544	10 351 023	**–**	–
Provision for obsolete inventory	**(27 302)**	(300 000)	**–**	–
	11 680 242	10 051 023	**–**	–
12. Trade and other receivables				
Trade receivables	**5 410 456**	9 842 699	**–**	–
Staff loans	**–**	127 402	**–**	–
Prepayments	**–**	38 367	**–**	–
Deposits	**733 339**	695 198	**–**	–
VAT	**–**	564 048	**–**	–
	6 143 795	11 267 714	**–**	–

Trade and other receivables pledged as security

Trade receivables were pledged as security for overdraft facilities of R4 700 000 (2010: R4 700 000) for the group. At year end the overdraft amounted to R4 304 039 (2010: R4 989 405).

Credit quality of trade and other receivables

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

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

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

Fair value of trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 28 February 2011, R5 020 112 (2010: R6 726 319) were past due but not impaired.

Notes to the Annual Financial Statements

continued

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
The ageing of amounts past due but not impaired is as follows:				
30-60 days	**1 106 175**	2 556 982	**–**	–
60-90 days	**265 228**	1 280 339	**–**	–
90-120 days	**1 489 209**	689 498	**–**	–
120+ days	**2 159 500**	2 199 500	**–**	–
Total	**5 020 112**	6 726 319	**–**	–
Trade and other receivables impaired				
As of 28 February 2011, trade and other receivables of R 2 063 552 (2010: R1 166 394) were impaired and provided for.				
Movements in the provision for impairment of receivables were as follows:				
Opening balance	**1 166 394**	750 681	**–**	–
Provision for the year	**2 063 552**	1 166 394	**–**	–
Utilised in the year	**(1 166 394)**	(750 681)	**–**	–
Closing balance	**2 063 552**	1 166 394	**–**	–
The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above.				
13. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	**52 187**	7 000	**–**	–
Bank balances	**41 830**	113 949	**39 535**	40 260
Bank overdraft	**(4 304 039)**	(4 989 405)	**(1 863 417)**	(2 599 904)
	(4 210 022)	(4 868 456)	**(1 823 882)**	(2 559 644)
Current assets	**94 017**	120 949	**39 535**	40 260
Current liabilities	**(4 304 039)**	(4 989 405)	**(1 863 417)**	(2 599 904)
	(4 210 022)	(4 868 456)	**(1 823 882)**	(2 559 644)

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

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

The group's maximum exposure to credit risk as a result of the bank balances held is limited to the carrying value of these balances as detailed above.

Notes to the Annual Financial Statements

continued

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
14. Share capital				
Authorised				
500 000 000 Ordinary shares of 0.01 cents each	**50 000**	50 000	**–**	–
Reconciliation of number of shares issued:				
Reported as at 1 March 2010	**236 172 773**	132 504 976	**–**	–
Shares cancelled and repurchased	**–**	(34 099 654)	**–**	–
Issue of shares – ordinary shares	**–**	137 767 451	**–**	–
	236 172 773	236 172 773	**–**	–
Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.				
Issued				
Ordinary	**23 617**	23 617	**23 617**	23 617
Share premium	**49 806 844**	49 806 844	**49 806 844**	49 806 844
	49 830 461	49 830 461	**49 830 461**	49 830 461
15. Other financial liabilities				
Held at amortised cost				
Instalment sale agreements Liabilities under instalment sale agreements bear interest at an average effective rate of 11.52 % (2010:12.83%) per annum. The current monthly instalment is R378 311 (2010: R379 683) and are repayable over a period of 48 to 60 months.	**4 940 744**	7 431 725	**–**	–
Other financial liability The loans are unsecured and interest free.	**216 029**	–	**–**	–
Loans from Giyatri Paper Mills (Pty) Ltd The loan bears interest at the prime lending rate and repayable in monthly instalments. The loan is secured by a suretyship by W de Wet and W van der Merwe, a pledge of all the shares in Placecol Cosmetics (Pty) Ltd and a second bond over Erf 1438, Campsbay.	**2 924 617**	2 614 331	**–**	–
Loans from directors* The loans are unsecured and interest free.	**–**	339 628	**–**	339 628
Loan from Business Partners The loan is unsecured and interest free and is repayable in monthly instalments of R50 000	**844 000**	1 400 000	**844 000**	1 400 000
Absa Loan Term loans bear interest at prime per annum. The current monthly instalment is RNil (2010: R66 530).	**–**	1 322 679	**–**	755 047
Mortgage bonds ABSA mortgage bonds bearing interest at an average rate of 6.95 % (2010: 8.7%) per annum. The current monthly instalment is R11 326 (2010: R12 448). The loans are secured by land and buildings with a carrying amount of R1 500 000 (2010: R1 371 457).	**1 500 048**	1 677 303	**–**	–
	10 425 438	14 785 666	**844 000**	2 494 675
*These directors resigned in September 2009.				
Non-current liabilities				
At amortised cost	**4 292 249**	5 442 022	**244 000**	850 000
Current liabilities				
At amortised cost	**6 133 189**	9 343 644	**600 000**	1 644 675
	10 425 438	14 785 666	**844 000**	2 494 675

Fair value information:

There are no difference between the fair value of the liabilities and their carrying amounts.

Notes to the Annual Financial Statements

continued

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
16. Finance lease obligation				
Minimum lease payments due				
– within one year	**133 042**	352 829	**–**	–
– in second to fifth year inclusive	**–**	174 937	**–**	–
	133 042	527 766	**–**	–
less: future finance charges	**(18 854)**	(87 141)	**–**	–
Present value of minimum lease payments	**114 188**	440 625	**–**	–
Present value of minimum lease payments due				
– within one year	**114 188**	311 870	**–**	–
– in second to fifth year inclusive	**–**	128 755	**–**	–
	114 188	440 625	**–**	–
Non-current liabilities	**–**	128 755	**–**	–
Current liabilities	**114 188**	311 870	**–**	–
	114 188	440 625	**–**	–

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

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

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

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
17. Trade and other payables				
Trade payables	**6 931 090**	10 304 288	**–**	2 470 787
VAT	**197 878**	414 272	**–**	–
Gift card liability	**209 200**	1 807 293	**–**	–
Payroll accruals	**687 763**	75 690	**350 000**	–
Salary accrual	**147 473**	324 746	**–**	–
Other accruals	**162 479**	467 367	**–**	–
Deposits received	**370 981**	427 121	**–**	–
Other payables	**1 023 171**	1 887 299	**–**	20 000
	9 730 035	15 708 076	**350 000**	2 490 787

Fair value of trade and other payables

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

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
18. Revenue				
Sale of goods and royalty income	**55 023 376**	49 178 512	**–**	–
Sale of New Franchises	**1 549 000**	6 346 733	**–**	–
Supply chain and support	**–**	14 368 936	**–**	–
	56 572 376	69 894 181	**–**	–

Notes to the Annual Financial Statements

continued

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
19. Cost of sales				
Sale of goods				
Cost of goods sold	**16 367 385**	19 904 145	**–**	–
Rendering of services				
Cost of services	**462 994**	14 447 348	**–**	–
	16 830 379	34 351 493	**–**	–
20. Operating profit/(loss)				
Operating profit/(loss) for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
• Contractual amounts	**6 221 101**	7 034 050	**–**	517 055
Equipment				
• Contractual amounts	**320 671**	313 111	**–**	–
	6 541 772	7 347 161	**–**	517 055
Loss on sale of property, plant and equipment	**150 971**	1 117 875	**–**	–
Loss on sale of subsidiary	**–**	1 140 008	**–**	517 396
Impairment on trade and other receivables	**1 211 221**	1 000 000	**–**	–
(Profit)/loss on exchange differences	**(46 773)**	111 188	**–**	–
Amortisation on intangible assets	**48 390**	67 130	**–**	–
Depreciation on property, plant and equipment	**872 527**	1 256 867	**2 335**	2 190
Employee costs	**19 284 022**	25 821 735	**4 577**	1 136 589
Research	**–**	42 500	**–**	–
21. Investment revenue				
Interest revenue				
Bank	**636 407**	614 152	**387**	44 691
Other interest	**337 777**	907 018	**–**	–
Other interest	**974 184**	1 521 170	**387**	44 691
22. Finance costs				
Non-current borrowings	**1 057 160**	1 537 748	**–**	–
Trade and other payables	**191 978**	88 938	**–**	–
Bank	**716 333**	1 721 354	**506 537**	489 487
Current borrowings	**14 088**	43 899	**–**	–
Late payment of tax	**83 202**	148 063	**–**	–
Interest paid on mortgage bond	**147 325**	143 404	**–**	–
Other interest paid	**–**	19 004	**–**	–
	2 210 086	3 702 410	**506 537**	489 487

Notes to the Annual Financial Statements

continued

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Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
23. Taxation				
Major components of the tax income				
Current				
Local income tax – current period	**375 460**	(982 596)	**–**	–
Local income tax – recognised in current tax for prior periods	**–**	(130 512)	**–**	–
	375 460	(1 113 108)	**–**	–
Deferred				
Originating and reversing temporary differences	**(108 947)**	(1 258 998)	**–**	–
Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense	**(645 341)**	(6 068 951)	**(445 131)**	(2 400 925)
	(754 288)	(7 327 949)	**(445 131)**	(2 400 925)
	(378 828)	(8 441 057)	**(445 131)**	(2 400 925)
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	**28.00 %**	28.00 %	**28.00 %**	28.00 %
Tax loss previously not recognised	**31.01 %**	– %	**22.16 %**	– %
Capital gains tax	**(0.08)%**	0.38 %	**– %**	0.76 %
Disallowable charges	**(16.43)%**	(3.73)%	**– %**	(3.46)%
	42.50 %	24.65 %	**50.16 %**	25.30 %
24. Auditors' remuneration				
Fees	**510 505**	741 265	**12 498**	236 926
25. Cash used in operations				
Loss before taxation	**(891 228)**	(34 245 937)	**(879 542)**	(9 491 499)
Adjustments for:				
Depreciation and amortisation	**920 917**	1 323 997	**2 335**	2 190
Loss/(profit) on sale of assets and businesses	**150 971**	2 501 161	**–**	(517 396)
Interest received	**(974 184)**	(1 521 170)	**(387)**	(44 691)
Finance costs	**2 210 086**	3 702 410	**506 537**	489 487
Impairment loss	**–**	3 738 907	**–**	–
Movements in operating lease assets and accruals	**55 764**	(50 151)	**–**	–
Movements in provisions	**–**	414 777	**–**	–
Fair value adjustments	**(50 000)**	(356 506)	**–**	–
Changes in working capital:				
Inventories	**(1 629 219)**	7 734 710	**–**	–
Trade and other receivables	**5 123 919**	3 880 859	**–**	2 535 503
Trade and other payables	**(5 767 647)**	(909 065)	**(2 140 787)**	1 409 677
Deferred income	**–**	(1 642 402)	**–**	–
	(850 621)	(15 428 410)	**(2 511 844)**	(5 616 729)
26. Tax paid				
Balance at beginning of the year	**(695 644)**	(2 684 620)	**(3 095)**	(294 350)
Current tax for the year recognised in profit or loss	**(375 460)**	1 113 108	**–**	–
Adjustment for taxation on disposal of subsidiary	**–**	151 738	**–**	–
Balance at end of the year	**709 144**	695 644	**3 095**	3 095
	(361 960)	(724 130)	**–**	(291 255)

Notes to the Annual Financial Statements

continued

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
27. Sale of businesses				
27.1 Sale of non-equity accounted businesses				
Carrying value of assets sold				
Property, plant and equipment	–	(1 268 220)	–	–
Goodwill	–	(816 102)	–	–
Inventories	–	(3 469 963)	–	–
Trade and other receivables	–	(1 134 006)	–	–
Trade and other payables	–	1 495 311	–	–
Tax assets / liabilities	–	73 687	–	–
Borrowings	–	2 997 218	–	–
Cash	–	464 569	–	–
Total net assets sold	–	(1 657 506)	–	–
Loss/(Profit) on disposal	–	1 140 008	–	(517 396)
Consideration received	–	(517 498)	–	(517 396)
Claims recouped	–	(2 523 133)	–	–
Total cash receivable on disposal of subsidiary	–	(3 040 631)	–	(517 396)
Consideration received				
Cash	–	1 000 000	–	517 396
Equity – 12 642 581 ordinary shares	–	632 129	–	–
Partial payment of CW claims (CW Pharmaceuticals (Pty) Ltd loan account)	–	(1 114 631)	–	–
Claims recouped	–	2 523 133	–	–
	–	3 040 631	–	517 396
Cash receivable on disposal of subsidiary				
Adjusted purchased consideration	–	517 498	–	–
Claims recouped	–	2 523 133	–	–
Total cash received	–	3 040 631	–	–
Cash received	–	(1 926 726)	–	–
Total cash received at year-end	–	1 113 905	–	–
Net cash inflow on disposal				
Cash consideration received	–	517 498	–	517 498
Bank overdraft sold	–	464 569	–	–
	–	982 067	–	517 396
28. Commitments				
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	**237 071**	2 573 545	–	–
– in second to fifth year inclusive	–	1 504 588	–	–
	237 071	4 078 133	–	–

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

Notes to the Annual Financial Statements

continued

29. Contingencies

Absa Bank holds unlimited suretyships for credit facilities granted to the group, supplied by:
Placecol Cosmetics (Pty) Ltd
Placecol Skincare Clinic (Pty) Ltd
Nomic 136 (Pty) Ltd
Placecol Finance and Properties (Pty) Ltd
Salonquip (Pty) Ltd
Placecol Beauty Centre (Pty) Ltd
Skinwell Holdings Ltd

Absa Bank holds cession of loan accounts in the following entities:
Placecol Cosmetics (Pty) Ltd
Nomic 136 (Pty) Ltd
Placecol Finance and Properties (Pty) Ltd
Salonquip (Pty) Ltd
Placecol Beauty Centre (Pty) Ltd
Skinwell Holdings Ltd

30. Related parties

Relationships

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

	Group		Company	
Figures in Rand	**2011**	2010	**2011**	2010
Related party balances				
Loans to/(from) subsidiaries and fellow subsidiaries				
Nomic 136 (Pty) Ltd	**–**	–	**–**	660 253
Placecol Cosmetics (Pty) Ltd	**–**	–	**22 849 332**	37 740 840
Salonquip (Pty) Ltd	**–**	–	**–**	(606 077)
Placecol Beauty Centre Franchise (Pty) Ltd	**–**	–	**–**	(11 849 278)
Skin Care Clinic (Pty) Ltd	**–**	–	**–**	(4 251 660)
Placecol Properties (Pty) Ltd	**–**	–	**–**	3 404 206
Loan accounts to related parties				
WJ de Wet	**–**	(339 628)	**–**	(339 628)
Related party transactions				
Interest paid to/(received from) related parties				
WJ de Wet	**–**	31 316	**–**	31 316
CW Moolman	**–**	14 092	**–**	14 092
SF Grobbelaar	**–**	299	**–**	299
WL Rudolph	**–**	168	**–**	168
E Colyn	**138 713**	–	**1 38 713**	–
W van der Merwe	**37 436**	–	**37 436**	–
Rent paid to related parties				
Elroi Investments (Pty) Ltd	**–**	1 887 493	**–**	1 887 493
Xenon Technologies (Pty) Ltd	**–**	840 504	**–**	840 504
Compensation paid to other related parties				
U Moolman	**–**	86 064	**–**	86 064
A de Wet	**–**	86 800	**–**	86 800

Figures in Rand	Group 2011	Group 2010	Company 2011	Company 2010
Administration fees received from related parties				
CW Pharmaceuticals (Pty) Ltd	**–**	–	**–**	(504 000)
Loans from shareholders				
WP van der Merwe	**(907 611)**	(112 429)	**(907 611)**	(112 429)
E Colyn	**(2 131 750)**	(37 847)	**(2 131 750)**	(37 847)
Other shareholders	**–**	(14 217)	**–**	(14 217)
Reign Capital (Pty) Ltd	**(2 482 293)**	(2 217 576)	**–**	–

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

31. Directors' emoluments

No loans were made to directors during the year under review. Directors made funding available to the group as disclosed in note 30. Directors' emoluments were accrued for the non-executive directors during the year.

Figures in Rand	Basic salary	Fringe benefits	Total
Executive			
2011			
JM Swart	**332 805**	**28 000**	**360 805**
WJ Rudolph	**264 000**	**–**	**264 000**
F Grobbelaar	**228 511**	**–**	**228 511**
E Colyn	**339 227**	**–**	**339 227**
M Jacobs	**80 000**	**–**	**80 000**
	1 244 543	**28 000**	**1 272 543**

Figures in Rand	Basic salary	Retirement funds and medical aid contributions	Fringe benefits	Total
2010				
WJ de Wet	369 500	29 967	102 326	501 793
CW Moolman	316 686	–	84 000	400 686
S Morgan	520 000	–	25 903	545 903
WJ Rudolph	594 000	–	133 746	727 746
F Grobbelaar	646 269	–	128 550	774 819
JM Swart	330 000	–	79 540	409 540
	2 776 455	29 967	554 065	3 360 487

Non-executive 2011	**Directors fees**
TJ Schoeman	**100 000**
MM Patel	**90 000**
GSJ van Nieuwenhuizen	**80 000**
WP van der Merwe	**80 000**
	350 000
2010	
C Nkosi	38 000
TJ Schoeman	158 000
	196 000

Details of prescribed officers

	Remuneration
2011	
T Niemand	**393 438**
A Piekaar	**342 800**
	736 238

Notes to the Annual Financial Statements

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32. Risk management

Capital risk management

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

The Group manages its capital structure and makes adjustments to it, in light if changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the year ended 28 February 2011.

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

There are no externally imposed capital requirements.

Financial risk management

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

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

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

Liquidity risk

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

Cash flow forecasts are prepared and 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 undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Financial liabilities at amortised costs:

Figures in Rand	Less than 1 year	Between 1 and 5 years
Group		
At 28 February 2011		
Other financial liabilities	**6 448 068**	**3 977 370**
Bank overdraft	**4 304 039**	**–**
Trade and other payables	**9 532 156**	**–**
Financial lease obligation	**114 188**	**–**
Loans from shareholders	**3 215 510**	**–**
At 28 February 2010		
Other financial liabilities	9 343 643	5 442 022
Bank overdraft	4 989 405	–
Trade and other payables	15 293 805	–
Financial lease obligation	311 870	128 755
Loans from shareholders	164 493	–

Notes to the Annual Financial Statements

continued

Figures in Rand	Less than 1 year	Between 1 and 5 years
Company		
At 28 February 2011		
Other financial liabilities	**600 000**	**244 000**
Trade and other payables	**350 000**	**–**
Loans from shareholders	**3 215 510**	**–**
Bank overdraft	**1 863 417**	**–**
At 28 February 2010		
Loans from group companies	–	16 707 015
Other financial liabilities	1 644 675	850 000
Trade and other payables	2 490 787	–
Loans from shareholders	164 493	–
Bank overdraft	2 599 904	–

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

Interest rate risk

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

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

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

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

Sensitivity analysis

Figures in Rand	**Carrying value at year end 2011**	**After tax effect on statement of comprehensive income if the interest rate increases/ (decreases) by 1%**	Carrying value at year end 2010	After tax effect on statement of comprehensive income if the interest rate increase/ (decrease) by 1%
Cash and cash equivalents	**41 830**	**301**	113 949	820
Other financial assets	**5 643 261**	**40 632**	12 417 037	8 940 267
Bank overdraft	**(4 304 039)**	**(30 989)**	(4 989 405)	(35 924)
Other financial liabilities	**(9 365 409)**	**(67 431)**	(13 046 038)	(93 939)
Shareholder loans	**(3 215 510)**	**(23 152)**	(164 493)	(1 184)

Credit risk

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

Notes to the Annual Financial Statements

continued

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Financial assets (loans and receivables) exposed to credit risk at year end were as follows:

Figures in Rand	**Group 2011**	Group 2010	**Company 2011**	Company 2010
Financial instrument				
Other financial assets	**5 643 261**	12 417 037	**207 743**	312 206
Trade and other receivables	**6 143 795**	10 665 299	**–**	–
Cash and cash equivalents	**41 830**	113 949	**39 535**	40 260
Loans to group companies	**–**	–	**22 849 332**	41 805 299

Foreign exchange risk

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

The company does not hedge foreign exchange fluctuations. Total foreign exhange profit for the year ending 28 February 2011 is R130 165.

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

33. Earnings per share

The calculation of earnings per share is based on a loss of R512 400 (2010: R25 804 879 loss) and 236 172 773 (2010: 155 364 544) weighted average ordinary shares in issue during the year.

Figures in Rand	**Group 2011**	Group 2010
Earnings from continuing operations attributable to the ordinary equity holders		
Loss for the year	**(512 400)**	(25 804 880)
Weighted average number of ordinary shares at the end of year	**236 172 773**	155 364 544
Loss per share (cents)	**(0.22)**	(16.60)
Headline earnings per share:		
The calculation of headline earnings per share is based on a loss of R361 429 (2010: R21 348 649) and 236 172 773 (2010: 155 364 544) weighted average ordinary shares in issue duirng the year.		
Reconciliation between earnings and headline earnings		
Loss for the year	**(512 400)**	(25 804 880)
Adjusted for:		
Loss on disposal of non–current assets	**150 971**	804 870
Loss on disposal of subsidiary	**–**	1 212 458
Impairment of goodwill	**–**	2 438 906
Total	**(361 429)**	(21 348 649)
Headline loss per share (cents)	**(0.15)**	(13.70)

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

Notes to the Annual Financial Statements

continued

34. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- The Brand segment which handles the sales and marketing of skincare and nail products through a combination of it's own retail outlets, franchises and third party outlets such as pharmacies and large retail chain stores as well as the sales of beauty franchises.
- The Supply chain and Support segment which handles the manufacturing and distribution of skin care products, the supply and installation of industry specific equipment, the training of beauty therapists, as well as administrative services.
- Loss making entities such as the manufacturing subsidiary and the training division were disposed during 2010, as part of the overall turnaroud strategy of the company.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties.

Figures in Rand	Brands	Supply chain and support	Adjustments and eliminations	Consolidated
Year ended 28 February 2011				
Revenue				
Third party	**56 917 376**	**–**	**–**	**56 917 376**
Results				
Depreciation and amortisation	**920 917**	**–**	**–**	**920 917**
Segment loss	**(512 400)**	**–**	**–**	**(512 400)**
Income tax	**378 828**	**–**	**–**	**378 828**
Assets and liabilities				
Capital expenditure	**1 793 317**	**–**	**–**	**1 793 317**
Total assets	**48 214 671**	**–**	**–**	**48 214 671**
Total liabilities	**28 735 424**	**–**	**–**	**28 735 424**
Year ended 28 February 2010				
Revenue				
Third party	55 525 245	14 368 936	–	69 894 181
Inter–segment	1 628 344	–	(1 628 344)	–
Results				
Depreciation and amortisation	745 765	486 929	24 168	1 256 862
Segment loss	(24 184 900)	(423 260)	(1 196 720)	(25 804 880)
Income tax	8 441 057	–	–	8 441 057
	14 998 078	(63 669)	1 172 552	16 106 961
Assets and liabilities				
Capital expenditure	764 805	480 923	23 369	1 269 097
Total assets	64 269 324	3 348 302	(10 397 410)	57 220 216
Total liabilities	36 319 165	1 949 003	(1 039 598)	37 228 570
	101 353 294	5 778 228	(11 413 639)	95 717 883

Shareholder Analysis

for the year ended 28 February 2011

Register date: 25 February 2011

Issued Share Capital: 236 172 773 shares

SHAREHOLDER SPREAD

	No. of shareholders	%	No. of Shares	%
1 – 1 000 shares	15	4.8	5 423	0.0
1 001 – 10 000 shares	60	19.5	305 210	0.1
10 001 – 100 000 shares	130	42.2	5 629 976	2.4
100 001 – 1 000 000 shares	80	26.0	27 725 795	11.7
1 000 001 shares and over	23	7.5	202 506 369	85.8
TOTAL	**308**	**100.0**	**236 172 773**	**100.0**

DISTRIBUTION OF SHAREHOLDERS

	No. of shareholders	%	No. of Shares	%
Brokers	2	0.7	695 000	0.3
Close Corporations	13	4.2	4 317 032	1.8
Individuals	266	86.4	113 586 602	48.1
Insurance Companies	1	0.3	545 000	0.2
Medical Aid Schemes	1	0.3	351 895	0.1
Nominees and Trusts	12	3.9	26 075 712	11.1
Private Companies	13	4.2	90 601 532	38.4
TOTAL	**308**	**100.0**	**236 172 773**	**100.0**

PUBLIC / NON - PUBLIC SHAREHOLDERS

	No. of shareholders	%	No. of Shares	%
Non-Public Shareholders	4	1.3	88 565 060	37.5
Directors and Associates of Directors	4	1.3	88 565 060	37.5
Public Shareholders	304	98.7	147 607 713	62.5
TOTAL	**308**	**100.0**	**236 172 773**	**100.0**

Shareholder Analysis

continued

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	No. of Shares	%
SA Madiba Investment (Pty) Ltd	66 965 675	28.4
Anne-Marie de Beer	30 251 694	12.8
Colyn, E	21 519 385	9.1
Silver Crest Trading 143 (Pty) Ltd	13 950 000	5.9
Lance Billion Williams Family Trust	10 783 355	4.6
Hendrik Christoffel Keyter	10 000 100	4.2
The David Leonard Smollan Family Trust	6 992 709	3.0

BREAKDOWN OF NON-PUBLIC HOLDINGS

Directors	No. of Shares	% of Shares
SA Madiba Investment (Pty) Ltd	66 965 675	28.4
Colyn, E	21 519 385	9.1
Theonelle Beleggings Trust	70 000	–
TOTAL	**88 565 060**	**37.5**

STRATEGIC HOLDINGS (10% OR MORE)

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

Notice of Annual General Meeting

for the year ended 28 February 2011

Skinwell Holdings Limited

(Registration number: 2003/025374/06)
Share code: SKW
ISIN: ZAE000135893
("Skinwell" or "the company")

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

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

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

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

Notice is hereby given that the annual general meeting of the shareholders of Skinwell Holdings Limited ("the company") will be held at company's registered office located at Skinwell, Placécol Boulevard, Samrand Avenue, Kosmosdal, Centurion on Wednesday, 28 September 2011 at 10h00 to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out in this notice.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS
The consolidated audited annual financial statements of the company and its subsidiaries, incorporating the reports of the auditors, the audit committee and the directors for the year ended 28 February 2011 will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act of 2008.

RESOLUTIONS FOR CONSIDERATION AND APPROVAL
Ordinary Resolution 1: Rotation of Directors
To elect by way of separate resolutions, directors in the place of those retiring in accordance with the company's memorandum of incorporation. The directors retiring are Messrs GSJ van Nieuwenhuizen and WP van der Merwe both of whom being eligible offer themselves for re-election. In addition, Ms M Jacobs was appointed as a director of the company following the previous annual general meeting and, as such, has to stand down for re-election by shareholders as required in terms of the memorandum of incorporation.

Ordinary resolution 1.1: Re-election of Mr GSJ van Nieuwenhuizen
"RESOLVED that Mr GSJ van Nieuwenhuizen be and is hereby re-elected as a director of the company."

Ordinary resolution 1.2: Re-election of Mr WP van der Merwe
"RESOLVED that Mr WP van der Merwe be and is hereby re-elected as a director of the company."

Ordinary resolution 1.3: Re-election of Ms M Jacobs
"RESOLVED that Ms M Jacobs be and is hereby re-elected as a director of the company."

A brief curriculum vitae of Mr GJS van Nieuwenhuizen, Mr WP van der Merwe and Ms M Jacobs are set out on page 3 of the annual report of which this notice forms part.

Notice of Annual General Meeting

continued

Ordinary Resolution 2: Appointment of Audit Committee
To approve, by way of separate resolutions, the appointment of the following independent non-executive directors as members of the Audit Committee:

- **Ordinary resolution 2.1:** "RESOLVED that Mr MM Patel be and is hereby elected as Chairman of the Audit Committee"
- **Ordinary resolution 2.2:** "RESOLVED that Mr GSJ van Nieuwenhuizen be and is hereby elected as a member of the Audit Committee"
- **Ordinary resolution 2.3:** "RESOLVED that Mr TJ Schoeman be and is hereby elected as a member of the Audit Committee"

Ordinary Resolution 3: Appointment of Auditors
To re-appoint, on recommendation of the Audit Committee, SAB & T as independent auditors of the company, the designated auditor meeting the requirements of section 90(2) of the Companies Act of 2008.

Ordinary Resolution 4: Authority to issue shares
To authorise the directors 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, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by the JSE Limited and are subject to the JSE Listings Requirements.

Ordinary Resolution 5: Authority to issue shares for cash
To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

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

– that this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 months from the date of this meeting;

– the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE;

– the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

– that a paid press announcement giving full details, including the impact of the issue on net asset value, net tangible asset value, earnings and headline earnings per share and if applicable, diluted earnings and diluted headline earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 5% of the number of shares in issue prior to the issue concerned;

– that the issues in aggregate in any one financial year (including the number of any shares that may be issued in future arising out of the issue of options) shall not exceed 50% of the number of shares of the company's issued ordinary share capital; and

– that in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE, measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities."

Ordinary Resolution 6: Remuneration philosophy
To approve, by way of a non-binding, advisory vote, the remuneration philosophy of the company as set out on pages 8 of the annual report of which this notice forms part.

Special Resolution 1: General authority to repurchase shares
To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED by way of a special resolution that the mandate given to the company in terms of its Memorandum of Incorporation (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 Limited ("the JSE'), be extended, subject to the following:

– This general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this resolution (whichever period is shorter);

– the repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;

– repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;

– an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;

– the number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% (twenty percent) of the company's issued share capital as at the date of passing of this special resolution or 10% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;

– the company's sponsor confirming the adequacy of the company's working capital for purposes of undertaking the repurchase of ordinary shares in writing to the JSE prior to the company entering the market to proceed with the repurchase;

– the company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period;

– at any point in time the company only appointing one agent to effect any repurchases on its behalf; and

– the board of directors must pass a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test set out in s4 of the Companies Act of 2008 and that since the test was done there have been no material changes to the financial position of the group.

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

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

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

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

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

Special Resolution 2: Directors' remuneration
To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, as a special resolution:

- that the company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in s66(8) and 66(9) of the Companies Act of 2008; and

- that the remuneration structure and amounts as set out below, be and is hereby approved until such time as rescinded or amended by shareholders by way of a special resolution:

Chairman of the board	– R100 000 per annum
Chairman of Audit Committee	– R90 000 per annum
Non-executive director	– R80 000 per annum

Special Resolution 3: Financial assistance to related and inter-related companies
To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, by way of a special resolution, that the directors of the company be and are hereby authorised as required in terms of section 45(2) of the Companies Act of 2008 to provide financial assistance to all related and inter-related companies within the Skinwell group of companies, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted annual general meeting of the company."

Ordinary Resolution 7: Signing authority
To authorise any one director or the secretary of the company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered and approved at such meeting.

Notice of Annual General Meeting

continued

Additional information

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

- directors and management – page 3;
- major shareholders – page 57;
- directors' interests in ordinary shares – page 15 and
- share capital of the company – page 45.

Litigation statement

The directors in office whose names appear on page 8 of the annual report, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have, or have had, in the recent past, being at least the previous 12 (twelve) months from the date of this annual report, a material effect on the group's financial position.

Directors' responsibility statement

The directors in office, whose names appear on page 8 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

Material changes

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

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

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

PROXIES

Any shareholder holding shares in certificated form or recorded on the company's sub-register in electronic dematerialised form in "own name" and entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and on a poll vote in his stead. A proxy need not be a member of the company.

Proxy forms must be lodged at the offices of the transfer secretaries, Computershare Investor Services (Proprietary) Limited (70 Marshall Street, Corner Sauer Street, Johannesburg; P O Box 61051, Marshalltown, 2107), by no later than Monday, 26 September 2011 at 14h00.

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.

Shareholders and proxies of shareholders are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the Annual General Meeting as required in terms of section 63(1) of the Companies Act of 2008.

VOTING

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

By order of the Board

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

Samrand
1 August 2011

Annual General Meeting – Explanatory Notes

Presentation of annual financial statements

At the Annual General Meeting, the directors must present the annual financial statements for the year ended 28 February 2011 to shareholders, together with the reports of the directors, the audit and risk committee and the auditors. These are contained within the annual report.

Ordinary Resolution 1 – Rotation of directors

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

The following directors are eligible for re-election:

Mr GJS van Nieuwenhuizen

Mr WP van der Merwe

Ms M Jacobs

Brief biographical details of each of the above directors and the remaining members of the board are contained on page 3 of the annual report of which this notice forms part.

Ordinary Resolution 2 – Appointment of Audit Committee

In terms of section 94(2) of the Companies Act 71 of 2008 ("the Act"), a public company must at each annual general meeting elect an audit committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Act. Regulation 42 to the Act specifies that one third of the members of the Audit Committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

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

Ordinary Resolution 3 – Appointment of Auditors

SAB & T has indicated its willingness to continue in office and resolution 3 proposes the re-appointment of that firm as the company's auditors with effect from 1 March 2011. Section 90(3) of the Companies Act 71 of 2008 ("the 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 SAB & T and the designated auditor meets are relevant requirements.

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

In terms of the Companies Act 71 of 2008 ("the Act"), directors are authorised to allot and issue the unissued shares of the company, unless otherwise provided in the company's memorandum of incorporation or in instances as listed in section 41 of the Act. The JSE requires that the memorandum of incorporation should provide that shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements. In the absence of the memorandum of incorporation as contemplated in the Act, ordinary resolution 4 has been included to confirm directors' authority to issue shares. Directors confirm that there is no specific intention to issue any shares, other than as part of and in terms of the rules of the company's share incentive scheme, as at the date of this notice.

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

Ordinary resolution 6 – Remuneration philosophy

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

Annual General Meeting – Explanatory Notes *continued*

Special resolution 1 – General authority to repurchase shares

Section 48 of the Companies Act 71 of 2008 ("the Act") authorises the board of directors of a company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings Requirements require the shareholders of the company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting for special resolution number 1 to become effective.

Special resolution 2 – Directors' remuneration

In terms of section 66(8) and section 66(9) of the Companies Act 71 of 2008, companies may pay remuneration to directors for their services as directors unless otherwise provided by the memorandum of incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the company.

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

Section 45(2) of the Companies Act 71 of 2008 ("the Act") authorises the board to provide direct or indirect financial assistance to a related or inter-related company, subject to subsections (3) and (4) of section 45 of the Act and unless otherwise provided in the company's memorandum of incorporation. In terms of section 45(3) of the Act, a special resolution of shareholders is required in these instances. The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well known practice, details of which are also set out in the notes to the annual financial statements.

Ordinary Resolution 7 – Signing authority

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

General

Shareholders and proxies attending the annual general meeting on behalf of shareholders are reminded that section 63(1) of the Companies Act 71 of 2008 requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting. This could be in the form of an original or certified copy of an identity document, driver's licence or passport.

Administration

skinwell
investing in wellness

Full name	Skinwell Holdings Limited
Registration number	2003/025374/06
JSE abbreviated name	"Skinwell"
JSE code	SKW
ISIN	ZAE000135893
Sector	AltX
Exchange	Alternative Exchange
Founded	2003
Listed JSE	21 August 2007
Website	www.placecol.com

Business Address
Placecol Boulevard
Samrand Avenue
Kosmosdal
Centurion, 0046
(PO Box 8833, Centurion, 0046)
Telephone : (012) 621 3300
Facsimile: (012) 621 3338

Company Secretary and Registered Office
Itemba Governance and Statutory Solutions (Pty) Limited,
Represented by Ms Elize Lensley
Block 5 – Suite 102, Monument Office Park
79 Steenbok Avenue Monument Park, 0181
(PO Box 4896, Rietvalleirand, 0174)
Telephone : 086 111 1010
Facsimile: 086 604 1315

Transfer Secretaries
Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Telephone: (011) 370 5000
Facsimile: (011) 688 5210

Attorneys
Roodt Inc
(Registration number 2003/016254/21)
Block A, 7 Eton Road
Sandhurst, 2196
(PO Box 78894, Sandton, 2146)
Telephone: (011) 685 0000
Facsimile: (011) 685 0001

Designated Advisor
Grindrod Bank Limited
(Registration number 1994/007994/06)
Building Three
1st Floor, North Wing, Commerce Square
39 Rivonia Road (corner Helling Road)
Sandton, 2196
(PO Box 78011, Sandton, 2146)
Telephone: (011) 459 1860
Facsimile: (011) 459 1872 90

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

Shareholders' Diary

Financial year end	28 February 2011
Reports and profit announcements	
• Annual Report	August 2011
• Interim Report	November 2011
Annual General Meeting	28 September 2011

Form of Proxy

Skinwell Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number: 2003/025374/06)
Share code: SKW
ISIN: ZAE000135893
("Skinwell" or "the company")

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

For completion by registered members of Skinwell unable to attend the annual general meeting of the company to be held on Wednesday, 28 September 2011 at 10h00 at the company's registered office located at Skinwell, Placécol Boulevard, Samrand Avenue, Kosmosdal, Centurion,or at any adjournment thereof.

I/We

of (address)

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

1 or, failing him/her

2 or, failing him/her

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

	Number of votes		
	For	Against	Abstain
1. **Ordinary Resolution 1:** To re-elect the directors required to retire in terms of the memorandum of incorporation			
1.1 Mr GSJ van Nieuwenhuizen			
1.2 Mr WP van der Merwe			
1.3 Ms M Jacobs			
2. **Ordinary Resolution 2:** To elect the members of the Audit Committee			
2.1 Mr MM Patel			
2.2 Mr GSJ van Nieuwenhuizen			
2.3 Mr TJ Schoeman			
3. **Ordinary Resolution 3:** To re-appoint auditors			
4. **Ordinary Resolution 4:** To authorise directors to allot and issue unissued ordinary shares			
5. **Ordinary Resolution 5:** To authorise directors to allot and issue ordinary shares for cash			
6. **Ordinary Resolution 6:** To approve remuneration philosophy by way of a non-binding, advisory vote			
7. **Special Resolution 1:** To authorise directors to repurchase company shares			
8. **Special Resolution 2:** To approve directors' remuneration			
9. **Special Resolution 3:** To approve financial assistance to related and inter-related companies			
10. **Ordinary Resolution 7:** To provide 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 2011

Signature

Assisted by me, where applicable (name and signature)

Please read the notes on the reverse side hereof.

Notes to the Form of Proxy

1. A form of proxy is only to be completed by those ordinary shareholders who are:

   1.1 holding ordinary shares in certificated form; or

   1.2 recorded on sub-register electronic form in "own name".

2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.

3. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow.

4. On a show of hands a member of the company present in person or by proxy shall have one (1) vote irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of members he/she represents, have only one (1) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the company, which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the company.

5. A member's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member 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 member or by the proxy.

6. Forms of proxy must be lodged at, or posted to Computershare Investor Services 2004 (Pty) Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

   For shareholders on the South African register:
   Computershare Investor Services (Pty) Limited
   Ground Floor, 70 Marshall Street
   Johannesburg, 2001
   PO Box 61051
   Marshalltown
   2107
   www.computershare.com
   Tel: +27 11 370 5000

7. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

9. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

10. Notwithstanding the afore going, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.

11. If any shares are jointly held, all joint members must sign this form of proxy. If more than one of those members is present at the annual general meeting either in person or by proxy, the person whose name appears first in the register shall be entitled to vote.

Skinwell Holdings Limited

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