VERIMARK

Verimark Holdings Limited

ANNUAL REPORT 2009

THE VERIMARK APPROACH

When Verimark opened its doors for the first time in1977, it was with a staff of two people, a capital base of about R5 000 and a dream of building a company that would bring the best innovative, unique products to the South African consumer.

Although we are proud of our past successes and achievements, we're more excited about the challenge the future holds. Verimark's passion and success proven business model will allow us to bring more of the best quality innovations not only to consumers in South Africa but also accross the globe.

CORPORATE PROFILE

For close to 32 years, Verimark has searched the world for unique products that will help improve the lives of the ever-increasing millions of consumers who aspire to a better lifestyle.

Our passion to continuously identify and develop the very best quality innovations is complemented by our proven ability to produce highly effective television commercials and other supporting marketing materials.

By ensuring ownership or control of all relevant intellectual property (IP), such as trade marks and through our continuous advertising and in-store demonstrations, Verimark is today one of the most recognised and trusted brands in South Africa. Not surprisingly, our brands are mostly rated as "the best sellers" in their respective product categories.

Over the years, Verimark has pioneered many new product concepts under a number of brands.

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FINANCIAL STATISTICS

	2009 R'000	2008 R'000	Change %
GROUP SUMMARY			
Revenue	252 511	253 031	(0,2)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	86	16 004	(99,5)
Earnings attributable to ordinary shareholders	(3 671)	4 474	(182,1)
Operating profit	(2 754)	13 538	(120,3)
Headline earnings	(3 755)	4 467	(184,1)
Cash generated by operations	(5 204)	20 994	(124,8)
Shareholders' equity	44 919	48 590	(7,6)
Total assets	105 771	102 775	2,9
	cents/share	cents/share	%
ORDINARY SHARE PERFORMANCE			
Earnings	(3,3)	4,1	(180,5)
Headline earnings	(3,4)	4,1	(182,9)
Diluted earnings	(3,3)	4,1	(180,5)
Net asset value	40,7	44,1	(7,7)
	%	%	
FINANCIAL STATISTICS			
Operating margin	(1,1)	5,4	
Return on shareholders' equity	(7,9)	9,2	
Debt: Equity	83,0	52,1	
	R	R	
SHARE STATISTICS			
Listing price	–	2,50	
Lowest price traded	0,10	0,58	
Highest price traded	0,63	1,78	
Closing price	0,30	0,60	

Explanatory note

In order to illustrate a fair representation of the financial highlights the results above consist of the following:

	2009 R	2008 R
EBITDA	86 144	16 003 650
Interest	(1 465 997)	(5 050 242)
Depreciation	(2 623 632)	(2 193 091)
Amortisation	(216 749)	(272 180)
Profit before tax	**(4 220 234)**	**8 488 137**

DEFINITIONS

EBITDA
Calculated as operating profit before net finance income/(costs), taxation, depreciation and amortisation.

Headline earnings per share
Net profit after taxation adjusted to exclude loss/profit on sale of fixed assets divided by the weighted average number of shares in issue at the end of the year.

Net asset value per share
Net asset value is shareholders' equity divided by the weighted average number of shares in issue at the end of the year. Shareholders' equity is the equity attributable to equity holders of the parent (which is basically total assets less total liabilities).

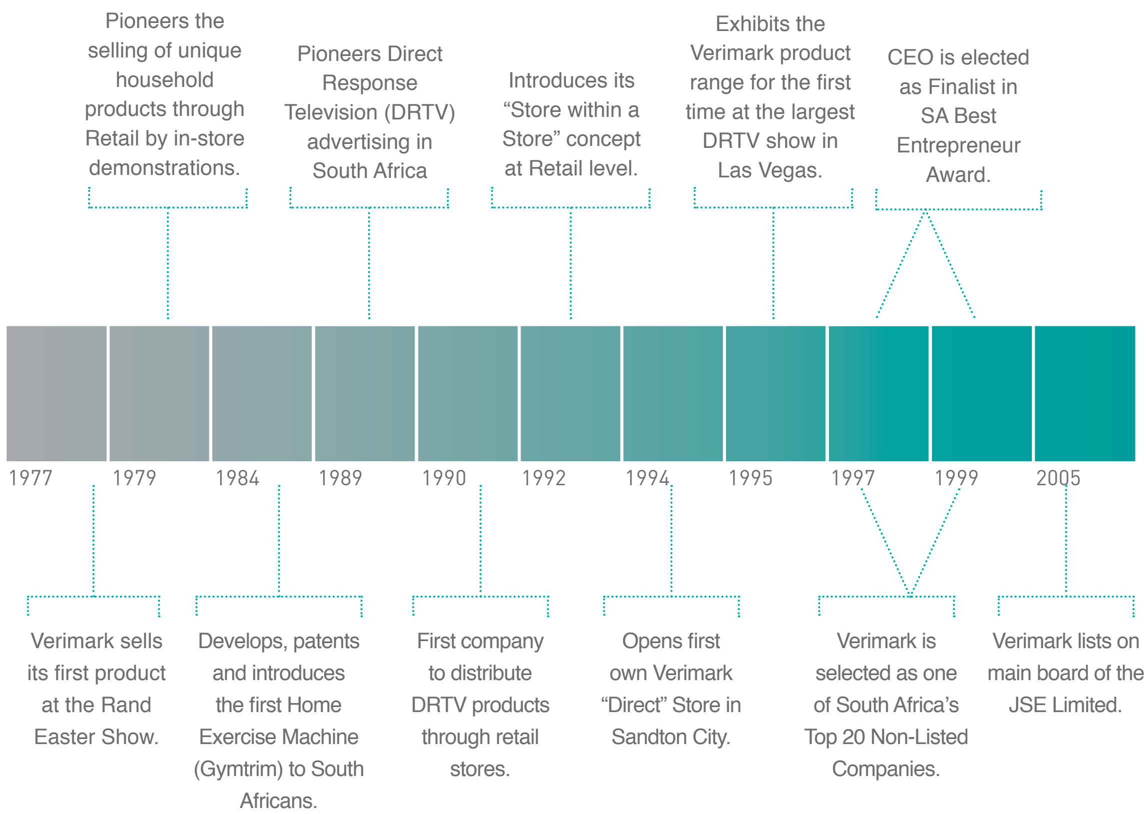
Operating Profit
Operating profit is net profit after depreciation and profit/loss after sale of assets but before net finance income/(costs) and taxation.

Return on shareholder's equity
Profit/(loss) for the year as a percentage of average shareholder's equity.

Diluted headline earnings per share
Ordinary shares are diluted by potential ordinary shares arising from Directors' share options warrants, convertible instruments (e.g. debentures convertible into ordinary shares), contracts, that may be settled in ordinary shares (share based payments).

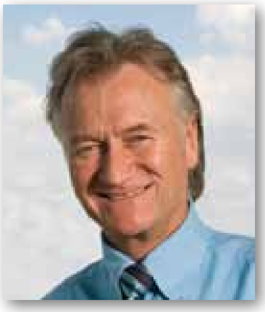
Debt to equity
Total interest-bearing debt divided by total equity.

COMPANY HISTORY



BOARD OF DIRECTORS

EXECUTIVE DIRECTORS



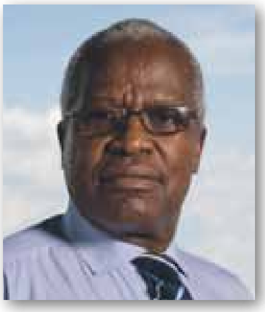
1 Michael J van Straaten (55)
Chief Executive Officer – BCom Hons, CA(SA)

Michael served articles with Spencer Stuart before joining his brother at Verimark in 1981 as Financial Director. Michael became joint Managing Director in 1992, and bought out his brother's shares in 1993 to become the sole owner up to 2005 when Verimark was listed on the JSE. He has twice been a finalist in South Africa's Best Entrepreneur competition, and selected as one of South Africa's Leading Managers by the Corporate Research Foundation.

2 Daniel Reichenberg (39)
Financial Director and Company Secretary – BCom, BAcc, CA(SA), MBA

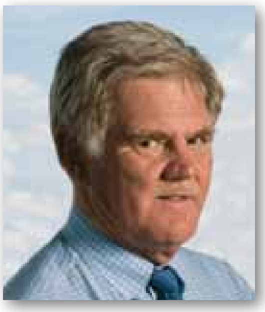
Daniel was articled at Kessel Feinstein (now Grant Thornton). He has served at senior level in various listed entities predominantly supplying retail stores in the Fast Moving Consumer Goods and appliance sectors. He joined his family importation business in 2000 which was eventually sold to a listed company. Daniel joined Verimark as Financial Director in October 2007 from a group of companies supplying both retail and the private sector a range of goods including innovation products and transport related items.

INDEPENDENT DIRECTORS



3 Dr James T Motlatsi (57)
Independent Non-executive Chairman – PhD Social Science

James is a founder member of the Congress of South African Trade Unions and the National Union of Mine Workers, Deputy Chairman of AngloGold Ashanti and a director of Shanduka Group. He is a trustee of the Nelson Mandela Children's Fund, and is a member of the South African Literacy Initiative and the South African International Marketing Council. He was awarded the Order of Ramatseatsane by the King of Lesotho, as well as a Doctorate of Philosophy in Social Sciences (honoris causa) by the National University of Lesotho. James is Chief Executive Officer of Teba Limited.



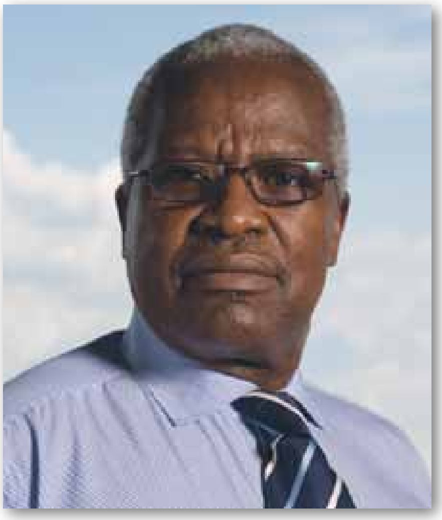
4 Johann M Pieterse (59)
Independent Non-executive Director – BCom CTA, M Compt, CA(SA)

Johann served articles with Brink, Roos & Du Toit (now PWC) and became Managing Partner of their Bellville office in 1983. He joined the Pepkor Group in 1985 and served as Financial Director of Pepkor from 1988 to 1990. Johann headed up the turnaround of Van Schaiks from 1993 to 1995, and Teljoy from 1995 to 1997. When Teljoy was sold to Vodacom in January 2001, he was appointed as Managing Director of the newly formed Vodacom Service Provider company with responsibility to merge Teljoy, Vodac and GSM Cellular into one company. After the successful merger, he retired from Vodacom in August 2001. He is currently Chairman of Strategy Partners, a turnaround specialist company.

SHARK STEAM MOP

Steam Cleaning is a revolutionary way to clean and sanitise your home. You no longer need to use harsh chemical and the super heated steam kills dust mites, bacteria and germs. With powerful steam ready in seconds, the Shark Steam Mop cleans floors easier, faster and better and is even safe to use on hard floors.

CHAIRMAN'S REPORT



Dr James T Motlatsi
Independent Non-executive Chairman

This was another tough year for Verimark. The financial performance of the Company was impacted by comparatively similar levels of turnover and slightly higher gross profits due to new product sales picking up in the second 6 months and some progress was made in improving the reconfiguration of space and positioning in retailers. Results had also been impacted by a slight improvement in margins coupled with foreign exchange gains on forward exchange contracts in contrast with exchange losses during the previous financial year.

The operational gearing of the company continued to be a challenge and management remained proactive in their approach to containing costs. Incremental costs were incurred due to the Company acquiring certain franchise stores from struggling franchisees.

The operational performance of the company is dealt with comprehensively in the Chief Executive Officer's report.

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

Verimark concluded a BBBEE deal in November 2005 with Teba Development (Teba), a section 21 company involved in rural infrastructure development and poverty alleviation. In terms of the transaction, the Van Straaten Family Trust provided financing for Teba Development to purchase 11 500 000 shares in Verimark, or just more than 10,1% of the issued share capital. 4 000 000 shares, or 3,5% of the issued share capital, has subsequently been transferred and is under the control of the Verimark Employees Empowerment Trust (VEET) for the benefit of previously disadvantaged Verimark employees. The Van Straaten Family Trust has also financed this part of the transaction. To date, no shares have been granted to the envisaged beneficiaries.

CORPORATE GOVERNANCE AND DIRECTORATE

As at 28 February 2009, the Board of Verimark comprises two Executive Directors and two Independent Non-executive Directors. The chairmanship has continued to be completely non-executive.

Other corporate governance details are dealt with more comprehensively in the Corporate Governance Report.

ACKNOWLEDGEMENTS

The year under review has again been one of continued challenges and I remain impressed with management's dedication to restore the Company to previous performance levels. Although strategies implemented are taking longer than anticipated to come to fruition, the Board is confident that the turnaround will be successful and that Verimark will once again offer an above average return on investment for shareholders.

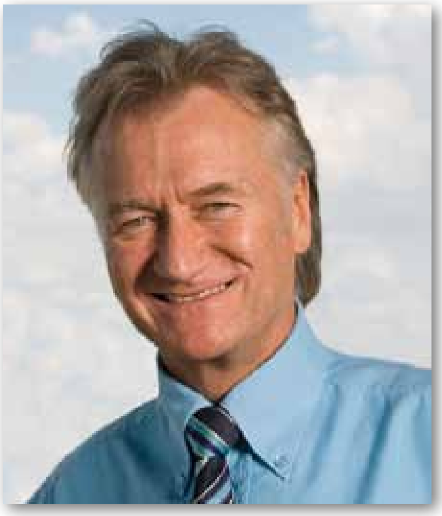
Dr James Motlatsi
Independent Non-executive Chairman

30 April 2009

GENESIS BIG GREEN EXTREME

Building on the magnificent 12 year success of the Genesis Big Green Clean Machine, we introduced the ultimate total home cleaning system - the Genesis Big Green Extreme. A completely new machine with a built-in water heating function for better cleaning, and a unique water 3-stage filtration system which removes even microscopic dust particles and purifies air. The Genesis not only vacuums and deep cleans carpets and upholstery, but is the ideal machine to clean in and around your entire home.

CHIEF EXECUTIVE OFFICER'S REPORT



Michael J van Straaten
Chief Executive Officer

GENERAL

The period under review probably has been the most difficult in Verimark's proud history going back more than 32 years. Despite our best efforts, we have been unable to conclude the promised turnaround and prevent the Group from sliding into a loss. However, we are sustained by the knowledge that we have had tough phases in the past and that we were always able to identify the critical problem areas, make the necessary key management changes and adjust our strategies to eventually resume our growth trend. The current decline has been deeper and has lasted longer than we ever anticipated but we remain committed to the recovery process.

During the year under review the Group suffered a loss of R3.7 million. Although we have made progress in certain areas, it is clear that it is going to take longer than originally thought to effect the desired turnaround. This uncertainty is exacerbated by the further management changes that took place during (and after) the year under review. The reasons for the delayed recovery and corrective measures taken are detailed in the Financial and Operational Reviews of this report.

FINANCIAL REVIEW

The critical performance indicators for the year under review were as follows:

- Revenue down marginally from R253,0 million to R252,5 million – (0,2%)
- Operating profit of R13,5 million versus a loss of R2,8 million – (120,3%)
- Headline earnings down from a profit of R4,5 million to a loss of R3,8 million – (184,1%)
- Headline earnings per share decreased from 4,1 cents to 3,4 cents (182.9%).

Given the loss reported and the ongoing turnaround strategy, the Board considered it prudent not to declare a dividend for the year under review. We expect that dividend payments will resume in accordance with the current payout policy of 80% of headline earnings once a turnaround has been completed and sufficient cash is available.

The main reasons for the resultant loss were:

Lack of growth in sales

- In order to protect our brand, we were obliged to acquire a number of unprofitable franchise stores during the period under review, which ostensibly resulted in increased turnover and gross profit margin. However, if this additional turnover is factored out, total turnover would have been lower than the previous year.
- The slow rate of new product introductions two years ago, continued to have a negative impact on sales, albeit less so than in the previous year.

- The increase in the rate of new product introductions referred to in last year's report continued during the year under review and towards the end of the year, we started to regain some of the trading space previously drastically reduced by one of our major trading partners. There is nevertheless some way to go to recover the footprint and prominence we had before the reduction took place.

Gross Profit

Gross profit and gross profit margins improved somewhat, compared to the previous year. This was mainly due to the acquisition of franchise stores. If these additions are factored out, gross profits and margins actually deteriorated.

Although forward exchange contracts are generally used to hedge the business against currency fluctuations, the rate at which the Rand depreciated in the second half of the financial year impacted negatively on gross profits. Unfortunately insufficient forward cover was purchased during the latter part of the year under review, which also impacted negatively on gross profits.

Where possible, to ensure that acceptable gross profit margins are achieved, we continue to adjust selling prices and revise product configurations.

BAUER MARBLE TECH HOMEMAKER SET

Over 14 years, millions of South Africans have proven Bauer Cookware's superior quality. New Bauer Marble Tech with 5-layer multicoat fusion technology has the best non-stick surface ever! Precision manufactured with the highest grade cast aluminium, and an extra thick base for fast and even heat distribution. Bauer is renowned for its unmatched durability and triple guarantee.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Expenses, Finance Costs and Operational Gearing

Total expenses increased substantially, due mainly to the acquisition of the franchise stores, as all the resultant running costs are now carried by the Group. The straight line expensing of the acquired lease contracts further impacted on profitability negatively, although such impact will reverse over the remaining period of these leases. The acquisition of these franchise stores was funded through overdraft facilities. This, together with the loss generated, increased borrowings further, which resulted in increased finance charges for the year under review.

Finance income increased due to foreign exchange profits made on hedge contracts.
Interest on the preference share liability relating to the Verimark Employee Empowerment Trust increased finance expenses.

The lack of growth in sales and the high operational gearing of the business further contributed to the loss.

OPERATIONAL REVIEW

Tough operational conditions continued during the year and notwithstanding the tremendous efforts made to restore the business to its former track record, we were unsuccessful. We believe that all major problem areas have been identified but the challenge of a timeous recovery lies in the ability of our top management team to execute the action-and-recovery plans. The limited success achieved to date resulted in further management changes. The problem areas and progress made are dealt with using the 5 P's of marketing: Product, Place, Promotion, Price and People.

Product

Verimark selects products by applying the following criteria:
Uniqueness, Quality, Demonstratability, Widest possible demographic demand.
Our product range covers the following categories:

- Household
  - Cookware
  - Kitchenware
  - Cleaning
- Health and Fitness
- Beauty
- DIY and Automotive
- Educational Toys

Selecting products with exceptional sales potential (home runs) is a continuous challenge. Verimark's history (except for 3 years ago) proves that its skills in this area are well beyond the norm.

The management changes effected to accelerate new product introductions, are starting to bear fruit, as is evidenced by the reversal of the declining turnover trend suffered during the previous two years. However, the transfer of skills related to product selection, which was built up over nearly three decades, to the new management team, will remain a challenge in the short to medium term.

Some products introduced during the year were:
Bauer: New Marble Tech – cookware range
Floorwiz: Microfibre and Wonderbroom – cleaning combination
Genesis: New Big Green Extreme – total home cleaning system
Maxxus: Vibration Trainer – home exerciser
Shark: Steam Mop – hard floor cleaner
Twista: Chopper – manual food processor

Place (Distribution)

1. **Retailers**

   Although we saw a recovery of some of the trading space lost at our retail partners, it was not sufficient to make the required recovery as anticipated last year. It is important to note that trading space (prominence and size) as determined by our retail partners will always be a variable and challenging to deal with.

2. **Verimark Direct Stores (company owned and franchise)**

   The "lag" created by low new product introductions two years ago, still had a negative impact in the current year. We also acquired a number of our franchise stores during the year under review.

   While our sales growth recovers through sustained new product introductions, we will continue to evaluate new and bigger store opportunities and locations, as we are convinced that the Verimark Direct store model offers exciting growth opportunities in future.

Promotion

Verimark products are unique and have unique features. To successfully sell this "uniqueness" requires an effective and continuous explanation (promotional strategy) to firstly ensure the consumer understands the uniqueness and secondly develops a need (demand) for the product. To date no better medium exists to achieve this than through long form television commercials (60 seconds to 28 minutes) – also known as Direct Response Television Advertising (DRTV). Verimark pioneered this form of advertising 19 years ago.

We have since transformed DRTV into a hugely successful advertising and promotional medium to maximise demand and sales of DRTV product at retail level. Today Verimark is recognised not only as the company that pioneered DRTV in South Africa, but also as the international benchmark on the above integrated marketing strategy.

Other key components of Verimark's promotional strategy are: print advertising, the internet (via our website) and in-store demonstrations and free-standing unit with LCD playback screens. This combination ensures maximum awareness and demand for the products we market. Given the worsening of the economy over the last year, we have seen a decrease in the demand for television airtime, and this will assist us to procure improved airtime at competitive rates for the year ahead.

Price

Verimark's pricing strategy is to offer the best value for money in terms of quality products and features. Our strategy is also to align the perceived value (as created in the mind of the consumer through our marketing efforts) with the retail selling price of each product.

This strategy contributed to making most of our products (the brand) the market leaders in their respective product categories. Our passion for quality is born out of the fact that each product carries a satisfaction and product lifespan guarantee – a differentiating factor increasingly appreciated by the South African consumer.

During the year under review, we saw some price reductions from overseas suppliers. Unfortunately these decreases were not sufficient to offset the increases that resulted from the weakening Rand during the year. The current relative strength of the Rand should have a positive effect on gross profit and/or selling price for the new financial year.

People

Having just come through yet another very difficult year in our current cycle, it was obvious that further changes were needed at top management level. The business has undoubtedly grown beyond the size where a single individual can change its fate. To ensure a turnaround and to continue the successes of the past, a strong layer of top level management is an imperative. Besides the changes referred to under Product (Marketing Department), we have made senior personnel changes in each of the divisions of the business. While we believe in the new management team, only time will allow them to show their true potential and contribute to returning the Group to its previous levels of success in the shortest possible time.

BUSINESS ENVIRONMENT

The global financial crisis has also impacted negatively on consumer focused businesses in South Africa during the year under review. Notwithstanding our best efforts to deliver a turnaround in fortunes in this tough economic period, we have thus far been unsuccessful for the many reasons referred to in this report.

The general consensus seems to be that the economy may only see improvement from a consumer spending perspective in late 2009, but more likely during 2010. We will use every opportunity offered in this tough environment to improve our position and prospects.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Prospects

Whilst our efforts to reverse the company's performance over the last three years did not show the results we anticipated, we remain committed and confident that the new management changes will bear fruit in the medium to long term.

Post year end, it became increasingly more obvious that in addition to the business reasons identified for the decline in financial performance, the time and energy the small management team was spending on the ever-increasing and cumbersome requirements related to our listing seriously impacted on the recovery process.

Given the ongoing uncertainty and risks associated to the recovery, Verimark took the decision that it is in the best interests of all stakeholders to apply for a delisting. As the delisting has not been finalised at this stage, I have issued my report as dated below. The Group and Company financial statements were approved on 30 April 2009. Whilst various legal proceedings relating to this decision were underway at the time of writing this report, we would like to assure our current stakeholders of our total commitment to reverse the financial performance of the company in the shortest possible time.

Michael van Straaten
Chief Executive Officer

Johannesburg
12 August 2009

The Board of Directors subscribes to the Code of Corporate Practices and Conduct issued by the King Commission on Corporate Governance (King II Report) and is committed to the principles of good corporate governance. Our aim is to conduct the business of the Group in accordance with the highest standards of integrity, behaviour and ethics, and to comply with all legislation and regulations relevant to the business.

STATEMENT OF COMPLIANCE

The Listings Requirements of the JSE require that companies report on the extent to which they comply with the principles incorporated in King II Report.

Based on the information set out in this corporate governance statement, the Board believes that, to the best of its knowledge and belief, throughout the accounting period under review, the Group has, save for as otherwise stated, complied with the principles of the King II Report as well as with the provisions set out in the Listings Requirements of the JSE.

BOARD OF DIRECTORS

The Board

During the period under review, the Board comprised two Executive Directors and two Independent Non-executive Directors. Dr James Motlatsi, an Independent Director, chairs the Board. The Board applies the JSE's Listings Requirements' guidelines when considering a Director's independence.

The roles of the Chairman and the Chief Executive Officer are separate to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Chairman has no executive functions. The Board is responsible for the strategic direction of the Group. Matters reserved for the Board and its Committees are defined to ensure that the Directors retain full and effective control over the Company, specifically regarding strategic, financial, organisational and compliance matters.

The daily management of the Company and of the Group's affairs is the responsibility of the Chief Executive Officer.

Role and function of the Board

The Board has adopted a charter setting out its responsibilities. Among other obligations, it:

- determines the Company's purpose, values and stakeholders relevant to its business and develops strategies combining all three elements;
- ensures that procedures are in place to monitor and evaluate the implementation of its strategies, policies, senior management performance criteria and business plans;
- reviews and approves the financial objectives, plans and actions, including significant capital allocations and expenditure;
- exercises leadership, integrity and judgement, based on fairness, accountability, responsibility and transparency;
- provides strategic direction to the Company, agrees to the appointment of the CEO and ensures that a succession plan is in place;
- ensures that the Company complies with all relevant laws, regulations and codes of best business practice, and that it communicates with its share owners and relevant stakeholders (internal and external) openly and promptly and with substance prevailing over form;
- regularly reviews processes and procedures to ensure the effectiveness of the Company's internal systems of control, so that its decision-making capability and the accuracy of its reporting are maintained at a high level at all times;
- identifies and monitors the non-financial aspects relevant to the business of the Company; and
- records the facts and assumptions on which it relies to conclude that the business will continue as a going concern in the financial year ahead or why it will not and in that case, the steps the Board is taking.

Appointments to the Board

The Board has adopted a policy on the procedures for the appointment of Directors, which appointments are formal and transparent. The Remuneration and Nomination Committee periodically assesses the skills represented on the Board by the Non-executive Directors and determines whether those skills meet the Company's needs. Directors are invited to assist with the identification and nomination of potential candidates. The independent members of the Remuneration and Nomination Committee propose suitable candidates for consideration by the Board as a whole.

MAXXUS V-TRAINER 800

Verimark has pioneered many unique and innovative health and fitness products over the years, and the Maxxus V-Trainer 800 is ideal to lose weight and get into great shape. The Maxxus is the only vibration trainer tested at an international and S.A. university. The study proved that you get up to 5 times better results training on the Maxxus (or the same results in one fifth of the time). With its scientific research, unique 3-dimensional movement, and innovative design the Maxxus V800 has been rated the best by leading USA Health Magazine.

Induction and development

The Company Secretary assists the Chairman with the induction and orientation of Directors, including arranging specific training, if required.

Independent advice

Individual Directors may, after consulting with the Chairman or the Chief Executive Officer, seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities as Directors.

Retirement and re-election of Directors

All Directors are subject to retirement and re-election by shareowners every three years. In terms of the Company's articles of association, Mr Michael van Straaten and Mr Johann Pieterse retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

Board meetings and attendance

The Board held four meetings during the past financial year. The Company Secretary acts as Secretary to the Board and its Board Committees and attends all Board and Board Committee meetings.

Changes to the Board

During the financial year ended 29 February 2009, Mr Michael MacDonald resigned as Sales Director of the subsidiary company, Verimark (Proprietary) Limited on 27 August 2008.

BOARD COMMITTEES

While the Board remains accountable and responsible for the performance and affairs of the Company, it delegates to management and Board Committees certain functions to assist it to properly discharge its duties. Appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems.

Each Board Committee acts within agreed, written terms of reference. The Chairman of each Board Committee reports at each scheduled meeting of the Board, and minutes of Board Committee meetings are provided to the Board. All Board Committees are chaired by Independent Directors. The majority of the members of each Board Committee are Independent Directors.

All Directors and particularly the Chairmen of each Board Committee are required to attend annual general meetings to answer questions raised by shareowners.

Details of attendance at the Board meetings are provided in the table below.

Board meetings	20 Mar 2008	15 May 2008	21 August 2008	13 November 2008
JT Motlatsi (Non-Executive Chairman)	Yes	Yes	No	Yes
MJ v Straaten	Yes	Yes	Yes	Yes
JM Pieterse (Non-Executive)	Yes	Yes	Yes	Yes
DN Reichenberg	Yes	Yes	Yes	Yes

The established Board Committees are as follows:

Audit and Risk Committee

During the past financial year, the Audit and Risk Committee comprised two Directors, Mr Johann Pieterse, who acted as the financial expert and Chairman of the Audit and Risk Committee, and Dr James Motlatsi.

Michael van Straaten and Daniel Reichenberg attended the meetings by invitation.

The Audit and Risk Committee met formally three times during the financial year to consider financial reporting issues and to advise the Board on a range of matters. The committee has an approved terms of reference.

The Audit and Risk Committee has ensured that the appointment of the external auditors complied with the Corporate Laws Amendment Act (CLAA). The external auditors attend the formal committee meetings and also have unrestricted informal access to the Chairman of the Audit and Risk Committee. The Audit and Risk Committee sets the principles for recommending the use of the external auditors for non-audit services, and is satisfied that the independence of the external auditors is not compromised by the present scale of non-audit related fees paid to them. Further, it has assessed on positively endorsed the experience and expertise of the financial director.

Through the Audit and Risk Committee, the Board regularly reviews processes and procedures to ensure the effectiveness of internal systems of control so that its decision-making capability and the accuracy of its reporting is maintained at a high level at all times. The Committee, furthermore, identifies and monitors the non-financial aspects relevant to the businesses of the Group and reviews appropriate non-financial information that goes beyond assessing the financial and quantitative performance factors. The Audit and Risk Committee proposed amendments to the terms of reference of the Committee to ensure compliance with CLAA, which was subsequently approved by the Board.

As required in terms of Section 270 of the CLAA, an Audit and Risk Committee Report approved by the Chairman of the Committee is set out on page 18 of the Annual Report.

Details of attendance at the Audit & Risk Committee meetings are provided in the table below.

Audit and Risk Committee meetings	8 May 2008	6 November 2008	28 February 2009
J Pieterse	Yes	Yes	Yes
J Motlatsi	No	Yes	Yes
M v Straaten †	Yes	Yes	Yes
DN Reichenberg †	Yes	Yes	Yes

† Attended by invitation

Remuneration and Nomination Committee
During the past financial year, Mr Johann Pieterse acted as the Chairman of the Remuneration and Nomination Committee. This Committee further comprises an additional Independent Director (Dr James Motlatsi). Michael van Straaten and Daniel Reichenberg attended the meetings by invitation.

Amongst other responsibilities, the Remuneration and Nomination Committee has the following responsibilities:
- approves executive remuneration;
- controls the effectiveness of the HR Policy;
- ensures that remuneration levels and conditions of service of staff throughout the Company are appropriate;
- ensures succession planning for Directors and nominates successors to key positions in the Company;
- evaluates Share Option Schemes and Trusts;
- maintains a procedure for appointment to the Board; and
- evaluates Directors.

Details of attendance at the Remuneration and Nomination Committee meetings are provided in the table below.

Remuneration and Nomination Committee	20 March 2008
J Pieterse	Yes
Dr J Motlatsi	Yes
M v Straaten †	Yes
DN Reichenberg †	Yes

† Attended by invitation

Remuneration paid to key management and Directors is disclosed on page 64 of the annual report.

THE COMPANY SECRETARY
The appointment and removal of the Company Secretary is a matter for the Board. Daniel Reichenberg, as the Company Secretary, is responsible for providing the Board collectively, and each Director individually, with guidance on the discharge of their responsibilities in terms of the legislation and regulatory requirements of the relevant jurisdictions.

The Directors have unlimited access to the advice and services of the Company Secretary. The Company Secretary ensures that the Board and its Committees are supplied with comprehensive and timely information, to ensure that the Directors have all the relevant information and facts to enable them to discharge their responsibilities.

DIRECTORS' SHARE DEALINGS
The Group has an approved Trading Policy in terms of which dealing in the Group's shares by Directors and employees is prohibited during closed periods.

The Company Secretary informs Directors and employees in writing about the relevant provisions of the Securities Services Act and the prohibitions it contains regarding dealing in the Company's shares.

The Directors of the Company keep the Company Secretary advised of all their dealings in securities. The Company Secretary monitors that the Directors receive approval from the Chairman, or a designated Director, for any dealings in securities, and ensures adherence to closed periods for share trading.

CONFLICT OF INTEREST

Directors are required to inform the Board timeously of conflicts or potential conflicts of interests they may have in relation to particular items of the business. Directors are obliged to recuse themselves from discussions or decisions on matters in which they have a conflicting interest. Directors are required to disclose their shareholding in the Company and other Directorships at least annually and as and when the changes occur.

During the financial year ended 28 February 2009, none of the Directors had a significant interest in any contract or arrangement entered into by the Company or its subsidiaries, other than as disclosed in note 24 to the annual financial statements.

CODE OF ETHICS

The Group's values commit employees to high standards of integrity, behaviour and ethics in dealing with stakeholders.

The Directors believe that the ethical standards of the Group, as stipulated in the Code of Ethics, are monitored and are being met. Where there is non-compliance the appropriate discipline is consistently enforced as Verimark responds to offences and prevents recurrence.

INTERNAL CONTROLS

Internal control systems were introduced to provide management and the Board reasonable assurance as to the integrity and reliability of the financial statements.

Management monitor the functioning of the internal control systems and make recommendations to management and to the Audit and Risk Committee of the Board.

Responsibility for the adequacy and operation of these systems is delegated to the Executive Directors. These records and systems are designed to safeguard assets and prevent and detect fraud.

GOING CONCERN

The annual financial statements contained in this annual report have been prepared on the going concern basis.
The Directors report that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the annual financial statements.

STAKEHOLDER COMMUNICATION

The Board is aware of the importance of balanced and understandable communication of the Group's activities to stakeholders and strives to clearly present any matters material to a proper appreciation of the Group's position The interests and concerns of stakeholders are addressed by communicating information as it becomes known.

External investor relations consultants have been retained to assist the Group with investor relations programmes that encourage ongoing dialogue between the Chief Executive Officer and the investment community and media through meetings, site visits, financial results presentations, trading updates and one-on-one discussions. The Company's website provides the latest and historical financial and other information, including the financial reports.

The Board encourages shareowners to attend its annual general meeting, notice of which is contained in this annual report, where shareowners will have the opportunity to put questions to the Board, including the Chairmen of the various Board Committees.

Dr James Motlatsi
Independent Non-executive Chairman

Johannesburg
30 April 2009

AUDIT AND RISK COMMITTEE REPORT

The Corporate Laws Amendment Act 24 of 2006 came into effect on 14 December 2007 (CLAA). In compliance with the CLAA, an Audit and Risk Committee was appointed by the Board of Directors. This committee comprises Mr Johann Pieterse and Dr James Motlatsi who are Non-executive Directors and who act independently. The definition set out in Section 269 of the CLAA was used to test the independence of each member of the Audit and Risk Committee.

During the financial year ended 28 February 2009, in addition to the duties set out in the Audit and Risk Committee's Terms of Reference (a summary is provided on page 15 in the Corporate Governance Report), the Audit and Risk Committee carried out its functions as follows:

- nominated the appointment of KPMG Inc as the registered independent auditor after satisfying itself through enquiry that KPMG Inc is independent as defined in terms of the CLAA;
- determined the fees to be paid to KPMG Inc and their terms of engagement;
- ensured that the appointment of KPMG Inc complied with the CLAA and any other legislation relating to the appointment of auditors;
- approved a Non-Audit Services Policy which determines the nature and extent of any non-audit services which KPMG Inc may provide to the Company; and
- pre-approved any proposed contract with KPMG Inc for the provision of non-audit services to the Company.

The Audit and Risk Committee has satisfied itself through enquiry that KPMG Inc, the designated auditor, is independent of the Company.

The Audit and Risk Committee recommended the Group and Company financial statements for the year ended 28 February 2009 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.

Johann Pieterse
Audit and Risk Committee Chairman

Johannesburg
30 April 2009

TWISTA CHOPPER

With the original Twista Pro having sold over 2 million pieces, the Twista brand has become synonymous with quick and easy food preparation. The introduction of the new Twista Chopper is testament to the success of this leading brand and the palm sized food processor was an instant sensation. With its dual-side sharpened blades, the more you twist the finer you chop and it's ideal to Chop, Slice and Puree fruit, vegetables and more. It is easy to see why every household needs a Twista.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of Verimark Holdings Limited, comprising the balance sheets at 28 February 2009, and the income statements, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report, as set out on pages 21 to 65 in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Directors have made an assessment of the Group and Company's ability to continue as a going concern and have no reason to believe the businesses will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the Group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The Group annual financial statements and annual financial statements of Verimark Holdings Limited, as identified in the first paragraph, were approved by the board of directors on 30 April 2009 and are signed on its behalf by:

MJ van Straaten
Chief Executive Officer

30 April 2009

DN Reichenberg
Financial Director

30 April 2009

CERTIFICATION BY THE SECRETARY

In terms of Section 268 (G) of the Companies Act 61 of 1973 (Act), 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 Registrar of Companies all returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.

DN Reichenberg
Company Secretary

30 April 2009

To the members of Verimark Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group annual financial statements and annual financial statements of Verimark Holdings Limited, which comprise the balance sheets at 28 February 2009, and the income statements, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report as set out on pages 22 to 65.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these 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 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Verimark Holdings Limited at 28 February 2009, and its consolidated and separate financial performance and consolidated and separate 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.

KPMG Inc.

Per C Swart
Chartered Accountant (SA)
Registered Auditor
Director

30 April 2009

DIRECTORS' REPORT for the year ended 28 February 2009

The directors have pleasure in submitting their report together with the Group and Company annual financial statements for the financial year ended 28 February 2009.

NATURE OF BUSINESS

Verimark Holdings Limited ("Verimark") is a retail company that sources, develops and distributes unique superior quality products in the housewares, exercise and fitness, health, DIY, automotive educational toys and personal comfort categories, both locally and internationally.

FINANCIAL STATEMENTS

The results and financial position of the Company and the Group are contained in the financial statements on pages 26 to 65 of the report.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), and the Companies Act, 61 of 1973 as amended and remain consistent with those applied in the previous year's financial statements.

GOING CONCERN

The financial statements have been prepared using the appropriate accounting polices, supported by reasonable and prudent judgements and estimates. The Directors have reasonable expectations that the Group and Company have adequate resources to continue as going concerns in the foreseeable future.

INDEPENDENT AUDITORS

The independent auditors, KPMG Inc, will be re-appointed at the forthcoming annual general meeting. All non-audit services provided by KPMG Inc are tabled and approved by the Audit and Risk Committee.

IMPAIRMENT OF INVESTMENT IN SUBSIDIARY REFLECTED IN THE COMPANY ACCOUNTS

An impairment loss against the investment in Verimark (Proprietary) Limited in the books of Verimark Holdings Limited (Company) has been recognised in the amount of R181 657 241.

On consolidation, the investment in the subsidiary is eliminated and the impairment loss is therefore eliminated and thus there is no effect on earnings as reported by the Group.

Due to the accounting principles applied for reverse listings per IFRS3, the goodwill is not impacted by this impairment. Refer to notes 4 and 5 for further explanation.

SHARE CAPITAL AND SHARE PREMIUM

Details of the authorised and issued share capital and the share premium are provided in notes 12 and 13 of the annual financial statements.

The authorised and issued share capital has not changed during the current financial year. 4 000 000 issued shares are the under the control of VEET (Verimark Employees Empowerment Trust) on behalf of previously disadvantaged employees. These shares are recognised as treasury shares.

DIVIDENDS

Given the lower level of profitability and in line with the recovery strategy, the Board considers it prudent not to pay a final dividend. An interim dividend was also not paid to shareholders. A dividend of R6 284 978 was paid to the shareholders in the previous financial year.

It is expected that dividend payments will resume in accordance with the current payout policy of 80% of headline earnings, once the turnaround has been effected.

DIRECTORS AND COMPANY SECRETARY

The names of the Directors and Company Secretary are:

Executive directors

MJ van Straaten	Chief Executive Office
DN Reichenberg	Financial Director and Company Secretary

Non-executive directors

Dr JT Motlatsi	Independent Non-executive Chairman
JM Pieterse	Independent Non-executive Director and Audit and Risk Committee Chairman

CHANGES TO THE BOARD

Mr M MacDonald tendered his resignation as the Sales Director of the subsidiary company, Verimark (Proprietary) Limited, on 27 August 2008.

In terms of the Company's articles of association, all new Director appointments shall retire at the following annual general meeting. Mr DN Reichenberg was re-elected at the last annual general meeting.

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

In terms of Verimark's BBBEE initiative in 2006, Teba Development purchased 11 500 000 shares in Verimark. The purchase was funded by the Van Straaten Family Trust. In terms of the agreement with Teba Development, 4 000 000 shares were transferred to the control of the Verimark Employees Empowerment Trust (VEET). The total BBBEE shareholding remains unchanged at 10.1%.

In terms of IFRS2 – Share Based Payment, no costs have been recognised in terms of this transfer of shares as, to date, no shares have been granted to the envisaged employees.

DIRECTORS' SHAREHOLDING

At 28 February 2009, the directors and their associates (as defined in terms of the JSE Listings Requirements) had the following direct and indirect beneficial interest in the share capital of the Company:

Director	Direct	Indirect	Total number of shares held	Percentage of issued share capital
MJ van Straaten	–	60 500 000	60 500 000	52.96%
DN Reichenberg	–	–	–	–
Dr JT Motlatsi	–	–	–	–
JM Pieterse	–	–	–	–

The interest of the directors remained unchanged from the end of the financial year to the date of this report.

INTEREST OF DIRECTORS IN CONTRACTS

During the financial year, no contracts were entered into in which Directors and Officers of the Company had an interest which significantly affected the Group.

LITIGATION

The Company engages in a certain level of litigation in its ordinary course of business. The Directors have considered all pending litigation and are of the opinion that, unless specifically provided for, none of these cases will result in a loss to Verimark (Proprietary) Limited.

Attention is drawn to a favourable judgement having been received on a particular legal matter in the prior year. This matter has again been taken on appeal by the defendant. The Directors are of the opinion that there is reasonable prospect of the second appeal also not being upheld. The Company's legal counsel has indicated that the prospect of recovery is difficult to predict due to the complexities involved. The Company included the amount of R2,9 million arising from this matter in other operating income in the previous year.

Should the second appeal be upheld(in favour of the defendant), this amount would need to be written off to profit and loss. This amount is still considered by the Directors to be recoverable and continues to be reflected as a non-current asset. A market related interest rate is chargeable on the outstanding amount. To be prudent, interest earned amounting to R417 000 has not been accrued.

SUBSIDIARIES AND CONTROLLED ENTITIES

Subsidiaries

Verimark (Proprietary) Limited (Reg. No. 1989/006800/07)
Creditvision Rental Finance (Proprietary) Limited (Reg. No. 2002/021355/07)
Fullimput 173 (Proprietary) Limited (Reg. No. 1999/008624/07)

Controlled entities

Verimark Employees Empowerment Trust (Trust. No. IT2016/07) ("VEET")
Selcovest 35 (Proprietary) Limited (Reg. No. 2005/018106/07) (Selcovest")
These are controlled entities as they are considered special purpose entities (SPE's)

The Group established the special purpose entities in the form of VEET and Selcovest for BBBEE purposes, as explained in the paragraph dealing with Broad Based Black Economic Empowerment. The Group does not have any direct or indirect shareholdings in these entities.

In terms of IAS 27 and SIC 12, these SPE's have been consolidated into the financial results of the Group as it has been ascertained that control of the SPE's rest with Verimark as Verimark has the ability to appoint the Trustees and Directors of VEET and Selcovest, respectively. In addition, it is envisaged that Verimark would benefit from the Empowerment Trust by being able to retain and promote skills from its workforce. Verimark is also entitled to benefit from any surplus (after discharging liabilities) in the Trust upon its termination by the Trustees.

The directors draw attention to the fact that the risk of the repayment of the preference share liability of R13 280 941 (2008: R11 820 686) does not lie with the Group. In the event that the liability remains unpaid at the envisaged conversion date, the Van Straaten Family Trust, and not Verimark, holds the rights, title and interest to the issued share capital of Selcovest as security for the preference share liability. This will result in the treasury shares reflected in the Group being used to settle the preference share liability. This will decrease the non-current liabilities and increase the equity of the Group by R13 280 941. In addition the annual interest charge would not reoccur. Refer to note 14 for further details.

Due to the consolidation of these SPE's, there is a recognition of the cumulative redeemable preference share liability as discussed above and a resultant reduction from the issued share capital of R13 337 and share premium of R10 890 621. The cumulative preference dividend of R1 460 255 (2008: 916 728) has been recognised as interest payable in the profit and los of the Group. (Refer to Note 14).

SUBSIDIARIES AND CONTROLLED ENTITIES (CONTINUED)

Controlled entities (continued)

The attributable interest of the Group in the aggregate net profits/(losses) after taxation of the subsidiaries and controlled entities was:

	2009	2008
	R	R
Verimark (Proprietary) Limited	(575 469)	5 923 013
Creditvision Rental Finance (Proprietary) Limited	(875)	991
Fullimput 173 (Proprietary) Limited	(20 000)	(20 000)
Verimark Employee Empowerment Trust	–	(922 000)
Selcovest 35 (Proprietary) Limited	(1 462 331)	–

BORROWING POWERS

As defined by the articles of association, the borrowing powers of the Directors shall allow them to exercise all powers of the Company to borrow money, to mortgage or encumber its undertaking and property or any part thereof, and to issue debenture stock (whether secured or unsecured) and other securities (with special privileges, if any, as to allotment of shares, attending and voting at general meetings, appointment of Directors otherwise as may be sanctioned by a general meeting) whether outright as a security for any debt, liability obligation of the Company or any third party. For the purposes of this provision, the borrowing powers of the Company shall be unlimited.

SPECIAL RESOLUTIONS

No special resolutions were passed during the period under review, or between the balance sheet date and the date of this report.

SUBSEQUENT EVENTS

The Board has received an offer for all public available shares and is in the process of evaluating this offer. A cautionary has been issued to all shareholders. No other event which is material to the understanding of this report has occurred between the financial period end and the date of this report.

BUSINESS AND REGISTERED ADDRESS

67 CR Swart Drive
Cnr Freda Road
Bromhof Extension 48
Randburg
2122

POSTAL ADDRESS

PO Box 78260
Sandton
2146

Signed on behalf of the Board:

Dr James Motlatsi
Chairman

Johannesburg
30 April 2009

Michael van Straaten
Chief Executive Officer

Johannesburg
30 April 2009

BALANCE SHEETS as at 28 February 2009

		Group		Company	
	Note(s)	2009	2008	2009	2008
		R	R	R	R
ASSETS					
Non-current assets		**24 450 818**	**21 952 598**	**34 558 788**	**216 435 861**
Plant and equipment	3	5 520 814	3 646 905	–	–
Intangible assets	4	14 140 372	14 317 330	–	–
Investment in subsidiary companies	5	–	–	34 319 818	215 977 059
Loans receivable	6	238 970	458 802	238 970	458 802
Other receivable	7	2 908 443	2 908 443	–	–
Deferred taxation asset	8	1 642 219	621 118	–	–
Current assets		**81 319 919**	**80 822 675**	**908 754**	**491 979**
Inventories	9	39 675 730	39 363 470	–	–
Trade and other receivables	10	40 155 677	40 640 791	48 014	19 882
Prepayments		394 015	132 919	–	61 228
Short-term portion of loans receivable	6	458 802	238 970	617 700	238 970
Prepaid taxation		–	37 043	–	37 043
Bank and cash balances	11	635 695	409 482	243 040	134 856
Total assets		**105 770 737**	**102 775 273**	**35 467 542**	**216 927 840**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent		**44 918 611**	**48 589 698**	**28 043 509**	**210 578 426**
Share capital	12	367 687	367 687	380 908	380 908
Share premium	13	26 730 206	26 730 206	316 702 119	316 702 119
Retained earnings/accumulated losses		17 820 718	21 491 805	(289 039 518)	(106 504 601)
Non-current liabilities		**18 671 025**	**11 820 686**	**–**	**–**
Preference share liability	14	13 280 941	11 820 686	–	–
Interest-bearing liabilities	15	5 390 084	–	–	–
Current liabilities		**42 181 101**	**42 364 889**	**7 424 033**	**6 349 414**
Amounts owing to subsidiary company and other related party	16	–	–	7 329 936	6 089 630
Trade and other payables	17	23 240 887	28 358 766	51 640	217 327
Shareholders for dividend	18	42 457	42 457	42 457	42 257
Short-term portion of interest-bearing liabilities	15	1 178 192	5 906 700	–	–
Interest-free liabilities	19	–	–	–	–
Bank overdraft	11	17 429 368	7 579 603	–	–
Taxation payable		290 197	477 363	–	–
Total equity and liabilities		**105 770 737**	**102 775 273**	**35 467 542**	**216 927 840**

INCOME STATEMENTS for the year ended 28 February 2009

		Group		Company	
	Note(s)	2009	2008	2009	2008
		R	R	R	R
Revenue	**20**	**252 510 649**	**253 031 329**	–	–
Cost of sales		(165 853 367)	(169 995 850)	–	–
Gross profit		**86 657 282**	**83 035 479**	**–**	**–**
Other income		942 901	4 628 404	–	249 211
Selling expenses		(25 750 558)	(23 166 899)	–	–
Distribution expenses		(5 512 868)	(3 054 678)	–	–
Other operating expenses		(59 090 994)	(47 903 927)	(877 676)	(1 124 722)
Impairment of investment in subsidiary		–	–	(181 657 241)	(67 290 684)
Operating (loss)/profit before net finance expense	**21**	**(2 754 237)**	**13 538 379**	**(182 534 917)**	**(68 166 195)**
Finance income	22	3 231 902	266 152	–	6 284 978
Finance expense	22	(4 697 899)	(5 316 394)	–	–
(Loss)/profit before taxation		**(4 220 234)**	**8 488 137**	**(182 534 917)**	**(61 881 217)**
Income tax	23	549 147	(4 014 187)	–	–
(Loss)/profit for the year		**(3 671 087)**	**4 473 950**	**(182 534 917)**	**(61 881 217)**
Attributable to shareholders		(3 671 087)	4 473 950	(182 534 917)	(61 881 217)
Basic (loss)/earnings per share (cents)	**31**	**(3,3)**	**4,1**		
Diluted (loss)/earnings per share (cents)	**31**	**(3,3)**	**4,1**		

STATEMENTS OF CHANGES IN EQUITY for the year ended 28 February 2009

	Share capital	Share premium	Retained earnings/ (accumulated loss)	Total
	R	R	R	R
GROUP				
Balance at 1 March 2007	**381 024**	**37 620 827**	**23 302 833**	**61 304 684**
Treasury shares held by VEET	(13 337)	(10 890 621)	–	(10 903 958)
Profit for the year	–	–	4 473 950	4 473 950
Dividend paid	–	–	(6 284 978)	(6 284 978)
Balance at 28 February 2008	**367 687**	**26 730 206**	**21 491 805**	**48 589 698**
Loss for the year	–	–	(3 671 087)	(3 671 087)
Balance at 28 February 2009	**367 687**	**26 730 206**	**17 820 718**	**44 918 611**
COMPANY				
Balance at 1 March 2007	**380 908**	**316 702 119**	**(38 338 406)**	**278 744 621**
Loss for the year	–	–	(61 881 217)	(61 881 217)
Dividend paid	–	–	(6 284 978)	(6 284 978)
Balance at 28 February 2008	**380 908**	**316 702 119**	**(106 504 601)**	**210 578 426**
Loss for the year	–	–	(182 534 917)	(182 534 917)
Balance at 28 February 2009	**380 908**	**316 702 119**	**(289 039 518)**	**28 043 509**

STATEMENTS OF CASH FLOW for the year ended 28 February 2009

		Group		Company	
	Note(s)	2009	2008	2009	2008
		R	R	R	R
Cash flows from operating activities					
Cash (utilised)/generated by operations	25.1	(5 203 621)	20 994 238	(1 010 266)	(720 895)
Dividend paid	25.2	–	(6 284 978)	–	(6 284 978)
Finance income		3 231 902	266 152	–	6 284 978
Finance costs		(3 237 644)	(4 399 666)	–	–
Income tax paid	25.3	(622 077)	(3 336 941)	37 043	–
Net cash (outflows)/inflows from operating activities		**(5 831 440)**	**7 238 805**	**(973 223)**	**(720 895)**
Cash outflows from investing activities		**(4 453 688)**	**(1 991 566)**	**–**	**(1 711)**
Acquisitions of plant and equipment to maintain operations		(4 515 957)	(1 864 323)	–	–
Acquisitions of intangible assets to maintain operations		(39 791)	(151 483)	–	–
Proceeds from disposal of plant and equipment		102 060	24 240	–	–
Decrease in loans to subsidiaries		–	–	–	(1 711)
Cash inflows/(outflows) from financing activities		**661 576**	**(2 915 279)**	**1 081 407**	**775 515**
Repurchase of own shares (treasury shares)		–	(10 903 958)	–	–
Proceeds from issue of redeemable preference shares		–	10 903 958	–	–
Decrease/(increase) in loans receivable		–	238 970	(158 899)	238 970
Other receivable raised		–	(2 908 443)	–	–
Interest-bearing liabilities repaid		(200 320)	(6 023 182)	–	–
Interest-bearing liabilities raised		861 896	5 777 981	–	–
Interest-free liabilities raised		2 000 000	15 575	–	–
Interest-free liabilities repaid		(2 000 000)	(16 180)	–	–
Increase in loans from subsidiary company and other related party		–	–	1 240 306	536 545
Net (decrease)/increase in cash and cash equivalents		**(9 623 552)**	**2 331 960**	**108 184**	**52 909**
Cash and cash equivalents at beginning of year		(7 170 121)	(9 502 081)	134 856	81 947
Cash and cash equivalents at end of year	25.3	**(16 793 673)**	**(7 170 121)**	**243 040**	**134 856**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 28 February 2009

1. ACCOUNTING POLICIES

1.1 Reporting entity

Verimark Holdings Limited (the Company) is a Company domiciled in South Africa. The consolidated financial statements, comprising Verimark Holdings Limited and its subsidiaries (together referred to as the Group) and the Company separate financial statements, incorporate the principal accounting policies, set out below. Hereafter, the Company separate financial statements and consolidated financial statements are collectively referred to as the financial statements.

1.2 Basis of preparation

1.2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), and the requirements of the Companies Act of South Africa.

1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. The methods used to measure fair values are discussed further in note 2.

1.2.3 Functional and presentation currency

The financial statements are presented in South African Rand ("Rand"), which is the Group's functional currency. All financial information has been rounded to the nearest Rand.

1.2.4 Use of estimates and judgements

The preparation of financial statements requires managements to make judgements, estimates and assumptions that affect the application of the policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IRFS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.20.

The accounting policies set out below have been applied consistently to all periods in these financial statements.

1.3 Basis of consolidation

1.3.1 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of consolidation (continued)

1.3.1 Subsidiaries (continued)

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are carried at cost less impairment losses in the separate financial statements of the Company.

1.3.2 Special purpose entities

The Group has established special purpose entities (SPE's) for BBBEE purposes. The Group does not have any direct or indirect shareholding in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPE's controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposes to the risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

1.4 Revenue

Revenue from the sale of merchandise is measured at the fair value of the consideration received or receivable, excluding Value Added Tax and is net of discounts and rebates allowed.

Revenue is recognised when substantially all the risks and rewards of ownership transfer (which is on the date of delivery or the date when funds are advanced to accounts receivable), recovery of the consideration is probable, the associated costs and possible return of the merchandise can be estimated reliably and there is no continuing management involvement with the merchandise.

1.5 Finance income/(expense)

Finance income/(expense) comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income and foreign exchange gains and losses on derivative instruments that are recognised in profit or loss.

Interest income and interest expense is recognised in profit and loss as it accrues, using the effective method. Dividend income is recognised in income on the date the entity's right to receive payments is established which in the case of quoted securities usually the ex-dividend date.

1.6 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Income tax expense (continued)

A deferred tax is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the dividend.

1.7 Plant and equipment

1.7.1 Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and recognised net within “other income” in profit and loss.

1.7.2 Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit and loss as incurred.

1.7.3 Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of plant and equipment. Depreciation is recognised on the depreciable amount of an item of plant and equipment.

The depreciable amount is the difference between the cost of an item of plant and equipment and its residual value.

Residual value is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of age and in the condition expected at the end of its useful life, which are:

Computer equipment	3 years
Manufactured structures and handling equipment	4-5 years
Motor vehicles	4-5 years
Moulds and dies	4 years
Office furniture and equipment	5-10 years
Shop fittings	3 years
Company owned (Co-owned) stores equipment	3 years
Media equipment	2 years

The residual values, if not insignificant, depreciation method and useful lives of plant and equipment are reviewed at each reporting date.

1. ACCOUNTING POLICIES (CONTINUED)

1.8 Impairment of assets

1.8.1 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use the recoverable amount is estimated at reporting date. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined at the Cash Generating Unit (CGU) level to which the asset belongs. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value, less costs to sell.

In assessing value in use, the estimated future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill with an indefinite useful life is allocated to cash-generating units and is tested for impairment at each balance sheet date and whenever there is an indication that goodwill has been impaired.

An impairment loss is recognised in profit and loss when the carrying amount exceeds its recoverable amount. An impairment loss in respect of goodwill is not reversed.

1.8.2 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

1. ACCOUNTING POLICIES (CONTINUED)

1.9 Intangible assets

1.9.1 Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss. Goodwill is measured at cost less any accumulated impairment looses.

1.9.2 Other intangibles

Software that is acquired by the Group which has a finite useful life, is measured at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.
Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite, from the date they are available for use. The useful life is currently as follows:

Software	3 years
Trademarks	10 years

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing inventories to their present location and condition and is determined using the weighted average cost method. Net realisable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and other financial institutions, as well as short-term call deposits with financial institutions.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1.12 Treasury shares

Shares in the Company held by special purpose entities are classified in the Group's shareholders interest as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The cost price of shares is presented as a deduction from total equity. Distributions received on treasury shares are eliminated on consolidation.

1.13 Leases

1.13.1 Operating leases – lessee

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease. The leased assets are not recognised on the balance sheet.

1.13.2 Finance leases – lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownerships are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of it's fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

1. ACCOUNTING POLICIES (CONTINUED)

1.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.15 Financial instruments

1 .15.1 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for those instruments not at fair value through profit and loss, any directly attributable transaction costs.

Loans and receivables

Included in loans and receivables are trade and other receivables, loans receivable and other receivables.

Loans and receivables are recognised at amortised cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Other financial liabilities

Included in other financial liabilities are trade and other payables, loans and borrowings, and shareholders for dividend.

Financial liabilities not at fair value through profit or loss are measured at amortised cost, using the effective interest method.

Derecognition of non-derivative financial instruments

Financial assets are de-recognised when the Group loses control of the contractual rights that comprise the asset, for instance where those rights are realised, expire or are surrendered.

Financial liabilities are de-recognised when the obligations under the contract are discharged, cancelled or expire.

1.15.2 Derivative financial instruments

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes therein are accounted in profit or loss as they arise.

The Group holds derivative financial instruments, in the form of Forward Exchange Contracts, to hedge its foreign currency risk exposure.

Hedge accounting is not applied to these derivative instruments which economically hedge monetary assets and liabilities denominated in foreign currencies.

1.15.3 Share capital

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1. ACCOUNTING POLICIES (CONTINUED)

1.15 Financial instruments (continued)

1.15.3 Share capital (continued)

Preference share capital

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit and loss as accrued.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings/share premium.

1.16 Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged to profit and loss.

1.17 Employee benefits

1.17.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution funds are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.17.2 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.18 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are measured initially at fair value.

After initial recognition, financial guarantee contracts are measured at the higher of:

- the amount required to be reimbursed; and
- the amount initially recognised, less cumulative amortisation.

1.19 Segment reporting

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

1. ACCOUNTING POLICIES (CONTINUED)

1.20 Estimations and judgements applied by Directors in applying the accounting polices

The following estimations and judgements have been exercised in applying the accounting polices:

1.20.1 Impairment of investment in subsidiary company

Management continuously considers the recoverability of the investment in and loans to the subsidiary company. If the value of any investment has decreased below the carrying amount of the investment, the value is written down to recoverable amount.

1.20.2 Impairment of long outstanding trade and receivables, including returns and credit risks

Management identifies impairment of trade receivables, including returns and credit notes on an ongoing basis. The estimation of the requirement for impairment is based on the current collectibility of the trade receivables, as well as management's experience of the collection history of trade receivables. Management believes that the allowance for impairment is conservative and there are no significant trade receivables that are doubtful and have not been impaired.

1.20.3 Impairment of inventory

Obsolete inventory is identified on a continuous basis. This identification is based on physical inspection as well as the rate of sale relative to the inventory quantity on hand. Once identified, such inventory will be offered to customers at a discount. Un-saleable inventory is scrapped and the scrap metal value recovered where possible.

1.20.4 Impairment of other receivable

The amount is considered to be recoverable by the Directors and the Group's legal counsel. The amount is reflected as a non-current asset as the date of the next appeal has not yet been set.

1.21 New standards and interpretations not yet adopted

A number of standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2009, and have not been applied in preparing these financial statements. These standards are disclosed in note 32 to the financial statements.

2. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods that follow below. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

For financial assets and liabilities with a maturity of less than one year, the face value less any estimated credit adjustments is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

2.1 Trade and other receivables

The fair value of trade and other receivables with a useful life of less than one year is the amortised cost less impairment losses discounted at the effective rate of interest at the reporting date.

2.2 Non-derivative financial instruments

Fair value which is determined for disclosure purposes is calculated based on the present value of the principal amount and interest cash flows discounted at the effective rate of interest at the reporting date.

2.3 Derivative financial instruments

The fair value of forward exchange contracts is based on the mark to market rates obtained from the bank at the reporting date. The mark to market rates are tested for reasonableness by comparing the rates obtained with those of similar financial institutions.

2. DETERMINATION OF FAIR VALUES (CONTINUED)

2.4 Loans receivable

The fair value of loans receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

2.5 Loans and borrowings repayable on demand

The fair value of interest-free borrowings that are repayable on demand cannot be reliably determined. The notional amount is deemed to reflect fair value.

2.6 Cash and cash equivalents

The notional amount of cash and cash equivalents with a remaining life of less than one year is deemed to reflect the fair value.

2.7 Trade and other payables

The fair value of trade and other payables with a useful life of less than one year is measured at amortised cost, using the effective rate of interest at the reporting date.

2.8 Interest-bearing liabilities

The notional amount of interest-bearing liabilities with a remaining life of less than one year is deemed to reflect the fair value.

3. PLANT AND EQUIPMENT

Group

	Computer equipment	Manufacturing structures and handling equipment	Moulds and dies	Office furniture and equipment	Motor vehicles	Co-owned stores equipment	Media equipment	Shop fittings	Total
	R	R	R	R	R	R	R	R	R
Cost									
Balance at 1 March 2008	**1 932 520**	**1 440 046**	**528 163**	**3 219 790**	**84 896**	**–**	**–**	**4 393 187**	**11 598 602**
Additions	253 544	–	20 134	56 406	349 987	2 244 585	578 744	1 012 557	4 515 957
Disposals	(97 180)	–	–	(3 069)	–	–	–	–	(100 249)
Balance at 28 February 2009	**2 088 884**	**1 440 046**	**548 297**	**3 273 127**	**434 883**	**2 244 585**	**578 744**	**5 405 744**	**16 014 310**
Balance at 1 March 2007	**1 750 928**	**1 232 156**	**521 492**	**3 181 445**	**9 896**	**–**	**–**	**3 090 092**	**9 786 009**
Additions	233 322	207 890	6 671	38 345	75 000	–	–	1 303 095	1 864 323
Disposals	(51 730)	–	–	–	–	–	–	–	(51 730)
Balance at 29 February 2008	**1 932 520**	**1 440 046**	**528 163**	**3 219 790**	**84 896**	**–**	**–**	**4 393 187**	**11 598 602**
Accumulated depreciation									
Balance at 1 March 2008	**1 606 319**	**899 486**	**373 339**	**2 739 137**	**21 604**	**–**	**–**	**2 311 812**	**7 951 697**
Disposals	(79 318)	–	–	(2 515)	–	–	–	–	(81 833)
Depreciation for the year	243 219	199 827	72 610	209 175	28 515	467 623	68 135	1 334 528	2 623 632
Balance at 28 February 2009	**1 770 220**	**1 099 313**	**445 949**	**2 945 797**	**50 119**	**467 623**	**68 135**	**3 646 340**	**10 493 496**
Balance at 1 March 2007	**1 357 208**	**640 702**	**292 935**	**2 451 042**	**3 505**	**–**	**–**	**1 047 641**	**5 793 033**
Disposals	(34 427)	–	–	–	–	–	–	–	(34 427)
Depreciation for the year	283 538	258 784	80 404	288 095	18 099	–	–	1 264 171	2 193 091
Balance at 29 February 2008	**1 606 319**	**899 486**	**373 339**	**2 739 137**	**21 604**	**–**	**–**	**2 311 812**	**7 951 697**
Carrying amounts									
At 28 February 2009	**318 664**	**340 733**	**102 348**	**327 330**	**384 764**	**1 776 962**	**510 609**	**1 759 404**	**5 520 814**
At 29 February 2008	326 201	540 560	154 824	480 653	63 292	–	–	2 081 375	3 646 905
At 28 February 2007	393 730	591 454	228 557	730 403	6 391	–	–	2 042 451	3 992 976

Security

The above moveable assets have been ceded in favour of ABSA bank in terms of a General Notarial Bond (see note 11)

Assessment of useful lives, residual value and depreciation methods:

During the year ended 28 February 2009, the Group conducted a review of the estimated useful lives, residual values and depreciation methods of plant and equipment. There were no changes required.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 28 February 2009 (continued)

4. INTANGIBLE ASSETS

	Goodwill	Trademarks	Computer software	Total
	R	R	R	R
Group				
Cost				
2009				
Balance at beginning of year	**13 996 651**	**200 000**	**1 145 199**	**15 341 850**
Additions	–	–	39 791	39 791
Balance at end of year	**13 996 651**	**200 000**	**1 184 990**	**15 381 641**
2008				
Balance at beginning of year	**13 996 651**	**200 000**	**993 716**	**15 190 367**
Additions	–	–	151 483	151 483
Balance at end of year	**13 996 651**	**200 000**	**1 145 199**	**15 341 850**
Accumulated amortisation/impairment				
2009				
Balance at beginning of year	**–**	**153 333**	**871 187**	**1 024 520**
Amortisation for the year	–	20 000	196 749	216 749
Balance at end of year	**–**	**173 333**	**1 067 936**	**1 241 269**
2008				
Balance at beginning of year	**–**	**133 333**	**619 007**	**752 340**
Amortisation for the year	–	20 000	252 180	272 180
Balance at end of year	**–**	**153 333**	**871 187**	**1 024 520**
Carrying amounts				
At 28 February 2009	**13 996 651**	**26 667**	**117 054**	**14 140 372**
At 29 February 2008	13 996 651	46 667	274 012	14 317 330
At 28 February 2007	13 996 651	66 667	374 709	14 438 027

Impairment testing of cash-generating units containing goodwill

Goodwill arose on 1 July 2005 when Verimark Holdings Limited (formerly Creditvision Holdings Limited) acquired all of the shares in Verimark (Proprietary) Limited in terms of a reverse listing. A consideration of R275 000 000, satisfied by the issue of 110 000 000 ordinary shares, was paid.

In terms of IFRS 3 Business Combinations, the legal subsidiary is recognised as the accounting parent. The financial effects of the transaction are disclosed in the consolidated annual financial statements. The goodwill arises on consolidation in terms of reverse listing principles. Refer to note 29 for further explanation.

For impairment testing, goodwill is allocated to the Group's operating company and accounting parent [Verimark (Proprietary) Limited] which represents the cash-generating unit within which the goodwill is monitored for internal management purposes.

No impairment of goodwill has been identified in the current financial year. The Directors have valued Verimark (Proprietary) Limited at more than its market price and net asset value.

	Company	
	2009	2008
	R	R
5. INVESTMENT IN SUBSIDIARY COMPANIES		
Number of shares held		
– Verimark (Proprietary) Limited	116	116
– Creditvision Rental Finance (Proprietary) Limited	1	1
	%	%
Percentage holding		
– Verimark (Proprietary) Limited	100	100
– Creditvision Rental Finance (Proprietary) Limited	100	100
	R	R
Cost of shares		
– Verimark (Proprietary) Limited	215 938 939	283 229 623
– Impairment of investment	(181 657 241)	(67 290 684)
	34 281 698	**215 938 939**
– Creditvision Rental Finance (Proprietary) Limited	1	1
	34 281 699	**215 938 940**
Loan to subsidiary company		
– Creditvision Rental Finance (Proprietary) Limited	38 119	38 119
Net investment	**34 319 818**	**215 977 059**

The investment in Verimark (Proprietary) Limited has been impaired to the ruling market price at 28 February 2009, R34 281 698. The method used to determine the fair value has changed in the current year from the discounted cash flow to ruling market price.

The loan to Creditvision Rental Finance (Proprietary) Limited is unsecured, bears no interest and has no fixed repayment terms.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R	R	R	R
6. LOANS RECEIVABLE				
Unsecured local loans				
Motor Vision (Proprietary) Limited	697 772	697 772	697 772	697 772
The loan is unsecured, interest-free and repayable in five annual installments on 30 June of each year, ending 30 June 2010.				
Verimark Employees Empowerment Trust	–	–	158 898	–
The loan is unsecured, interest-free and repayable on demand.				
	697 772	697 772	856 670	697 772
Less: Short term portion	(458 802)	(238 970)	(617 700)	(238 970)
Motor Vision (Proprietary) Limited	(458 802)	(238 970)	(458 802)	(238 970)
Verimark Employees Empowerment Trust	–	–	(158 898)	–
	238 970	**458 802**	**238 970**	**458 802**
7. OTHER RECEIVABLE				
Settlement receivable	2 908 443	2 908 443	–	–

A favourable judgement was received in a particular legal matter in the previous financial year. This matter has again been taken on appeal by the defendant. The Directors are of the opinion that there is reasonable prospect of the second appeal also not being upheld. This amount is therefore considered by the directors to be recoverable and as such is reflected as a non-current asset.

Should the appeal be upheld, this amount would need to be written off to profit and loss.

A market related interest rate is chargeable on the outstanding amount and the carrying amount is therefore considered to be the fair value. To be prudent, interest earned amounting to R417 000 has not been recognised.

	Group		Company	
	2009	2008	2009	2008
	R	R	R	R

8. DEFERRED TAXATION ASSET

	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
Balance at beginning of year	621 118	670 818	–	–
Current year movement per income statement	1 021 101	(49 700)	–	–
–net (reversing)/deductible temporary differences	1 021 101	(72 832)	–	–
–tax rate change	–	23 132	–	–
Balance at end of year	**1 642 219**	**621 118**	**–**	**–**

Deferred tax at rate of 28% (2008:28%) comprises temporary differences arising on:

	Assets	Liabilities	Total
	R	R	R
2009			
– leave pay provision	421 814	–	421 814
– doubtful debts provision	359 763	–	359 763
– prepayment	110 323	–	110 323
– lease straight-lining	239 832	–	239 832
– plant and equipment	510 487	–	510 487
	1 642 219	**–**	**1 642 219**
2008			
– leave pay provision	301 755	–	301 755
– doubtful debts provision	9 795	–	9 795
– prepayment	–	(37 217)	(37 217)
– plant and equipment	323 653	–	323 653
– tax rate change	23 132	–	23 132
	658 335	**(37 217)**	**621 118**

	Group		Company	
	2009	2008	2009	2008
	R	R	R	R
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following:				
Tax losses	1 153 141	907 392	1 153 141	907 392

As a result of the legal parent company being expected to mainly earn non-taxable income in the form of dividends in the future, a deferred tax asset has not been recognised in respect of the estimated assessable loss of R 4 118 361 (2008: R3 240 685).

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	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
9. INVENTORIES				
Finished goods	40 385 759	34 246 843	–	–
Finished goods in transit	2 344 687	6 389 304	–	–
Impairment of inventory	(3 054 716)	(1 272 677)	–	–
	39 675 730	**39 363 470**	**–**	**–**

Security

Inventories have been ceded as security for banking facilities (refer note 11).

10. TRADE AND OTHER RECEIVABLES

	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
Trade receivables	41 292 943	38 261 684	–	–
Other receivables	1 868 946	3 625 517	48 014	19 882
Impairment of trade receivables	(3 006 212)	(1 246 410)	–	–
	40 155 677	**40 640 791**	**48 014**	**19 882**

Security

Trade receivables have been ceded as security for banking facilities (refer note 11).

11. BANK AND CASH BALANCES

	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
Bank balances and cash on hand	604 215	380 337	243 040	134 856
Sanlam Collective Investments Limited				
Sanlam Dividend Income Fund units. The dividends earned on the investment for the year amounted to R2 335 (2008: R2 005).	31 480	29 145	–	–
Bank and cash balances	**635 695**	**409 482**	**243 040**	**134 856**
Bank overdraft	**(17 429 368)**	**(7 579 603)**	**–**	**–**
	(16 793 673)	**(7 170 121)**	**243 040**	**134 856**

The following security has been provided in respect of banking facilities provided to the Group:

Company

– Unlimited suretyship in respect of the joint and/or several obligations of, by and between the Company and Verimark (Proprietary) Limited.

Verimark (Proprietary) Limited (legal subsidiary)

– Cession of Sage Key Man Policy on the life of MJ van Straaten with a death value of no less the R20 000 000;
– Unlimited cession of accounts receivable;
– General Notarial bond over inventories and movable assets for an amount of R10 000 000 in the bank's favour, supported by a cession of Fire and SASRIA policy.
– Unlimited cross suretyship in respect of the joint and/or several obligations of, by and between the Verimark (Proprietary) Limited and its holding company, Verimark Holdings Limited.
– Gearing must be maintained at 100% or lower.
– Value of debtors ceded to the bank, in current to 90 days, must at all times at least equal the utilised General Banking facility.

	Group		Company	
	2009	2008	2009	2008
	R	R	R	R
12. SHARE CAPITAL				
Authorised				
200 000 000 ordinary shares of 0,3333 cents each	666 667	666 667	666 667	666 667
Issued				
114 272 328 ordinary shares of 0,3333 cents each	381 024	381 024	380 908	380 908
4 000 000 treasury shares of 0,3333 cents each	(13 337)	(13 337)	–	–
	367 687	**367 687**	**380 908**	**380 908**
Shares				
Number of shares at beginning of year	114 272 328	114 272 328	114 272 212	114 272 212
Treasury shares held by VEET	(4 000 000)	(4 000 000)	–	–
Number of shares at end of year	**110 272 328**	**110 272 328**	**114 272 212**	**114 272 212**

The unissued share capital is under the control of the directors.

All issued shares are fully paid up.

13. SHARE PREMIUM

	Group 2009	Group 2008	Company 2009	Company 2008
Balance at beginning of year	26 730 206	37 620 827	316 702 119	316 702 119
Repurchase of own shares (treasury shares)	–	(10 890 621)	–	–
Balance at end of year	**26 730 206**	**26 730 206**	**316 702 119**	**316 702 119**

14. PREFERENCE SHARE LIABILITY

	Group 2009	Group 2008	Company 2009	Company 2008
Balance at beginning of year	11 820 686	–	–	–
Proceeds from issue of redeemable preference shares	–	10 903 958	–	–
Accumulated interest	1 460 255	916 728	–	–
Balance at end of year	**13 280 941**	**11 820 686**	**–**	**–**

The rights of redeemable preference shares are discussed below. Interest is calculated cumulatively at a variable rate of 78% of the Prime interest rate. The preference shares are fully repayable by the first business day, following 17 March 2010.

348 variable rate cumulative redeemable non-participating preference shares with a par value of R0,01 each and a premium of R28 999,99 per share and including, without limitation, all concomitant and any outstanding preference dividend, undeclared dividends, unpaid dividends and arrear interest, as the case may be, were issued to the Van Straaten Family Trust by Selcovest 35 (Proprietary) Limited (Selcovest). The consideration received was utilised by Selcovest to purchase 4 000 000 ordinary shares in Verimark Holdings Limited. The redeemable preference shares are classified as liabilities as Selcovest (a controlled entity of the Group) cannot avoid an obligation to pay dividends declared to redeem the preference shares on redemption date. Holders of the redeemable preference shares receive a cumulative dividend which is payable at the discretion of Selcovest, resulting from dividends received by Selcovest on its investment in Verimark Holdings Limited.

The ordinary shareholders of Selcovest do not have the right to retain any dividends until such time as the preference shares are fully redeemed. Thereafter the preference shares do not have the right to participate in any additional dividends declared to ordinary shareholders. The preference shares do not carry any voting rights. The investment held by VEET in Selcovest stands as a guarantee to the Van Straaten Family Trust for the redemption of the preference shares on redemption date.

	Group		Company	
	2009	2008	2009	2008
	R	R	R	R
15. INTEREST-BEARING LIABILITIES				
Secured local loans				
Industrial Development Corporation	–	81 188	–	–
Loans obtained on behalf of franchisees, bearing interest at a variable contractual rate of the prime bank lending rate less 2%, and repayable in 48 equal instalments, commencing and ending on various dates.				
Investec Private Bank	5 706 380	5 825 512	–	–
The loan bears interest at prime less 2%. The loan has been secured by the residential property of a Director, MJ van Straaten.				
The directors no longer have the intention to repay the loan in the next 12 months. The loan is repayable in September 2023. The loan facility allows full repayment and drawdown at the discretion of the directors during the 20 year period.				
ABSA Bank	511 909	–	–	–
The loans bear interest at the prime rate and are repayable over 24 months.				
Wesbank	349 987	–	–	–
The loans bear interest at the prime rate and are repayable over 37 months.				
	6 568 276	**5 906 700**	**–**	**–**
Less: Short-term portion included in current liabilities	1 178 192	5 906 700	–	–
– Investec Private Bank	775 307	5 825 512	–	–
– Industrial Development Corporation	–	81 188	–	–
– ABSA bank	286 224	–	–	–
– Wesbank	116 661	–	–	–
	5 390 084	**–**	**–**	**–**

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R	R	R	R
16. AMOUNTS OWING TO SUBSIDIARY COMPANY AND OTHER RELATED PARTY				
Verimark (Proprietary) Limited	–	–	7 178 940	6 089 630
Selcovest 35 (Proprietary) Limited	–	–	150 996	–
	–	**–**	**7 329 936**	**6 089 630**
The loans are unsecured, interest-free and repayable on demand.				
17. TRADE AND OTHER PAYABLES				
Trade payables	12 517 496	19 542 576	–	–
Other payables	10 723 391	8 816 190	51 640	217 327
Closing balance	**23 240 887**	**28 358 766**	**51 640**	**217 327**
Included in trade and other payables for the Group is an amount of R139 658 (2008: R139 658) in respect of financial guarantee contracts and R856 543 (2008: Rnil) in respect of the straight lining of operating leases.				
18. SHAREHOLDERS FOR DIVIDEND				
Dividend 26 June 2006	29 629	29 629	29 629	29 629
Dividend 4 December 2006	12 828	12 828	12 828	12 828
	42 457	**42 457**	**42 457**	**42 457**
19. INTEREST-FREE LIABILITIES				
Unsecured loans				
MJ van Straaten – Director				
Opening balance	–	605	–	–
Advances from director	2 000 000	15 575	–	–
Repayments to director	(2 000 000)	(16 180)	–	–
Closing balance	**–**	**–**	**–**	**–**
The loan is unsecured, interest free and was repaid to the director during the year.				
20. REVENUE				
Net invoiced sales to customers	252 510 649	253 031 329	–	–

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for the year ended 28 February 2009 (continued)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R	R	R	R

21. OPERATING (LOSS)/PROFIT BEFORE NET FINANCE EXPENSE

	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
Operating (loss)/profit is arrived at after (charging)/crediting:				
Amortisation of computer software				
(intangible assets)	(196 749)	(252 180)	–	–
Amortisation of trademark	(20 000)	(20 000)		
Auditor's remuneration	(1 122 931)	(954 383)	–	–
– current year	(650 570)	(615 883)	–	–
– other services	(49 500)	(28 500)	–	–
– prior year under–provision	(422 861)	(310 000)	–	–
Bad debts expensed	–	(22 533)	–	–
Depreciation of plant and equipment	(2 623 632)	(2 193 091)	–	–
Directors' emoluments for services as Directors	(4 414 224)	(3 605 845)	167 216	75 750
Employee costs	(36 236 544)	(30 971 743)	–	–
Impairment of accounts receivable	(1 759 802)	(696 731)	–	–
Impairment of inventory	(1 782 039)	(772 677)	–	–
Impairment of investment in subsidiary company	–	–	181 657 241	67 290 684
Profit on disposal of plant and equipment	83 644	6 937	–	–
Operating lease charges:	(12 171 117)	(4 915 564)	–	–
– property	(8 915 896)	(3 219 428)	–	–
– motor vehicles	(1 593 947)	(1 411 684)	–	–
– other office equipment	(804 738)	(284 452)	–	–
– lease straight-lining	(856 536)	–	–	–
Other income – settlement receivable				
(refer to note 6)	–	2 908 443	–	–
Retirement benefits contributions	(2 573 608)	(1 781 441)	–	–
Number of employees	630	440		

22. FINANCE INCOME/(EXPENSE)

	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
Finance income				
Foreign exchange gains	3 100 487	–	–	–
Interest income	129 081	264 147	–	–
Dividend income	2 334	2 005	–	2 684 978
	3 231 902	**266 152**	**–**	**2 684 978**
Finance expense				
Foreign exchange losses	–	(2 655 113)	–	–
Interest expense	(3 237 644)	(1 744 553)	–	–
Interest on preference shares – unrealised	(1 460 255)	(916 728)	–	–
	(4 697 899)	**(5 316 394)**	**–**	**–**
Net finance expense	**(1 465 997)**	**(5 050 242)**	**–**	**2 684 978**

	Group	
	2009	**2008**
	R	R

22. INCOME TAX CREDIT/(EXPENSE)

	2009 R	2008 R
South African normal taxation		
– current year expense	(471 954)	(3 178 997)
Deferred taxation	1 021 101	(49 700)
– current year credit/(expense)	1 021 101	(72 832)
– tax rate change	–	23 132
Secondary Tax on Companies		
– current year	–	(785 490)
	549 147	**(4 014 187)**
Reconciliation of tax rate	**%**	**%**
Current year's charge as a percentage of income before taxation	13,0	47,3
Non-deductible expenditure	(12,3)	(20,9)
Secondary tax on companies	–	(9,3)
Unutilised tax losses	27,3	10,6
Tax rate change	–	0,3
Standard taxation rate	**28,0**	**28,0**

Provision for taxation for the Company has not been made as no taxable income was earned during the current year.

24. RELATED PARTY TRANSACTIONS

24.1 Identity of related parties

Details of subsidiary companies and controlled entities are disclosed in the Directors' report. The Directors of the Company are disclosed in the Directors' report. Only directors are considered key management. Key management and Directors' emoluments are disclosed in note 33.

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R	R	R	R
24.2 Related party transactions				
24.2.1 Loans to subsidiary companies				
Creditvision Rental Finance (Proprietary) Limited				
Opening balance	–	–	38 119	36 408
Advances	–	–	–	1 711
Closing balance	**–**	**–**	**38 119**	**38 119**

The loan is unsecured, interest free and has no fixed terms of repayment.

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R	R	R	R

24. RELATED PARTY TRANSACTIONS (CONTINUED)

24.2.2 Loans (from)/to Directors

	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
MJ van Straaten				
Opening balance	–	605	–	–
Advances from director	2 000 000	15 575	–	–
Repayments to director	(2 000 000)	(16 180)	–	–
Closing balance	**–**	**–**	**–**	**–**

The loan is unsecured, interest free and has no fixed terms of repayment. The loan is unsecured, interest free and is repayable on demand. The loan was repaid to the director during the year.
The residential property of MJ van Straaten has been ceded as security for the loan facility obtained from Investec Bank Limited (refer note 15)
Preference shares have been issued to the Van Straaten Family Trust by a controlled entity to the Group. Refer to note 14 for further information.

	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
Motor Vision (Proprietary) Limited – HW Bonsma (retired Non-executive Director)				
Opening balance	697 772	697 772	697 772	697 772
Short term portion of loan receivable	(458 802)	(238 970)	(458 802)	(238 970)
Closing balance	**238 970**	**458 802**	**238 970**	**458 802**

The loan was made to H Bonsma, a retired Non-Executive Director. The loan is unsecured, interest-free and repayable in five annual instalments on 30 June of each year. Refer note 6.

24.2.3 Amounts due to subsidiary company

	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
Verimark (Proprietary) Limited				
Opening balance	–	–	6 089 630	5 533 085
Advances from subsidiary	–	–	1 089 310	556 545
Closing balance	**–**	**–**	**7 178 940**	**6 089 630**

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R	R	R	R

24. RELATED PARTY TRANSACTIONS (CONTINUED)

24.2.4 Other related party loans

Selcovest 35 (Proprietary) Limited				
Opening balance	–	–	(152 997)	–
Repayments	–	–	2 001	(152 997)
Closing balance	**–**	**–**	**(150 996)**	**(152 997)**
VEET				
Opening balance	–	–	158 898	–
Advances from subsidiary	–	–	–	158 898
Closing balance	**–**	**–**	**158 898**	**158 898**

The loans are unsecured, interest free and are repayable on demand. Refer note 6 and note 16.

24.2.5 Directors purchases of goods

MJ van Straaten	7 137	4 298	–	–
DN Reichenberg	1 155	231	–	–
M MacDonald	665	2 024	–	–
	8 957	**6 553**	**–**	**–**

Sale of goods is at a discount of 67%. Only directors areconsidered key management.

25. NOTES TO THE CASH FLOW STATEMENT

25.1 Cash generated by operations

(Loss)/profit before taxation	(4 220 234)	8 488 137	(182 534 917)	(61 881 217)
Adjustment for:				
- amortisation of computer software	196 749	252 180	–	–
- amortisation of trade mark	20 000	20 000	–	–
- depreciation on plant and equipment	2 623 632	2 193 091	–	–
- profit on disposal of plant and equipment	(83 644)	(6 937)	–	–
- impairment of investment	–	–	181 657 241	67 290 684
- finance income	(3 231 902)	(266 152)	–	(6 284 978)
- finance expense	4 697 899	5 316 394	–	–
Operating profit/(loss) before changes in working capital	**2 500**	**15 996 713**	**(877 676)**	**(875 511)**
Increase in inventories	(312 260)	(1 802 038)	–	–
Decrease/(increase) in trade and other receivables	485 114	(3 640 157)	(28 131)	137 260
(Increase)/decrease in prepayments	(261 096)	1 502 469	61 228	45 625
(Decrease)/increase in trade and other payables	(5 117 879)	8 937 251	(165 687)	(28 269)
	(5 203 621)	**20 994 238**	**(1 010 266)**	**(720 895)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	Group		Company	
	2009	**2008**	**2009**	**2008**
	R	R	R	R
25. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)				
25.2 Dividend paid				
Amount owing at beginning of year	(42 457)	(42 457)	(42 457)	(42 457)
Income statement charge	–	(6 284 978)	–	(6 284 978)
Amount owing at end of year	42 457	42 457	42 457	42 457
	–	**(6 284 978)**	**–**	**(6 284 978)**
25.3 Taxation paid				
Amount (owing)/prepaid at beginning of year	(440 320)	187 226	37 043	37 043
Income statement charge	(471 954)	(3 964 487)	–	–
Amount owing/(prepaid) at end of year	290 197	440 320	–	(37 043)
	(622 077)	**(3 336 941)**	**37 043**	**–**
25.4 Cash and cash equivalents				
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:				
Bank balances	524 330	354 687	243 040	134 856
Cash on hand	79 885	25 650	–	–
Short-term deposits	31 480	29 145	–	–
Bank overdrafts	(17 429 368)	(7 579 603)	–	–
	(16 793 673)	**(7 170 121)**	**243 040**	**134 856**

26. RETIREMENT BENEFITS

The Group provides retirement benefits for all its permanent employees through defined contribution pension and provident schemes which are subject to the Pension Funds Act, 1956 as amended. The Group contributes 6,67% and employees contribute 5%.

	Group 2009 R	Group 2008 R	Company 2009 R	Company 2008 R
The total value of contributions to the above schemes were:	2 573 608	1 781 441	–	–

	Group	
	2009	**2008**
	R	R

27. COMMITMENTS

27.1 Future operating lease commitments entered into for the Group

Motor vehicles and office equipment		
– payable within one year	2 648 220	2 589 092
– payable between year 2 and 5	3 030 792	3 727 965
	5 679 012	**6 317 057**
Property		
– payable within one year	9 144 143	857 652
– payable between year 2 and 5	14 699 951	291 204
	23 844 094	**1 148 856**

The Group leases various motor vehicles under operating leases which expire after 32-60 months. Office equipment under operating leases is leased for a period of five years and these contracts expire on various dates.

The leases for property include company owned stores, regional offices and the head office premises. The head office lease agreement was renewed in April 2008 with an annual escalation in the rental charge of 8%. The lease expires in 2011.

	Group	
	2009	**2008**
	R	R

27.2 Future finance lease commitments entered into for the Group

Motor vehicles and office equipment		
– payable within one year	491 870	–
– payable between year 2 and 5	540 689	–
	1 032 559	**–**

The Group leases additional motor vehicles and certain media equipment which expire after 24 and 37 months under finance leases.

27.3 Future operating lease commitments entered into for property occupied by franchisees:

Property		
– payable within one year	827 126	6 383 052
– payable between year 2 and 5	577 927	13 582 660
	1 405 854	**19 965 712**

Verimark (Proprietary) Limited in certain instances enters into lease agreements with landlords for and on behalf of its franchisees. The terms and conditions of the leases, as signed by Verimark (Proprietary) Limited are agreed to by the franchisees in terms if their individual franchise agreements. The amounts charged by the landlords are on-charged to the franchisees as appropriate.

27.4 Advertising commitments

The Group has an advertising commitment for the period 1 July 2008 to 31 March 2009. The amount still to be expensed after the financial year-end amounts to R505 100 (2008:R1 256 818).

27. COMMITMENTS (CONTINUED)

27.5 Capital commitments

Full maintenance lease agreements concluded for 42 months at monthly charge of R11 975 for motor vehicles have been concluded subsequent to year end and before the date of this report. No other lease agreements were concluded at the date of this report.

Verimark (Proprietary) Limited is in negotiations for the buyback of three franchisees as company owned stores.

28. FINANCIAL INSTRUMENTS

28.1 Overview

The Group's activities expose it to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and price risk)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management is carried out by the management team under policies approved by the Board of Directors, and includes the overall risk management covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

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

28.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no significant concentration of credit risk, due to its wide spread of customers, other than that reported in note 17.

The Group has policies to ensure that sales of products and services are made to customers with an appropriate credit history. An established credit policy exists under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review of creditworthiness includes external ratings when available and in some cases bank references.

The majority of the Group's customers are established retail houses and this further limits exposure to credit risk. More than 85% of the Group's customers have been transacting with the Group for more than five years and losses have occurred infrequently. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are specific loss components that relate to individually significant exposures as well as provision for returns post year end, relating to pre-year end sales.

Investments

The Group limits its exposure to credit risk by investing with reputable financial institutions. Management does not expect any counterparty to fail to meet its obligations.

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.2 Credit risk (continued)

Guarantees

The Group's policy is to provide guarantees to franchisees for start up loan finance where necessary. Guarantees are held with reputable financial institutions, thus limiting exposure to credit risk. At 28 February 2009 financial guarantees contracts to the value of R450 000 (2008: R450 000) were outstanding. The fair value recognised is discussed in note 28.12.

The Group also guarantees the trading losses of franchises where necessary and adequate accruals have been made in the accounts.

28.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group receives sales revenue on a monthly basis and uses it to reduce its borrowings as well as earn interest income once deposited in the bank account. The Group ensures that it has sufficient cash on demand or overdraft facilities to meet expected operational expenses, including the servicing of financial obligations. In addition the Group maintains the following lines of credit with financial institutions:

- Direct overdraft facility of R40 000 000 that is secured. Interest is payable at the prime lending rate.
- Forward exchange contract facility with a risk weighting of R21 million.

The Group is currently in an overdraft position of R17,429 million (2008: R7,580 million). The Group's credit (overdraft) facility with ABSA Bank is monitored on a daily basis and renegotiated where necessary.

The Group prepares cash flow forecasts on a regular basis to monitor cash flow and is experienced in managing cyclical flows.

The Group makes use of bankers' acceptances where necessary. In future the Group plans to use "cash against documents" instead of "letters of credit" for foreign imports.

28.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

28.5 Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the functional currency, the South African Rand (ZAR). The currency in which these transactions are primarily denominated is the US Dollar (USD).

The Group enters into forward exchange contracts to hedge against exposure to foreign currency transactions. At any point in time the Group hedges all of its estimated foreign currency exposure in respect of forecast purchases.

The Group's foreign bank accounts are denominated in USD. These are maintained to facilitate easier purchases of transactions denominated in foreign currency.

28.6 Interest rate risk

The Group's interest rate risk arises from borrowings. The Group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a variable rate basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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28. FINANCIAL INSTRUMENTS (CONTINUED)

28.7 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to maintain an optimal capital structure to reduce the cost of capital. Loan finance relates to mostly interest-bearing loans obtained from reputable financial institutions.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and also the level of dividends paid to ordinary shareholders.

The Board of Directors monitors the shareholder spread in order to improve investor relations.

The Board intends to benefit previously disadvantaged employees by allocating Group shares to these selected employees through VEET. This Trust currently holds 4% of the Group Equity. No grants have as yet been made to employees in terms of this Trust. These shares are classified as treasury shares in the Group's results.

There were no changes in the Group's approach to capital management during the year. The Group is subject to certain externally imposed requirements. Refer to note 11 for further details.

28.8 Summary of financial assets/(liabilities) classification

The fair values of financial assets and liabilities approximate the carrying amounts shown in the balance sheet and are carried as follows:

	28 February 2009			29 February 2008		
	Amortised cost	Loans and receivables	Fair value	Amortised cost	Loans and receivables	Fair value
Group						
Loans receivable	–	238 970	–	–	458 802	–
Other receivable	–	2 908 443	–	–	2 908 443	–
Trade and other receivables	–	40 155 677	–	–	40 640 791	–
Short-term portion of loans receivable	–	458 802	–	–	238 970	–
Bank and cash balances	–	–	635 695	–	–	409 482
Interest-bearing liabilities	–	–	(5 390 084)	–	–	–
Preference share liability	(13 280 941)	–	–	11 820 686	–	–
Trade and other payables	(22 384 344)	–	–	(28 358 766)	–	–
Shareholders for dividend	(42 457)	–	–	(42 457)	–	–
Short-term portion of interest-bearing liabilities	–	–	(1 178 192)	–	–	(5 906 700)
Bank overdraft	–	–	(17 429 368)	–	–	(7 579 603)
Company						
Loan receivable	–	238 970	–	–	458 802	–
Trade and other receivables	–	48 014	–	–	19 882	–
Short term portion of loan receivable	–	617 700	–	–	238 970	–
Bank and cash balances	–	–	243 040	–	–	134 856
Trade and other payables	(51 640)	–	–	(217 327)	–	–
Amounts owing to subsidiary company	(7 329 936)	–	–	(6 089 630)	–	–
Shareholders for dividend	(42 457)	–	–	(42 457)	–	–
Investment in subsidiary company	34 319 818	–	–	215 977 059	–	–

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.9 Credit risk

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R	R	R	R
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Loans receivable	238 970	458 802	238 970	458 802
Other receivable	2 908 443	2 908 443	–	–
Short-term portion of loans receivable	458 802	238 970	458 802	238 970
Trade receivable	41 292 943	38 261 684	–	19 882
Other receivables	1 868 946	3 625 517	48 014	–
Cash and cash equivalents	635 695	409 852	243 040	134 856
	47 403 799	**45 903 268**	**988 826**	**852 510**
The maximum exposure to credit risk for trade receivables and the reporting date by geographic region was:				
Domestic	41 292 943	38 261 684		
Trade receivables exclude any impairment				
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
Retailer customer	33 287 003	27 862 039		
Franchisee customer	8 005 940	10 399 645		
	41 292 943	**38 261 684**		

The Group's most significant customer, a domestic retailer, accounts for R18 506 019 (2008: R13 384 706) of the trade receivables carrying amount at 28 February 2009. Normal trading terms are 60 days.

	Gross	Impairment	Gross	Impairment
	2009	**2009**	**2008**	**2008**
	R	R	R	R
Group				
Impairment losses				
The aging of trade receivables at the reporting date was:				
Not past due	29 936 399	–	30 951 142	–
Past due 30 to 120 days	2 337 596	–	3 008 309	–
More than 120 days	9 018 948	(3 006 212)	4 302 233	(1 246 410)
Total	**41 292 943**	**(3 006 212)**	**38 261 684**	**(1 246 410)**

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.9 Credit risk (continued)

Impairment losses (continued)

Based on historic default rates and the Group's returns policy, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 120 days. This balance includes the Group's most significant customers and relates to customers that have good trade records.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group	
	2009	**2008**
	R	R
Balance at beginning of year	(1 246 410)	(549 679)
Impairment loss raised	(1 759 802)	(1 199 766)
Impairment loss reversed	–	500 000
Impairment loss utilised	–	3 035
Balance at end of year	**(3 006 212)**	**(1 246 410)**

28.10 Liquidity risk

Profile of loans and borrowings

Terms and debt repayment schedule

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost.

The terms and conditions of outstanding loans were as follows:

				28 February 2009		**28 February 2008**	
	Currency	Nominal interest rate	Year of maturity	Face Value	Carrying amount	Face value	Carrying amount
Group							
Secured bank overdraft	ZAR	Prime	–	17 429 368	17 429 368	7 579 603	7 579 603
Secured bank loans - Investec	ZAR	Prime - 2%	2010	5 706 380	5 706 380	5 825 512	5 825 512
Secured bank loans - ABSA	ZAR	Prime	2011	511 909	511 909	–	–
Secured bank loans - Wesbank	ZAR	Prime	2012	349 987	349 987	–	–
IDC liabilities	ZAR	Prime - 2%	2009	–	–	81 188	81 188
Redeemable preference shares	ZAR	Prime - 2%		13 280 941	13 280 941	11 820 686	11 820 686
Total liabilities				**37 278 585**	**37 278 585**	**25 306 989**	**25 306 989**

Refer to note 11 for the security provided for the bank loans.
Refer to note 14 for further information on the preference share liability and guarantee thereon.

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.10 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	> 1 year
	R	R	R	R	R
Group					
28 February 2009					
Non-derivative financial liabilities					
Redeemable preference shares	13 280 941	*	*	*	*
Secured bank loans	6 568 276	13 589 620	794 542	717 162	12 077 916
Trade and other payables	22 384 344	22 384 344	22 384 344	–	–
Bank overdraft	17 429 368	17 429 368	17 429 368	–	–
Derivative financial liabilities					
Other forward exchange contracts:					
Outflow	–	2 485 000	2 485 000	–	–
	59 662 929	**55 888 332**	**43 093 254**	**717 162**	**12 077 916**
29 February 2008					
Non-derivative financial liabilities					
Redeemable preference shares	11 820 686	*	*	*	*
Secured bank loans	5 825 512	6 447 695	912 655	5 535 040	–
IDC liabilities	81 188	100 089	59 081	41 008	–
Trade and other payables	28 358 766	28 358 766	28 358 766	–	–
Bank overdraft	7 579 603	7 579 603	7 579 603	–	–
Derivative financial liabilities					
Other forward exchange contracts:					
Outflow	(758 571)	8 597 331	8 597 331	–	–
	52 907 184	**51 083 484**	**45 507 436**	**5 576 048**	**–**

*Contractual cash flows cannot be determined as the holders of the redeemable preference shares receive a dividend at the discretion of Selcovest 35 (Proprietary) Limited, resulting from dividends received on its investment in Verimark Holdings Limited. Dividends have not been declared by Verimark in the current year. It is expected that dividend payments will resume in accordance with the current payout policy of 80% of headline earnings, once the turnaround has been effected.

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.11 Market risk

28.11.1 Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	Group	
	2009	**2008**
	R	R
Bank and cash balances	(632 376)	(5 583 951)
Trade payables	1 351 582*	6 658 705*
Gross exposure at year end	**719 206**	**1 074 754**
Forward exchange contracts for future purchases	2 485 000	8 597 331

* Foreign trade payables are paid in advance

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2009	**2008**	**2009**	**2008**
Group				
US Dollar	8,70	7,05	9,98	7,49

Sensitivity analysis

A 10 percent strengthening/weakening of the South African Rand (ZAR) against the following currencies at 28 February 2009 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss
Group	
28 February 2009	
US Dollar	71 921
29 February 2008	
US Dollar	108 238

28.11.2 Interest rate risk

Profile

At the reporting date the interest rate profile of the Group and Company's interest bearing financial instruments was:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R	R	R	R
Group				
Variable rate instruments				
Financial assets	555 810	409 482	243 040	134 851
Financial liabilities	(37 278 585)	(25 306 989)	–	–
	(36 722 775)	**(24 897 507)**	**243 040**	**134 851**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.11.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or Loss	
	100 bp Increase	100 bp Decrease
Group		
28 February 2009		
Variable rate instruments	(367 228)	367 228
Cash flow sensitivity (net)	(367 228)	367 228
29 February 2008		
Variable rate instruments	(248 981)	248 981
Cash flow sensitivity (net)	(248 981)	248 981

28.12 Suretyship

The Group provided surety to ABSA Bank Limited ("the Bank") as a co-principal debtor for a franchise, in solidium, for repayment on demand of any sum or sums of money which the franchisee may owe the Bank, in terms of a loan agreement entered into between the franchisee and the Bank for an amount of R450 000. The fair value of this surety is R40 455 (2008: R 139 658).

28.13 Guarantees

Guarantees held by the Bank

ABSA Bank Limited holds guarantees by the Verimark (Proprietary) Limited to the value of R1 061 307 (2008: R1 284 337) in respect of operating rentals.

Guarantee in respect of preference shares

The investment held by VEET in Selcovest 35 (Proprietary) Limited stands as guarantee to the Van Straaten Family Trust for the repayment of the preference share liability.

29. APPLICATION OF IFRS 3 AND REVERSE LISTING – PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In a reverse acquisition, the acquirer is the entity whose equity interest has been acquired (the legal subsidiary) and the issuing entity (the legal parent) is the acquiree. Although legally the issuing entity is regarded as the parent and the entity whose equity interests has been acquired is regarded as the subsidiary, the legal subsidiary is the acquirer as it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

Consolidated financial statements prepared following a reverse listing are issued under the name of the legal parent, but are a continuation of the financial statements of the legal subsidiary (i.e. the acquirer for accounting purposes). Because such consolidated financial statements represent a continuation of the financial statements of the legal subsidiary:

- the assets and liabilities of the legal subsidiary are recognised and measured in those consolidated financial statements at their pre-combination carrying amounts
- the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the legal subsidiary, immediately before the business combination and
- the amount recognised as issued equity instruments in the consolidated financial statements shall be determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination. However the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflects the equity structure of the legal parent, including the equity instruments issued by the legal parent to effect the combination.

Reverse acquisition accounting applies only in the consolidated financial statements. Therefore, in the legal parent's separate financial statements, the investment is accounted for in accordance with the requirements in IAS 27, Consolidated and Separate Financial Statements on accounting for investments in an investor's separate financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 28 February 2009 (continued)

30. SEGMENTAL INFORMATION

Verimark operates in the retail sector. The financing activities of the old Creditvision Holdings Limited company have ceased. Therefore no segmental report is prepared. No Geographical segmental report is produced as the company operated in South Africa and exports are insignificant.

31. EARNINGS PER SHARE

The calculation of basic earnings per share is based on (loss)/profit after tax of (R3 671 087) (2008: profit of R4 473 950) attributable to the ordinary shareholders and a weighted average of 110 272 328 (2008: 110 272 328) ordinary shares in issue during the year.

The calculation of headline earnings is based on the net (loss)/profit attributable to ordinary shareholders of (R3 754 731) (2008: profit of R4 467 013) and a weighted average of 110 272 328 (2008: 110 272 328) ordinary shares in issue during the year.

	Group	
	2009	**2008**
	R	R
(Loss)/Profit per financial statements	(3 671 087)	4 473 950
Adjustments:		
Profit on sale of assets	(83 644)	(6 937)
Headline earnings	**(3 754 731)**	**4 467 013**
Basic earnings per share	(3,3)	4,1
Headline earnings per share	(3,4)	4,1
Diluted basic earnings per share	(3,3)	4,1
Diluted headline earnings per share	(3,4)	4,1

There are no dilutive instruments to both shares and earnings.

32. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of authorisation of the financial statements of Verimark Holdings Limited for the year ended 28 February 2009, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		**Effective date**
IFRIC 13 (AC 446)	Customer Loyalty Programmes	Annual periods commencing on or after 1 July 2008*
IFRIC 16 (AC 449)	Hedges of a Net Investment in a Foreign Operating	Annual periods commencing on or after 1 October 2008*
Various	Improvements to IFRS (excluding IFRS 5 amendment)	Annual periods commencing on or after 1 January 2009*
IFRS 2 (AC 139) amendment	IFRS 2 Share-based Payment: Vesting Conditions and Cancellations	Annual periods commencing on or after 1 January 2009*
IFRS 8 (AC 145)	Operating Segments	Annual periods commencing on or after 1 January 2009*
IAS 1 (AC 101)	Presentation of Financial Statements	Annual periods commencing on or after 1 January 2009*
IAS 23 (AC 114)	Borrowing Costs	Annual periods commencing on or after 1 January 2009*
IAS 27 (AC 132) & IFRS 1 (AC 138) amendment	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Annual periods commencing on or after 1 January 2009*

32. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standard/Interpretation		Effective date
IAS 32 (AC 125) & IAS 1 (AC 101) amendment	IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1(AC 101) Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	Annual periods commencing on or after 1 January 2009*
Amendments to IFRS 7 (AC 144)	Improving Disclosures about Financial Instruments	Annual periods commencing on or after 1 January 2009*
AC 503 revised	Accounting For Black Economic Empowerment (BEE) Transactions	Annual periods commencing on or after 1 January 2009*
AC 504	IAS 19 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment	Annual periods commencing on or after 1 April 2009*
IFRS 3 (AC 140)	Business Combinations	Annual periods commencing on or after 1 July 2009*
IAS 27 (AC 132) amendment	Consolidated and Separate Financial Statements	Annual periods commencing on or after 1 July 2009*
IAS 39 (AC 133) amendment	Eligible hedged items	Annual periods commencing on or after 1 July 2009*
IFRS 5 (AC 142) amendment	Improvements to IFRS - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Annual periods commencing on or after 1 July 2009*
IFRIC 17 (AC 450)	Distributions of Non-cash Assets to Owners	Annual periods commencing on or after 1 July 2009*

* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the Company).

The Directors are of the opinion that only IAS 1, IFRS8 and the amendments to IFRS7 will be applicable. The adoption of these standards will result in a change in the presentation and disclosure in the financial statements for the year ended 28 February 2010.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 28 February 2009 (continued)

33. DIRECTORS' EMOLUMENTS

Group

	Basic salary	Allowances and other benefits	Incentive bonuses	Pension and medical aid contributions	Total
	R	R	R	R	R
28 February 2009					
Executive directors paid by subsidiary					
MJ van Straaten	1 646 211	600 000	–	262 329	2 508 540
DN Reichenberg	822 917	85 200	69 663	156 573	1 134 353
M MacDonald+*	399 962	55 383	–	80 424	535 769
	2 869 090	**740 583**	**69 663**	**499 326**	**4 178 662**
Non Executive directors paid by company					
JM Pieterse	107 636	–	–	–	107 636
JT Motlatsi	127 927	–	–	–	127 927
	235 563	**–**	**–**	**–**	**235 563**
Total	**3 104 653**	**740 583**	**69 663**	**499 326**	**4 414 225**
29 February 2008					
Executive directors paid by subsidiary					
MJ van Straaten	1 463 432	523 240	–	228 162	2 214 834
DN Reichenberg	297 093	65 520	–	61 747	424 360
FP Du T Britz **	34 491	22 172	–	8 062	64 725
M MacDonald+	532 415	177 051	–	116 710	826 176
	2 327 431	**787 983**	**–**	**414 681**	**3 530 095**
Non Executive directors paid by company					
JM Pieterse	29 000	290	–	–	29 290
JT Motlatsi	46 000	460	–	–	46 460
	75 000	**750**	**–**	**–**	**75 750**
Total	**2 402 431**	**788 733**	**–**	**414 681**	**3 605 845**

\+ Director of the subsidiary Verimark (Proprietary) Limited, only

* Resigned on 27 August 2008

** Resigned 23 March 2007

Refer to note 24 for additional disclosure on transactions with Directors.

34. SHAREHOLDER SPREAD

	Number of holders	% of holders	Number of shares	% of issued shares
Public shareholders				
Individuals	839	87.95	15 019 040	13.14
Banks and nominees	48	5.03	7 888 335	6.90
Companies and other corporates	54	5.77	18 709 879	16.37
Investment Trusts and pension	10	1.05	12 155 074	10.64
	951	**99.79**	**53 772 328**	**47.06**
Non public shareholders				
Directors	2	0.21	60 500 000	52.94
Total	**953**	**100.00**	**114 272 328**	**100.00**
Size of shareholding				
Public shareholders				
1–10 000	726	76.18	2 064 506	1.81
10 001–50 000	159	16.68	3 492 792	3.06
50 001–100 000	27	2.83	2 011 335	1.76
100 001–1 000 000	30	3.15	7 188 067	6.29
1000 001 and over	9	0.94	39 015 628	34.14
Non public shareholders				
1–10 000				
10 001–50 000				
50 001–100 000				
100 001–1 000 000				
1000 001 and over	2	0.21	60 500 000	52.94
Total	**953**	**100.00**	**114 272 328**	**100.00**

Major shareholders

The Van Straaten Family Trust and Prime Rentals CC hold 53% of the issued share capital of the Company. The beneficiaries of the Trust and the members of the close corporation are the CEO, MJ van Straaten and his family. To the best of the Directors' and the Company's knowledge, the following shareholders hold 5% of more of the Company's issued share capital. No changes occurred between the end of the financial year and the date of issuing the annual report

Beneficial shareholders holding 5% or more		
Van Straaten Family interest	52.94	60 500 000
Brait	7.02	8 027 080
Mirrorball Investments 49 (Proprietary) Limited	6.56	7 500 000
Homemark (Proprietary) Limited	5,1	5 780 224

SHAREHOLDERS' DIARY

Financial year end	Friday, 28 February 2009
Announcement of annual results	Thursday, 30 April 2009
Announcement of interim results	On or about Friday, 13 November 2009
Annual General Meeting	Wednesday, 30 September 2009
Interim Dividend Declaration	On or about Friday, 13 November 2009
Final Dividend Declaration	Thursday, 30 April 2009

Notice is hereby given that the Annual General Meeting of Verimark Holdings Limited will be held at 11:00 on Wednesday, 30 September 2009 at the offices of the Company, 67 CR Swart Drive, Cnr Freda Road, Bromhof Extension 48, Randburg to conduct the following business:

ORDINARY BUSINESS

1. **Ordinary Resolution Number 1**

   To receive and adopt the audited annual financial statements of the Group for the financial year ended 28 February 2009, including the Directors' report and the report of the auditors therein.

2. **Ordinary Resolution Number 2**

   To authorise the Directors to re-appoint KPMG Inc. as independent auditors of the Company and to appoint Mrs Charmaine Swart, being a member of KPMG, as the individual registered auditor who will undertake the audit of the Company, for the ensuring period terminating on the conclusion of the next annual general meeting of the Company and to authorise the Directors to fix the auditors' remuneration for the past year.

3. **Ordinary Resolution Number 3**

   To re-elect Messrs Michael van Straaten and Johann Pieterse who, in accordance with the provisions of the Company's articles of association, retire by rotation at the Annual General Meeting, but, being eligible, offer themselves for re-election.

   Messrs van Straaten and Pieterse's abbreviated curriculum vitae is set out on page 4 of the annual report.

4. **Ordinary Resolution Number 4**

   To approve the fees of the Non-executive Directors for the year ended 28 February 2009 as contained on page 64 of the annual financial statements.

   During the year fees were paid to the Non-executive Directors for services rendered. Shareholders are being asked to approve these fees.

SPECIAL BUSINESS

In addition, members will be requested to consider, and if approved, to pass the following ordinary resolutions:

5. **Ordinary Resolution Number 5**

   To renew the Directors' general authority that all the unissued shares in the capital of the Company be placed under the control of the Directors (which shall be limited in aggregate to 10 per cent of the Company's shares in issue at 28 February 2009) at their discretion until the next annual general meeting of the Company in terms of sections 221 and 222 of the Companies Act 61, 1973, as amended (the Act), subject to the provisions of the Act and the Listings Requirements of the JSE Limited ("the JSE").

6. **Ordinary Resolution Number 6**

   To renew the authority that, pursuant to the articles of association of the Company and subject to the Act and the Listings Requirements of the JSE, the Directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue ordinary shares for cash on the following basis:

   – that this authority shall not be extended beyond 15 months from the date of this annual general meeting;
   – that in the event of a five percent or more issue, a paid press announcement giving full details, including the impact on the Company's net asset value and its earnings per share, will be published at the time of issue.

SPECIAL BUSINESS (CONTINUED)

6. Ordinary Resolution Number 6 (continued)

- that issues in the aggregate in any one financial year will not exceed 15 percent of the Company's issued shares, the number that may be issued being determined in accordance with sub-paragraph 5.52 (c) of the Listings Requirements of the JSE
- that the maximum discount at which shares will be issued will be 10 percent of the weighted average traded price of the shares measured over the 30 business days prior to the date that the price of the issue is determined or agreed by the Directors
- that the relevant shares to be issued under such authority must be of a class already in issue; and
- that any issue will only be made to public shareholders and not to any related parties, as defined in the Listings Requirements

The approval of a 75 percent majority of votes cast in favour of Ordinary Resolution Number 7 is required by all shareholders present or represented by proxy at the Annual General Meeting.

7. Special resolution

That the Company hereby approves, as a general approval contemplated in the Act, the repurchase of shares from time to time, either by the Company itself or by its subsidiaries, of the Company's issued shares, upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide, subject however to the provisions of the Act and the Listings Requirements of the JSE, it being recorded that, in terms of the Listings Requirements of the JSE, general repurchases of the Company's shares can only be made subject to the following:

7.1 that the Company and its subsidiaries are enabled by their articles of association to repurchase such shares;

7.2 that the repurchase of shares be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the Company and the counter party;

7.3 that the Company and its subsidiaries are authorised by its members in terms of a special resolution taken at general meetings, to make such general repurchases, such authorisation being valid only until the next annual general meetings or for 15 months from the date of this special resolution, whichever is the earlier date;

7.4 that an announcement be made giving such details as may be required in terms of the Listings Requirements of the JSE when the Company has cumulatively repurchased three percent of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of shares and for each three percent in aggregate of the initial number of that class acquired thereafter;

7.5 at any one time the Company may only appoint one agent to effect any repurchase on the Company's behalf;

7.6 the repurchase of shares will not take place during a prohibited period and will not affect compliance with the shareholders' spread requirements as laid down by the JSE;

7.7 the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the Company's issued share capital and a maximum of 10% in aggregate of the Company's issued share capital that may be repurchased in terms of the Act, by the subsidiaries of the Company, at the time this authority is given;

7.8 the repurchase of shares may not be made at a price greater than 10% above the weighted average traded price of the market value of the shares as determined over the five business days immediately preceding the date on which the transaction is effected.

The reason for this special resolution is to grant the Company and its subsidiaries a generally authority to repurchase the Company's shares by way of open market transactions on the JSE, subject to the Act and the Listings Requirements of the JSE.

SPECIAL BUSINESS (CONTINUED)

7. Special resolution (continued)

The effect of this special resolution would be that the Company and its subsidiaries will have been authorised generally to repurchase the Company's shares on the open market, subject to the Act and the Listings Requirements of the JSE.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate.

DISCLOSURES REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE

In terms of the Listings Requirements of the JSE, the following disclosures are required with reference to the repurchase of the Company's shares as set out in the special resolution above:

Working capital statement

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and the maximum general payments to shareholders, for a period of 12 months after the date of this notice of annual general meeting:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group, recognised and measured in accordance with the accounting policies used in the latest annual financial statements;
- the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
- the working capital resources of the Company and the Group will be adequate for ordinary business purposes.

The Company will not effect any such repurchase until the sponsor has signed off on the adequacy of its working capital and advised the JSE accordingly.

Litigation statement

Other than disclosed or accounted for in this annual report, the directors of the Company, whose names are given on page 4 of this annual report, are not aware of any legal or arbitration proceedings, pending or threatened against the Group, which may have or have had, in the 12 months preceding the date of this notice of annual general meeting, a material effect on the Group's financial position.

Directors' responsibility statement

The directors, whose names are given on page 4 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution 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 above special resolution contains all information required.

Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs, financial or trading position of the Group since the signature date of this annual report and the posting date thereof.

The following further disclosures required in terms of the Listings Requirements of the JSE are set out in accordance with the reference pages in the annual report of which this notice forms part:

Directors and management (Refer to page 4)
Major shareholders of the Company (Refer to page 65)
Directors' interests in the Company's shares (Refer to page 23)
Share capital (Refer to page 45)

VOTING AND ATTENDANCE

Certificated shareholders

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the Company that their shares are in fact registered in their name. Should this not be the case and the shares are registered in another name, or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their capacity.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and, on a poll, vote in his/her stead. A proxy need not be a shareholder of the Company.

For the convenience of registered shareholders of the Company, a form of proxy is enclosed herewith, containing detailed instructions in this regard.

Uncertificated shareholders

Beneficial owners of dematerialised shares who wish to attend the annual general meeting have to request their Central Securities Depository Participant (CSDP) or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxies

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the Company at the address given below, by no later than 11:00 on Monday, 28 Septemeber 2009. On a poll, ordinary shareholders will have one vote in respect of each share held.

By order of the Board

Verimark Holdings Limited

Siegfried Preller

Company Secretary

Johannesburg

12 August 2009

FORM OF PROXY

VERIMARK HOLDINGS LIMITED

(Registration number 1998/006957/06)

JSE Share Code: VMK ISIN Code: ZAE000068011

ANNUAL GENERAL MEETING

NB: THIS FORM OF PROXY IS FOR USE BY SHAREHOLDERS HOLDING SHARE CERTIFICATES AND SHAREHOLDERS WHO HAVE DEMATERIALISED THEIR SHARE CERTIFICATES AND HAVE ELECTED "OWN NAME" REGISTRATION THROUGH A CENTRAL SECURITIES DEPOSITORY PARTICIPANT ("CSDP") OR BROKER, AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 11:00 ON WEDNESDAY, 30 SEPTEMBER 2009

If you are a shareholder entitled to attend and vote at the abovementioned annual general meeting you can appoint a proxy to attend, vote and speak in your stead. A proxy need not be a shareholder of the Company.

If you are a shareholder and have dematerialised your share certificate through a CSDP or broker, and have not selected own name registration in the sub-register maintained by a CSDP, you must not complete this form of proxy but must instruct your CSDP or broker to issue you with the necessary authority to attend the annual general meeting, or if you do not wish to attend, you may provide your CSDP or broker with your voting instructions in terms of the custody agreement entered into with your CSDP or broker

I/We ______________________________

(Name in block letters)

of ______________________________

(Address in block letters)

being a member/members of Verimark Holdings Limited and entitled to ______________ votes, hereby appoint

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

the Chairman of the meeting

as my/our proxy to act for me/us at the Annual General Meeting, to be held at 11:00 on Wednesday, 30 September 2009 at the offices of the Company, 67 CR Swart Drive, Cnr Freda Road, Bromhof Extension 48, Randburg, 2194 and at any adjournment thereof, as follows

	Number of Verimark Shares		
	In favour	**Against**	**Abstain**
Ordinary Resolution Number 1 To receive and adopt the audited annual financial statements for the year ended 28 February 2009			
Ordinary Resolution Number 2 To re-appoint KPMG as independent auditors			
Ordinary Resolution Number 3.1 To re-elect Mr M J van Straaten who retires by rotation in terms of the Company's Articles of Association			
Ordinary Resolution Number 3.2 To re-elect Mr J Pieterse who retires by rotation in terms of the Company's Articles of Association			
Ordinary Resolution Number 4 To approve the fees of the Non-executive Directors			
Ordinary Resolution Number 5 Authority to place unissued shares under the control of the Directors			
Ordinary Resolution Number 6 General authority to issue shares for cash			
Special Resolution General authority to repurchase shares			

Please read the instructions on the reverse side of this form of proxy.

1. On a poll a shareholder is entitled to one vote for each share held.

2. Forms of proxy must be lodged at, posted to or faxed to Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107 Fax +27 11 688 5238), by no later than 11:00 on Monday, 28 September 2009.

3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting the words "the Chairman of the annual general meeting". Any such deletion must be individually initialled by the shareholder, failing which it will not have been validly effected. The person present at the annual general meeting whose name appears first on the form of proxy and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.

4. Any alterations or corrections to this form of proxy have to be initialled by the relevant signatory(ies).

5. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.

6. Voting instructions for each of the resolutions must be completed by filling the number of votes (one per ordinary share) under the "In Favour", "Against" or "Abstain" headings on the form of proxy. If no instructions are filled in on the form of proxy, the Chairman of the annual general meeting, if the Chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.

7. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareholder.

8. Documentary evidence establishing the authority of a person signing this form must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the Chairman of the annual general meeting.

9. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in electronic form in the sub-register.

10. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their Central Securities Depository Participant (CSDP) or broker who will furnish them with the necessary letter of authority to attend the annual general meeting. Alternatively, they have to instruct their CSDP or broker as to how they wish to vote. This has to be done in terms of the agreement between the shareholder and the CSDP or the broker.

11. Shareholders who wish to attend and vote at the meeting must ensure that their letters of authority from their CSDP or broker reach the transfer secretaries not later than 11:00 on Monday, 28 September 2009.

12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.

13. The Chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office

Computershare Investor Services (Proprietary) Limited
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

ADMINISTRATION

DIRECTORS	**Executive Directors** MJ van Straaten - Chief Executive Officer DN Reichenberg - Financial Director **Independent Directors** Dr JT Motlatsi - Chairman JM Pieterse
SECRETARY	SJ Preller 67 CR Swart Drive, Cnr Freda Road Bromhof Extension 48, Randburg, 2194
REGISTERED OFFICE	67 CR Swart Drive, Cnr Freda Road Bromhof Extension 48, Randburg, 2194
AUDITORS	KPMG Inc. KPMG Crescent, 85 Empire Road, Parktown, 2193 Private Bag 9, Parkview, 2122
TRANSFER SECRETARIES	Computershare Investor Services (Proprietary) Limited 70 Marshall Street, Johannesburg, South Africa, 2001 PO Box 24, Newtown, 2113 Bankers
BANKERS	ABSA Bank Limited 3rd Floor, ABSA Towers East 170 Main Street, Johannesburg, 2001
ATTORNEYS	Glyn & Marais Glyn & Marais House, 72 Grayston Drive, Sandown PO Box 652361, Benmore, 2010
COMPANY REGISTRATION NUMBER	1998/006957/06
SPONSORS	PSG Capital Limited Woodmead Estate, 1 Woodmead Drive, Woodmead, 2191 PO Box 987, Parklands, 2121

Verimark Holding Limited
67 CR Swart Drive, Cnr Freda Road
Bromhof Ext 48, Randburg 2194

www.verimark.co.za