INTEGRATED ANNUAL REPORT 2011

VERIMARK HOLDINGS LIMITED

Innovation to a better lifestyle...

ABOUT THIS REPORT

The objective of this report is to provide our stakeholders with an integrated view of the economic, social and environmental performance for the financial year 1 March 2010 to 28 February 2011 of Verimark Holdings Limited (Verimark). The company's previous annual report was published in 2010 for the reporting period ended 28 February 2010.

The JSE Limited (JSE) advised companies listed on the Exchange that, after 1 March 2010, they are required to produce integrated reports, in line with the recommendations of the South African Code of Corporate Practices and Conduct set out in the third King Report on Corporate Governance (King III). However, what constitutes integrated reporting remains the subject of debate, internationally. We have chosen to be guided by what typically has constituted reporting best practice and the assistance the Global Reporting Initiative's (GRI) G3 Reporting Guidelines provide.

Data is measured according to specific indicators throughout the report, particularly with reference to tables and graphs. Where we found GRI G3 indicators to be not applicable we have made reference to this within the report. Data is evaluated according to the policies, procedures, codes and guidelines that Verimark has developed to meet international best practice. Where possible data measurement is implicitly defined via units of measure. There are no restatements or changes to information included in earlier reports.

AUDIENCE

The stakeholders for whom we have prepared this report include existing and prospective shareholders, investment analysts, government (local, provincial and national), providers of debt, industry organisations, trade unions, employees and their families, communities that may be affected by our business, customers, contractors, suppliers, business partners and the media.

FEEDBACK

We welcome feedback on any aspect of our performance or reporting. If you would like to provide feedback or obtain additional information, please contact Michael van Straaten (e-mail: michaelv@verimark.co.za).

A glossary of terms used in this report can be found on page 3.

CONTENTS

HIGHLIGHTS

Revenue
increased by **32,8%**
to **R461,7 million**
(2010: R347,5 million)

Operating profit before interest
increased by **103,9%**
to **R57,7 million**
(2010: R28,3 million)

Profit before tax
increased by **144,1%**
to **R49,3 million**
(2010: R20,2 million)

Headline earnings
increased by **146,3%**
to **R33,5 million**
(2010: R13,6 million)

Dividend per share declared
increased by **150,0%**
to **15,0 cents**
(2010: 6,0 cents)

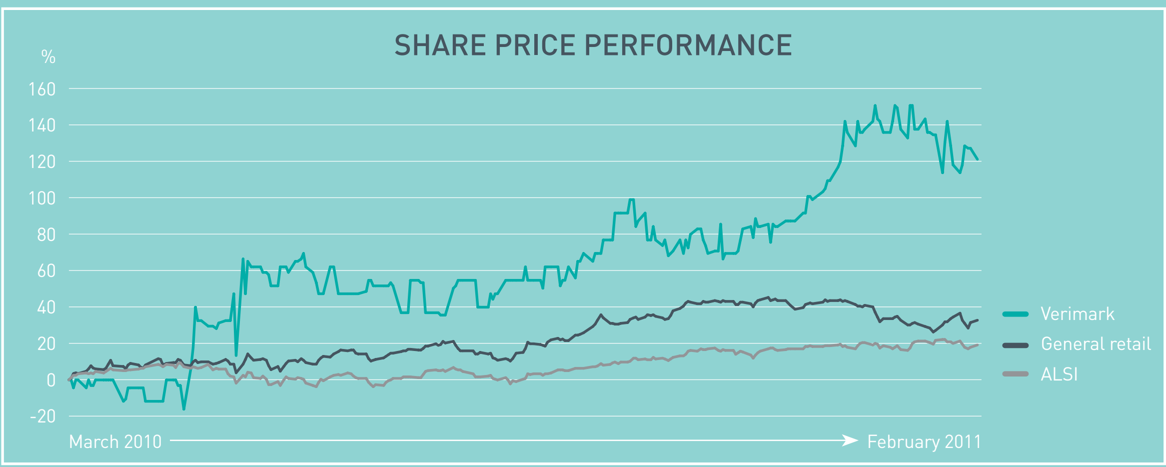
Headline earnings per share
increased by **154,0%**
to **31,5 cents**
(2010: 12,4 cents)

The Verimark share showed the fourth best growth on the JSE over a 12-month period
Business Times survey of 7 November 2010

Verimark was ranked fourth in the McGregor BFA's composite index that compares all companies on the JSE against a number of key performance criteria
Finweek, 31 March 2011

In a Nielsen survey published in the first quarter of 2011 Verimark was rated the third largest television advertiser in South Africa.

An excellent safety record with no lost time injuries in the past 10 years.



FINANCIAL STATISTICS

	2011 %	2010 %	Growth %
Sales growth	**33**	38	
Gross margin	**43**	40	
Operating margin	**12,5**	8,1	
Return on shareholders' equity	**41,5**	23,9	
	R'000	R'000	
Revenue	**461 654**	347 511	32,8
Gross profit	**200 088**	140 678	42,2
Profit before tax	**49 317**	20 152	144,7
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**64 192**	32 648	96,6
Earnings attributable to owners	**33 483**	13 618	145,9
Operating profit	**57 738**	28 266	104,3
Headline earnings	**33 461**	13 609	145,9
Cash generated by operations	**49 515**	45 593	8,6
Shareholder's equity	**80 626**	56 899	41,7
Total assets	**171 173**	137 496	24,5
ORDINARY SHARE PERFORMANCE	**cents**	cents	
Earnings per share	**31,5**	12,4	154,0
Headline earnings per share	**31,5**	12,4	154,0
Diluted earnings per share	**31,3**	12,4	152,4
Diluted headline earnings per share	**31,3**	12,4	152,4
Dividend per share	**15,0**	6,0	150,0
SHARE STATISTICS	**R**	R	
Listing price	**2,50**	2,50	
Lowest price traded	**0,57**	0,25	
Highest price traded	**1,70**	0,67	
Closing price	**1,50**	0,65	
EBITDA RECONCILIATION			
EBITDA	**64 192 425**	32 647 695	
Interest	**(8 420 744)**	(8 114 174)	
Depreciation	**(6 278 547)**	(4 238 391)	
Amortisation	**(176 344)**	(142 940)	
Profit before tax	**49 316 790**	20 152 190	

We use the financial KPIs we have selected to monitor progress in delivering our strategy of creating shareholder value. For further information on our KPIs refer to pages 19 and 20.

DEFINITIONS

EBITDA Calculated as operating profit before net finance income/(expense), 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/(expense) 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.

ABOUT VERIMARK

2005	Verimark lists on main board of the JSE Limited.	
1999 / **1997**	Verimark is selected as one of South Africa's Top 20 non-listed companies.	CEO is elected as Finalist in SA Best Entrepreneur Award.
1995	Exhibits the Verimark product range for the first time at the largest DRTV show in Las Vegas.	
1994	Opens first own Verimark "Direct" Store in Sandton City.	
1992	Introduces its "store within a store" concept at retail level.	
1990	First company to distribute DRTV products through retail stores.	
1989	Pioneers direct response television (DRTV) advertising in South Africa	
1984	Develops, patents and introduces the first home exercise machine (Gymtrim) to South Africans.	
1979	Pioneers the selling of unique household products through retail by in-store demonstrations.	
1977	Verimark sells its first product at the Rand Easter Show.	

Verimark's unique ability to consistently identify the best product innovations across the globe and turn these into "best sellers" and brand leaders in their product categories has ensured its success and market-leader position over the past 34 years.

Today Verimark is not only one of the most recognised brands in Southern Africa, but it is also the international benchmark in the distribution of direct response products through retail.

We started operating in 1977 and sold our first product at the Rand Easter Show that year. During the next 34 years we pioneered many new business and product concepts and gained a reputation as the market leader in our industry.

In 1979 we pioneered the sale of unique household products using in-store demonstrations in retail outlets. In 1984 Verimark developed, patented and was the first company to introduce a home exercise machine (Gymtrim) to South Africans. 1989 saw us pioneer direct response television (DRTV) advertising in South Africa.

The decade of the 1990s was a very busy period for Verimark. In 1990 we became the first company to distribute DRTV products through retail stores. This was followed by the store within a store concept in 1992, when Verimark trading areas were set up within third party retail stores. Then in 1994 we opened our first own Verimark Direct store in Sandton City. Today, Verimark-owned and franchised stores are to be found in most of the major shopping centres in South Africa. 1995 found us exhibiting the Verimark product range at the largest DRTV show in Las Vegas for the first time. The last decade of the 20th century closed on a high note for Verimark, when our current CEO was a finalist for South Africa's Best Entrepreneur Award, sponsored by Ernst&Young and ABSA in 1997 and 1999, when Verimark was also selected as one of South Africa's Top 20 non-listed companies by Arthur Andersen and Wits Business School.

After nearly three decades of innovation and solid performance, Verimark listed on the main board of the JSE in 2005. In line with our history, we delivered impressive results in our first year as a listed company, then went through a challenging period when we did not perform as well. To turn things around we applied the entrepreneurial spirit that made it possible for us to run a highly successful business for over 30 years. This resulted in a complete change in management (excluding the CEO) and the refocus on what made us successful in the past – the passion for innovation, creativity and operational efficiency. By the second half of the 2010 financial year we had turned the business around and recorded the best six-month period in Verimark's history. This return to previous performance levels continued in the 2011 financial year.

To build brand awareness and sell our unique product range, a highly effective and integrated marketing strategy is used. This incorporates television and print advertising, as well as the use of in-store TV playback units and demonstrations. Our continuous advertising on television, together with in-store demonstrations of our products and online sales, which are all supported by the excellent service delivered by our sales staff and call centre, have made Verimark one of the most recognised multi-channel retailers in South Africa. The majority of our brands are rated best sellers in their particular product categories.

While Verimark's main area of operation is South Africa, our products are sold through our retail trading partners throughout Africa and through Verimark franchisees in Swaziland and Namibia.

OUR MISSION

To bring the best innovations from across the globe to consumers in South Africa and other selected territories

OUR VISION

To be the best in each area of our business operations

OUR PASSION

- To search the world for, and develop, the best product innovations that enhance the lifestyles of our customers
- To provide our customers with the best possible service
- To provide our shareholders with excellent returns on their investment

WHAT DIFFERENTIATES US – THE VERIMARK BUSINESS MODEL

Our business model is substantially different from that of traditional retailers, or suppliers to the retail trade. It is important that our stakeholders have an understanding of the key aspects of the Verimark business model that will allow them to evaluate the true potential and sustainability of our Group.

VERIMARK BUSINESS MODEL

PRODUCTS

- Sourced from across the globe
- Selection criteria: unique, superior quality, demonstrability, widest possible demographic demand
- Add new products every year
- Test for consumer response before roll-out
- Build into brand leaders over long term

PROMOTION AND ADVERTISING

- Conceptualise and produce DRTV commercials
- Test consumer response
- Roll-out successfully tested products
- High frequency flighting of TV commercials
- Print, in-store TV playback units and demonstrations

DISTRIBUTION OF PRODUCTS

- Store within a store in retailers
- Verimark stores
- Shows and promotions
- International

Business model maximise product sales volumes and return on investment

OUR PRODUCTS

Our products are sourced by visiting international trade fairs, retail stores and through a network of business partners and manufacturers from across the globe. The selection criteria are uniqueness, superior quality, demonstrability and the widest possible demographic demand.

Our product range, which has been built up over the last two decades, includes long-established products, most of which are brand leaders in their particular product categories, and new products which are added to our product range every year.

To continuously identify and select products with high sales potential is not an easy task, nor is it an exact science. Verimark's track record over two decades is proof of our superior ability to select far more products with high sales potential than is the international norm.

All our products come with a 14-day money back guarantee. We encourage our customers to try our products and in the unlikely event that it does not meet their expectations, it can be returned for a no questions asked refund. Our products also come with a product quality guarantee. These range from one year to lifetime guarantees on some products.

PROMOTION AND ADVERTISING STRATEGY

Given the unique nature of the Verimark products, we identified the use of a long form television commercial known as Direct Response Television (DRTV) as the most suitable marketing medium to promote and sell our products.

Verimark pioneered DRTV in South Africa nearly two decades ago and has been the market leader, with an estimated market share of at least 50%, ever since.

As we require a TV commercial for each product that we market, we needed to develop the ability to conceptualise, script and produce our particular type of TV commercial. When Verimark selects a proven product from another international DRTV company, we can make use of their TV commercial.

In addition to continuous and aggressive TV advertising (Verimark was rated early in 2011 as South Africa's third largest TV advertiser by Nielsen), our promotional strategy includes print, internet, in-store demonstrations and TV-playback units at most of our selling points.

Before Verimark commits to large-scale product purchases all new products and TV commercials are subject to a consumer response test. This testing methodology, which we have developed over many years, limits the risk of investing in the 'wrong' (unsuccessful) new products.

DISTRIBUTION AND SALE OF PRODUCTS

When Verimark started selling products using DRTV, these products were only available by phoning the toll-free number that appeared on the television screen and placing an order with a call centre. Research undertaken by Verimark undertook suggested that the sales potential at retail store level is at least five times higher than the call centre route to market. This led us to pioneer the distribution of DRTV products through retail outlets.

Today our products are available in the stores of most of the large retail groups, where they are mainly showcased in a store within a store in a sales area dedicated to Verimark products. To optimise the demand for our products, we also started opening Verimark-branded stores (company owned and franchised) more than ten years ago. These stores are located in major shopping centres throughout the country.

Verimark's two decades of success in this specific area has gained it recognition from our peers around the globe, as the benchmark of this integrated strategy (the distribution of DRTV products through retail).

THE VERIMARK STRUCTURE

VERIMARK

MARKETING

- Sourcing and development of products
- Product testing for quality
- Production of direct response television (DRTV) and other commercials
- Product and TV commercial testing for marketability

SALES

- Responsible for space, prominence, stock holding at retail partners and our own stores
- Call centre
- Recruitment and training of sales staff
- Product training and demonstrations

FINANCE

- Accounting
- Human Resources
- Administration
- IT

LOGISTICS

- Supply chain
- Distribution centres
- Importing of products
- Outsources delivery

OUR PRODUCTS AND BRANDS AT A GLANCE

DRTV has been proven to be a highly effective sales medium worldwide. Shortly after pioneering this form of selling in South Africa, Verimark realised that this form of advertising could also be used to effectively establish and build brands in far less time than that of traditional marketing strategies. Verimark's success speaks for itself. Very few consumers in Southern Africa today do not recognise the product-brands built into brand leaders by Verimark over the previous two decades.

MAXXUS | IRON GYM | Elite OrbiTrek | Massage

FLOORWiZ | GENESIS Revolutionary Homeware | ICON Washing Ball | TOBi | Shark | MicroWiZ

DURABLADE | DIAMOND GUARD | prolong Super Lubricants | POOL GOBBLER PRO

Stainless Steel bastille Waterless Cookware | BAUER PRO | TWISTA | SHOGUN | Steam X-treme | Smart SEALER

PENTAGON | Cami Secret

i-PLAY | Biggi Bubble | Stunt Racer

HEALTH AND FITNESS

MAXXUS	RCP 3000 V800	3-in-1 Rower, recumbent cycle and personal trainer Vibration trainer
IRON GYM		Door exerciser
ELITE OrbiTrek		Elliptical trainer
SSAGE		Massage chair

MAXXUS RCP-3000

Maxxus RCP3000

To help you lose weight and get into your best shape ever, the Maxxus RCP3000 is the absolute best! This innovative and patented 3-in-1 design combines a rower, recumbent cycle and personal trainer all in one, so you are guaranteed to lose weight, firm up and tone your entire body, better and faster than ever before. With Maxxus you can reshape your entire body in the comfort of your own home, and when you're done it folds away, taking up less than half a square metre of space. The ergonomically designed seat places no orthopaedic strain on your back while exercising – so it's comfortable and safe. Now you can get a full cardiovascular workout without any impact on your joints. For the best results, Maxxus comes with an exercise manual compiled by a leading South African University, as well as a weight loss guide compiled by a leading South African sports dietician.

DIY AND AUTOMOTIVE

DIAMOND GUARD	Car polish and valet kit
DURABLADE	Indestructible wiper blades
prolong SUPER LUBRICANTS	Engine treatment
POOL GOBBLER PRO	Pool surface cleaner

HOME CLEANING

FLOORWiZ		Pro with brush attachment Butterfly mop Wonderbroom Microfibre mop
GENESIS Revolutionary Homeware	Big Green Extreme Hydrovac Turbo Nutri Plus Vacuum sealer Dry Fast	Water filtration vacuum and deep cleaner Water filtration wet and dry vacuum cleaner Juicer and blender combination Electric vacuum sealer Electric clothes dryer
ICON Washing Ball	Washing ball	Cost effective, eco-friendly laundry cleaning
TOBi		Professional upright fabric steamer
Shark		Steam mop Bagless stick vacuum cleaner Cordless sweeper
MicroWiZ		5 pack microfibre cloths

ICON washing ball

Now you can wash your laundry without any detergents! Simply place the Icon washing ball into your washing machine with your laundry, it's that easy. Icon has the power to clean up to 1 000 loads – that's three years of washing – with just one ball! Save up to R3 000 each year on washing powders and save the environment! The Icon Washing Ball kills germs and bacteria, deodorises, reduces allergens and cleans your laundry – all at the same time. The secret is that friction on the Cermatech beads causes the Ph level of the water to rise – effortlessly unlocking dirt and grime from any fabric, quickly and effectively.

ICON Washing Ball

Genesis Hydrovac Turbo

GENESIS Revolutionary Homeware
HYDRO-VAC TURBO

Genesis is a leading brand in revolutionary homeware. The new Genesis Hydrovac Turbo is a multi-purpose vacuum cleaner like no other – not only is it ideal for day to day vacuum cleaning but it's also great for wet spills. Unlike outdated bag system vacuum cleaners that loose suction power as the bags fill up with dirt and grime, the Genesis uses a revolutionary water filtration system. This system effectively traps dirt and dust releasing only clean fresh air back into the environment, and maintains a constant suction power. The Genesis is ideal for cleaning carpets, fabrics and upholstery, floors, hard surfaces, furniture and curtains. The powerful turbo brush vacuums dirt, dust and pet hair like you've never seen before – a must for allergy sufferers and anyone who wants a clean, healthy home.

TOBi FABRIC STEAMER
The worlds first professional upright and portable wrinkle removing machine

Tobi fabric steamer

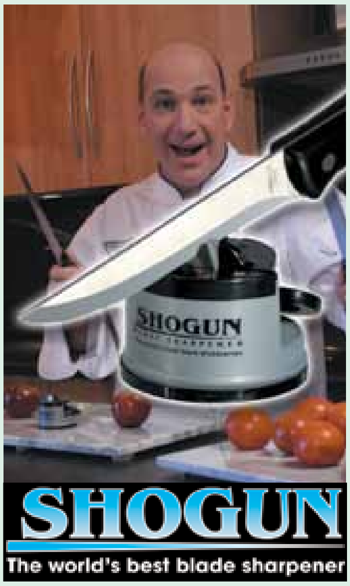
The Tobi steamer is the world's first professional upright and portable wrinkle removing machine. It's ready to use in just 30 seconds and produces a continuous, non-pressurised flow of steam which penetrates clothing, so you can iron up to five times faster. The Tobi glides over pockets, buttons, sequins and fabric prints and is guaranteed never to burn, scorch or shine your clothing. Its portable design means you can also deodorise and sanitise curtains, couches, bedding and cushions.

COOKWARE AND KITCHENWARE

Bastille Stainless Steel Waterless Cookware		Stainless steel waterless cookware
Bauer Pro		Cast aluminium non-stick cookware
Twista	Chopper Plus Chop 'n Go Ultima	Palm sized manual food processor Spring loaded manual food processor Complete manual food processor
Shogun		Peeler set Blade sharpener Hands free can opener
Steam X-treme		Travel iron
Smart Sealer		Mini bag resealer

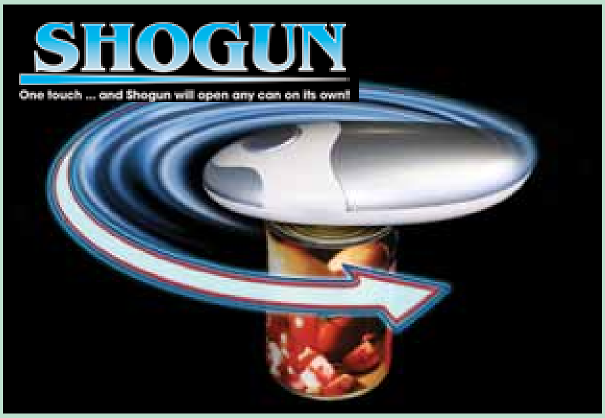
Shogun blade sharpener

The latest addition to the Shogun range is the world's best blade sharpener! The Shogun blade sharpener is made from ultra durable tungsten carbide steel and will sharpen any blade. Simply snap it onto any smooth surface, pull back three or four times and your knife's edge will be perfectly restored. The unique suction cup ensures your hands are out of harm's way, making it the safest blade sharpener available. It's quick, easy and ultra safe.



Shogun can opener

Shogun has always been synonymous with top quality, precision cutting instruments from Verimark. The Shogun hands free can opener opens cans quickly and easily with just one touch. Simply place it on the can, press the button, and the super sharp blade effortlessly unzips any lid in seconds. The specially designed micro-wheel automatically guides the blade around corners while the unique magnetic device lifts the lid, no mess, no fuss! The Shogun can be used on any shape, any size can.



BEAUTY

Pentagon	5-in-1 male grooming kit
CamiSecret	Clip on camisole

EDUCATIONAL AND FUN TOYS

i-PLAY	Bilingual Laptop	Educational laptop
	Biggi Bubble Wand	Make the biggest, longest bubbles
	Biggi Bubble Gun	Shoot a continuous stream of bubbles
	Stunt racer	Radio controlled stunt car

i-PLAY Bilingual Laptop

i-Play Bilingual Laptop

Give your child the edge with the amazing i-Play Bilingual Laptop from Verimark – South Africa's only English and Afrikaans educational laptop! Kids can get computer smart and learn a second language with the 40 fun educational games. Now they can improve language, maths, logic, music skills and more. It's battery operated so kids can enjoy it anywhere, even on long road trips.

i-Play Biggi Bubble Gun

i-Play is fast becoming one of South Africa's leading toy brands. The Biggi Bubble Gun is a great fun toy because everyone loves blowing bubbles – but blowing just a few is so boring! With the Biggi Bubble Gun and secret bubble formula, you can create a fantasy world of thousands of bubbles! Just pull the trigger and shoot a never ending stream of bubbles.

Biggi Bubble Gun

PENTAGON The ultimate 5 in 1 male grooming set by Jean Robère

Pentagon by Jean Robere

Pentagon is the ultimate 5-in-1 male grooming set. The innovative design of the Pentagon's electric razor head guarantees you the quickest and closest shave ever, while the flex neck gives you maximum control and comfort. The high precision dual blades are self sharpening so they never need replacing and are designed to lift and cut every hair for the closest, longest lasting, rash free shave. The revolutionary design of the Pentagon allows you to also convert it into a salon quality hair clipper, electric toothbrush, ear and nose trimmer and a precision trimmer. Pentagon has everything a man needs to look and feel his absolute best.

CHIEF EXECUTIVE OFFICER'S REPORT

Michael J van Straaten

Our management team has met and exceeded its commitment to return Verimark to its former levels of growth in sales and profitability.

The outstanding growth recorded in sales of 38% in the previous financial year continued during the year under review. A further 33% rise in sales this year resulted in Verimark delivering its best sales performance in its 34-year history, with sales totalling R461,7 million and a profit before tax of R49,3 million, which is an increase of 144,1% on the previous year.

This positive growth trend is in line with the new management team's commitment to return Verimark to its former levels of growth in sales and profitability. Verimark's exceptional growth recorded over the last two years (more than six times the official retail sector's growth as reported by Statistics SA) vindicates the substantial changes made to management over the previous three years and further confirms the viability of Verimark's entrepreneurial business model.

Given the continued growth in profitability and cash flow of the Group, the Board decided (in line with the Group's dividend policy) to declare a dividend of 50% of profit attributable to shareholders.

With regard to the Group's improved profitability, the main reasons were:

Increase in sales and profits

The exceptionally high growth achieved in sales was the main contributor to profitability in the year under review. The key factors that contributed to this growth are dealt with in the Operational Review.

Expenses

Although total expenses increased at a lower rate than sales, there were some expense categories that did increase at a higher rate. It became clear towards the latter part of the reporting period that the substantial increase in sales volumes was placing Verimark's operational infrastructure under huge pressure (for example, an additional distribution centre was required and night shifts had to be scheduled to handle the increased stock movement).

Although the new management team performed well under the various challenges it faced from such high sales growth, some expense increases could have been better controlled.

The problem areas have been identified and appropriate actions taken to remedy the situation. We are confident that these efforts will allow for improved efficiencies in future.

Finance costs were slightly higher than last year, primarily due to foreign exchange net losses on hedge contracts (R4,6 million in the current year versus a loss of R3,3 million in the previous year). Interest on the preference share liability (R1,1 million) relating to the Verimark Employment Empowerment Trust was in line with that of the previous year (R1,2 million).

OPERATIONAL REVIEW AND THE VERIMARK BUSINESS MODEL

As our business model is substantially different to that of traditional retailers or suppliers to the retail trade, it is important that shareholders and interested parties have at least a basic understanding of the key aspects of the Verimark business model to evaluate the true potential and sustainability of the Group.

Products

Products are sourced by visiting international trade fairs, retail stores and through a network of business partners and manufacturers from across the globe. The selection criteria are uniqueness, superior quality, demonstrability and the widest possible demographic demand. Our product range covers the following categories (and brands):

- Cookware and kitchenware: Bauer, Bastille, Twista, Shogun
- Home cleaning: Genesis, Floorwiz, Icon, Big Green Extreme
- Health and fitness: Maxxus, Orbitrek, V-Ssage, Iron Gym
- DIY and automotive: Diamond Guard, Prolong, Gorilla, Durablade
- Educational and fun toys: i-Play, Biggi Bubble
- Beauty: Pentagon, Cami Secret

The Verimark product range has been built up over the last two decades, and includes long-established products (most of which are brand leaders in their respective product categories), plus new products which are added each year. To continuously identify and select products with high sales potential is not easy nor is it an exact science, but Verimark's track record over two decades confirms its superior abilities to select far more "home runs" than the international norm.

The high rate of product introductions achieved during the previous year and since, contributed to the high growth in sales in the year under review. Some of the products introduced during the year were:

- Pentagon — Electric shaver (five-in-one male grooming kit)
- Shogun — Blade sharpener; Can opener
- Maxxus — RCP3000 (three-in-one rower, cycle and personal trainer)
- Genesis — Hydrovac (water filtration vacuum cleaner)
- i-Play — Bubble gun (fun toy)
- Icon — Environmentally friendly laundry washing ball

Promotion and advertising strategy

Given the unique nature of the Verimark products, we identified the use of a long form television commercial, also known as Direct Response Television (DRTV) as the most suitable marketing medium to promote and sell our products. Verimark pioneered DRTV in South Africa nearly two decades ago and has been the market leader, with an estimated market share of at least 50%, ever since.

As we require a TV commercial for each product that we market, we had to develop the skills to conceptualise, script and produce this form of TV commercial. In cases where Verimark might select a success-proven product from another international DRTV company, we would use their TV commercial.

In addition to continuous and aggressive TV advertising (Verimark was rated early in 2011 as South Africa's third largest TV advertiser by Nielsen), our promotional strategy also includes print, internet, in-store demonstrations and TV-playback units at most of our selling points.

It is important to note that before Verimark commits to large-scale product purchases, all new products and TV commercials are put through a consumer response test. This testing methodology, which we developed over many years, limits the risk of investing into the 'wrong' (unsuccessful) new products.

Distribution and sale of products

When products are sold through DRTV, as Verimark started doing nearly two decades ago, these products are only available by phoning the toll-free number that appears on the TV screen and placing an order with a call centre. Our research at the time suggested that the sales potential at retail store level is at least five times higher than the call centre route to market, which led Verimark to pioneer the distribution of DRTV products through retail outlets.

Today our products are available in the stores of most of the large retail groups – in most cases showcased as a store within a store in dedicated sales areas. To optimise the demand for our products, more than ten years ago we started to open Verimark-branded stores (company owned and franchised), located throughout the country and in the major shopping centres.

We are pleased to note that during the year under review, we have seen a continuation of the previous year's high growth in sales through our entire retail partner and own stores.

The growth in our sales was mainly due to:

- The sale of new products that complemented Verimark's existing product range.
- Improved prominence and space utilisation by Verimark at most retail stores. As in the previous year, full credit must be given to most of our retail partners who identified the high growth potential that promoting Verimark products offered and will continue to offer.

ACKNOWLEDGEMENT

To deliver exceptional sales growth two years in a row, took an enormous effort from every Verimark manager and staff member. Consequently, I would like to congratulate and thank everyone for the individual effort they put in to achieve this outstanding result. Two years ago, with a completely new management team in place (excluding myself), the challenges to return Verimark to its former success record were huge. But by focusing on the key performance areas of this entrepreneurial business – innovation, creativity and operational efficiencies – we have been able to deliver what we promised.

The rapid growth in volumes and concomitant support services did not come without challenges and created a substantial amount of stress throughout the business. Given the number of changes made to the management team, it would be unrealistic to expect all those appointments to have worked out. During the period under review, we have seen a limited management churn, but, nevertheless, we are pleased with the progress we have made towards building a management team that can deliver consistent growth for our business and superior market performance.

As part of our ongoing strategy to attract and retain key management, Verimark has put a number of share incentive packages in place during the year under review. As this incentive is performance based, it is expected that further share incentives will be granted in the future, subject to Board approval and all other JSE requirements.

BUSINESS ENVIRONMENT

At a macro-economic level, it is pleasing to see that the impact of the global financial crisis, which commenced in 2008, has started to reverse. The propensity of consumers to spend has undoubtedly improved for most consumer-related business and because of Verimark's strong consumer spending orientation, we did enjoy some benefit from this improvement.

The official growth in retail sales for the year ended December 2010 was 5,2% (as per Statistics SA). Most of our trading partners showed growth beyond this figure. We are pleased that we could make a positive contribution (albeit on a small scale) to every one of our trading partners' growth, given the Verimark growth rate of 33% in the year under review.

The disparity in the official growth rates in national retail sales and Verimark's own sales growth rates achieved last year, supports Verimark's assertion that its business model is different from that of the traditional retail groups. It therefore follows that macro-economic cycles that generally impact on the consumers' ability to spend in the broad retail environment, will have less impact (positive or negative) on our business as our innovative marketing strategies, based on a direct sales model, tend to give retail sales across Verimark's counter an additional boost.

PROSPECTS

It would be unrealistic to expect that the growth rate in sales over the last two years can be maintained (we nearly doubled our sales over this period). While sales growth in the last six months of the year under review was beyond our expectations, growth over the first few months of the current financial year has returned to a more sustainable pattern.

However, given our sales record over the last two years, some of our retail partners believe Verimark is still not trading optimally in all their stores and have expressed an interest in extending our product range and space allocation. This, in conjunction with a number of new Verimark stores scheduled for opening in the year ahead, should assist us to continue growing sales in excess of that expected for the retail sector in general. This trend, together with a greater focus on expense control, should allow for above average earnings growth, in the year ahead.

MJ van Straaten
Chief Executive Officer

19 May 2011

PRINCIPAL RISKS AND UNCERTAINTIES

Verimark recognises that risk is intrinsic to our business and that it is inseparable from opportunity. The objective of our risk management is to ensure an environment where we can confidently grow shareholder value and pursue business opportunities while developing and protecting our intellectual property (IP), our people, our assets, our environment and our reputation.

Economic outlook

Risk	Impact	Opportunity
Uncertain economic conditions impact consumer confidence.	This could negatively affect our ability to achieve our sales forecasts.	Our "direct sales" business model is not impacted by macro-economic conditions in the same way as the traditional retailing model is. For example, the recent global financial crisis and the uncertain market conditions that still prevail, have impacted negatively on traditional retailers. At the same time we have achieved an increase in sales and revenues.

Product offering

Risk	Impact	Mitigation
Failure to introduce suitable/ innovative new products.	Will result in poor business performance.	We have built up a core product range, most of which are brand leaders and we add new products every year. We use our established network of business partners and manufacturers, together with our continual search for unique products at trade fairs and retail stores across the globe, to continually improve our product offering. Our success rate at selecting new products is much higher than the average for our industry. Our criterion when looking for new products is that they must be unique, of superior quality and appeal to the widest possible range of customers.

Product costs

Risk	Impact	Mitigation
Our currency (the rand) increases and decreases substantially against the US dollar, the currency of payment for most of our product purchases.	Will adversely affect the purchase price of our products.	Verimark, with inputs from our bankers, continuously evaluates our foreign liabilities and pending purchases exposure, to establish if forward cover is required. With the rand strengthening against the US dollar over the last two years, Verimark incurred some losses over this period. Weighing this loss up against the risks of not taking cover, we are comfortable to continue with our foreign exposure cover strategy. We would in most cases adjust our selling prices when our product prices change for whatever reason.

Selling channels

Risk	Impact	Mitigation	Opportunity
Loss of in-store retail space and favourable in-store positioning.	This could adversely affect our sales through retail outlets.	Given Verimark's proven sales record with all of our retail partners, business sense would prevail in most cases, e.g. as we are trading optimally (relative to space) in most retailers, a reduction in space and/or prominence by a retail partner will have a direct impact on their own sales of Verimark products.	The converse of this potential risk is that some of our retail partners have indicated that they believe we are not currently trading optimally in their businesses and are therefore considering allocating more space and giving more prominence to the Verimark products.

Operational risk

Risk	Impact	Mitigation
a) Any weakness in or failure of our systems, processes and controls.	a) Any weakness or failure of system, processes and controls will negatively affect our ability to effectively manage our business, control inventory and contain costs.	a) The substantial increase in trading volumes over the last two years has highlighted many of the above risks and resulted in a process of reassessing most of Verimark's systems, processes, controls and the management structures responsible for these. Some areas of improvement have been identified and the necessary corrective actions /changes have begun. This is obviously an ongoing process, but given the planned management changes underway, we are confident that we are addressing these risks adequately.
b) Inadequate control of Group assets.	b) Inadequate control of Group assets could result in financial loss to the business.	b) High risk asset categories are continually assessed and identified. By investment in suitable software and systems that integrate into our main accounting software, we have seen good progress in mitigating this risk.

Operational risk continued

Risk	Impact	Mitigation
c) Inadequate distribution centre facilities.	c) Lack of distribution facilities will impact on our ability to maintain our customer service levels and control stock loss, etc.	c) Increased sales volumes and correlated stock holdings resulted in Verimark outgrowing its existing distribution centre. Corrective actions undertaken in the current year were to rent a second warehouse and to introduce night shifts during peak trading periods. Although this allowed Verimark to supply product timeously, and in line with customer demand, it temporarily increased the risk of stock shortages and costs. To mitigate these new risks, a decision has been taken to consolidate the two Verimark distribution centres by moving into one much larger distribution/warehouse centre. It is estimated that this will take about 15 months from decision, if the premises have to be constructed.
d) Supplier failure	d) Supplier failure could result in failure to meet sales targets because of lack of availability of stocks.	d) The risk of suppliers being unable to supply stock for extended periods is very low. As Verimark continually pursues improved quality, design and prices we would in most cases have an alternative supplier available. This would normally mitigate this specific risk.
e) Inability to comply with legislation	e) New or amended health, safety and environmental legislation could result in increased costs and non-compliance could lead to fines.	e) We comply with the health, safety and environmental legislation in place in South Africa.
f) Energy and water supply risk	f) Energy and water supply shortages could adversely affect our ability to operate.	f) We are very aware of the need to reduce our consumption of electricity and water, as both are in short supply. We are taking steps to reduce our consumption of both electricity and water. (See section on key performance indicators on page 19 and 20).
g) Introduction of Consumer Protection Act (CPA) and its implications.	g) The introduction of the new CPA allows consumers far more rights against suppliers than before. This could result in an increase in costs to deal with consumer claims (legitimate and frivolous) and financial losses due to possible settlement of claims against the company.	g) We have evaluated the potential impact of the Consumer Protection Act (CPA) on our business and concluded that given our superior quality product selection criteria and our proven history of resolving all customer complaints timeously, the CPA holds a relatively low risk for Verimark. Notwithstanding our view, we are also assessing the potentially higher risks brought about by the new CPA with our insurers. This might lead to Verimark increasing its insurance to cover the additional risk resulting from the new CPA.

Cost control

Risk	Impact	Mitigation
Cost increases not controlled.	Competitiveness and long-term profitability negatively affected by cost increases.	Verimark has identified certain areas of the business where, during a period of rapid expansion, costs were not well-contained and is focusing on rectifying these. The reasons for these cost increases has been identified and action plans (long- and short-term) put into place to reduce the growth in these costs. One of the corrective actions taken was to increase the skills and competency levels of the management team. This resulted in certain senior changes that have already been actioned. Given the diverse nature of our business and our expansion plans for the future, the identification and recruitment of management with superior abilities will be an ongoing priority.

Labour and key employees

Risk	Impact	Mitigation
Succession planning.	Business will be negatively impacted by lack of managerial skills and experience to maintain continuity of business performance.	Verimark is a unique business that requires particular knowledge and abilities to maintain its profitability and sustainability. It is important that we retain and develop these particular skills. As pointed out under Cost control, the identification and recruitment of senior management with superior skills, who are innovative and have entrepreneurial flair, has already become a top priority for Verimark. We are planning and have started an on-the-job mentoring process to ensure the vast level of skills and know-how are passed on to all our managers.

Brand and reputation

Risk	Impact	Mitigation	Opportunities
External expectations relating to the Verimark brand, including products and its corporate reputation not met.	Customers and stakeholders no longer trust the brand, sales deteriorate and shareholder value lost.	Verimark maintains high standards of corporate governance, product stewardship and customer service to ensure it retains its positioning as a trusted brand and its reputation for good corporate governance.	Verimark's position as a trusted quality brand provides an opportunity to build on this reputation.

KEY PERFORMANCE INDICATORS

FINANCIAL KEY PERFORMANCE INDICATORS

Verimark's financial performance during the year under review, including our key performance indicators (KPIs), is discussed in detail in the Chief Executive's Report on pages 14 to 16.

We use the financial KPIs we have selected to monitor progress in delivering our strategy of creating shareholder value. Refer to page 3 for further information.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

Verimark is mindful of the connection between social, economic and environmental sustainability. The non-financial KPIs that we are reporting on are those that we have identified as having most impact on the sustainability of our business and the environment and the society in which we operate.

Our employees

Verimark's day-to-day business processes require call centre operators to receive and process calls from our customers; sales people who work in our in-store shops and our Verimark retail stores, people to run our distribution centres, manage their stock levels and package and despatch our products. Refer to page 7 for our business structure.

Verimark complies with the Basic Conditions of Employment Act No 75 of 1997 and the Labour Relations Act No 66 of 1995, which govern labour relations and conditions of employment in South Africa, and does not employ people under the age of 18. We are also committed to employment equity and in the year under review 89% (1 011) of our permanent workforce are historically disadvantaged South Africans (HDSAs) and 84% (52) of our part time employees were HDSAs.

The benefits that we provide to our fulltime employees, over and above the legally mandated employment benefits, include retirement benefits in the form of provident fund, medical aid, a funeral fund and a performance bonus.

The minimum wage Verimark pays is more than, or at least in line with the sectoral determination. Our wages are not negotiated with a union as there is no union with sufficient representation among our employees. Employees working in our in-store shops, our Verimark shops and our call centre earn commission on their sales. We apply the same rate of pay to women and men doing the same job.

Employees fall into two categories; the first is fulltime employees, which includes head office, distribution centre and store-based (Verimark Direct and Retail) staff who are on site every day, typically paid a monthly salary. The second category is part time employees (mostly in sales) who work on an ad hoc basis as and when needed, typically paid for hours worked. Certain employees in both categories also earn commission.

Total workforce

	2011	2010
Fulltime	**318**	263
Part time	**879**	1 000
Total	**1 197**	1 263

There are no temporary employees.

Management

- 38% of middle management are HDSAs.
- 54% of junior management and supervisory level employees are HDSAs.
- 25% of senior management is female.
- 19% of middle management is female of which 13% are HDSAs.
- 31% of junior management and supervisory level employees are female of which 20% are HDSAs.

Training and development

Training at Verimark includes selling skills, product knowledge and selling techniques, with the greatest emphasis being on product knowledge.

Occupational health and safety

While the management and staff of Verimark consider our workplaces to be safe places in which to work we are nevertheless mindful of the risks and hazards that arise, not least of which is the spread of HIV and AIDS.

Our health and safety policy sets out management's responsibility to provide and maintain a working environment that is safe and without risks to health. The Occupational Health and Safety Committee is responsible for monitoring the overall occupational health and safety performance of Verimark. First aid boxes are stored in defined strategic areas of the workplace, which are determined by the Health and Safety Committee. Verimark provides its health and safety representatives with any training they require to carry out their duties.

Verimark is proud of its safety record, as no lost times injuries have been recorded in the workplace for the past 10 years.

Energy use

Our potential for negative environmental impact is moderate according to the ratings applied by the JSE Limited's Socially Responsible Investment (SRI) Index.

Our energy consumption includes both the use of electricity in our premises and the combustion of fuel in the form of petrol and diesel used in the transportation of the products we sell. Because the electricity we use is generated by burning fossil fuels, it generates greenhouse gases (GHGs) in the form of carbon emissions, as does the combustion of fuel.

The electricity consumed in the retail stores that house our in-store shops is accounted for by the respective retail stores who all have energy efficiency programmes in place. Verimark has not as yet calculated its carbon footprint.

Electricity

	2011	2010
Electricity use (kWh)	**177 685**	161 442

Site visits

	2011	2010
Petrol consumption (litres)	**178 448**	145 055
Diesel consumption (litres)	**39 725**	27 837
Total	**218 173**	172 892

Energy saving efforts

It is important that we reduce our consumption of electricity and fuel, both because of the impact their consumption has on climate change and the cost to the business of rising electricity and fuel costs. An additional consideration in South Africa is the need to conserve electricity because it is in short supply.

To reduce our fuel consumption, a process of route planning has been activated to limit the kilometres Verimark vehicles need to travel to visit retail stores. As most of our stock deliveries are outsourced, we rely on our delivery partners to minimise final usage and costs.

Water use

Verimark recognises that water is a scarce commodity in South Africa. Our use of water in South Africa is limited to garden maintenance, washing of vehicles and the domestic use of water on our premises.

Waste

Verimark produces non-hazardous waste in the form of waste paper, cardboard cartons and plastic. We recycle cardboard and paper at our head office and distribution centre.

Product responsibility

Verimark tests all its products for health and safety impacts and prides itself on marketing quality products. We regularly visit trade fairs across the globe to source new and innovative products. We are also approached regularly by a supplier network which we have built up over 34 years of doing business. Our products are selected based on uniqueness, demonstrability, quality and performance criteria. Our products are compared with all possible alternatives and subjected to rigorous in-house evaluations before we decide to test what we believe to be the best possible option.

Given our extremely high quality standards, we endeavour to always work with ethical and reputable manufacturers. In addition to our own quality tests, our manufacturers will supply us with their international quality certifications such as ISO, UL, TUV, ROHS, CB, CE etc.

Once Verimark has selected a product we would like to proceed with, we will order a small quantity and test it in a selected number of Verimark stores. With a 34 year history of testing new products, we are able to predict the potential market demand, customer satisfaction and possible product problems and identify possible improvements for the product. Verimark will then consider all these factors before continuing with the product.

Verimark always complies with all legal requirements regarding our products. We call for safety reports from recognised international institutions.

With a Verimark Franchise network across the country, distribution in most retail outlets around the country and a fully functioning call centre, Verimark welcomes open communication between our customers, staff, marketing and all other departments within our business.

Verimark complies with the code of advertising practice enforced by the Advertising Standards Authority (ASA) in all aspects of our marketing and advertising material. We also comply with the guidelines as set out by the new Consumer Protection Act.

Our staff are thoroughly trained on the specific products they sell and their product knowledge is tested regularly.

A number of our products are produced in South Africa. Verimark also regularly evaluates products from various South African entrepreneurs and if they comply with our selection criteria they will be considered as possible new products to be tested.

Verimark complies with all regulations and voluntary codes concerning marketing communications, including advertising and promotion of its products.

Social investment

Verimark invests in training its permanent and temporary employees and provides them with portable skills that equip them for future employment opportunities.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LEFT: Michael J van Straaten (57)

Chief Executive Officer
BComm Hons, CA(SA)
Appointed 1 July 2005 (Verimark (Pty) Limited – 1981)

Michael served articles with Spencer Steward before joining his brother in 1981 at the four year old Verimark, as 50% shareholder and Financial Director.

Eighteen years ago, when the business reached R33 million turnover, his brother left to pursue other interests and Michael acquired his shares to become the sole shareholder and CEO of Verimark. Since then, his "general manager" role has also included responsibility for product sourcing and development, and the production of TV commercials. When Verimark listed on the JSE in 2005, his shareholding was reduced to the current 52%. He has twice been a finalist in South Africa's Best Entrepreneur competition, sponsored by Ernst and Young; and selected as one of South Africa's Leading Managers by the Corporate Research Foundation.

RIGHT: Siegfried J Preller (36)

Acting Financial Director
BCom Hons, CA(SA)
Appointed 23 March 2011

Siegfried qualified as a chartered accounted in 2000; after completing his articles at PricewaterhouseCoopers Inc, he worked for Ernst & Young's audit division in the UK for two years; he has experience in the retail and banking industries and joined Verimark in 2008 as Financial Manager and was appointed as Company Secretary on 12 May 2009 and Acting Financial Director on 23 March 2011.

INDEPENDENT DIRECTORS

LEFT: Dr James T Motlatsi (58)

Independent Non-executive Chairman
PhD Social Science
Appointed 1 July 2005

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.

RIGHT: Johann M Pieterse (60)

Independent Non-executive Director
BCom CTA, M Compt, CA(SA)
Appointed 3 November 2005

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 2000. When Teljoy was sold to Vodacom in January 2000, 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 2000. He is currently Chairman of SP-Aktif, a fund management company.

NOTE: Jeremy Thomas was appointed as Financial Director on 1 October 2009 and resigned on 28 February 2011.

CHAIRMAN'S STATEMENT

Dr James T Motlatsi

On behalf of the Board I am pleased to be able to present this report on Verimark's governance during the financial year ended 28 February 2011.

Changes in international governance trends and the Companies Act 61, of 1973 as amended (the Act) prompted the third report on corporate governance in South Africa, referred to as King III, which came into effect on 1 March 2010. South Africa has, as with King I and King II, endeavoured to be at the forefront of governance internationally, hence its focus on reporting annually in an integrated manner. Integrated reporting allows stakeholders to make a more informed assessment of a company's economic performance in the context of its social and environmental impact and an evaluation of its business ethics.

The philosophy of King III revolves around leadership, sustainability and corporate citizenship. It highlights that good governance is essentially about effective leadership, which is characterised by upholding ethical standards and being responsible, accountable, fair and transparent. Responsible leadership develops and implements strategies intended to achieve sustainable economic, social and environmental performance.

BEST PRACTICE REPORTING STANDARDS

While delivering positive returns to shareholders remains a key consideration for businesses worldwide, the imperative for organisations in the 21st century is to do this with the utmost consideration and care for the social and environmental spaces that they occupy and influence. In order to provide its stakeholders with the information they need to understand and assess the company's economic, social and environmental performance. Verimark subscribes to the international GRI G3 Guidelines as a rigorous framework for providing comprehensive information to our stakeholders on our economic, social and environmental performance, reflecting transparently on both the positive and negative impacts of our business.

Verimark recognises that good corporate governance is key to the integrity of our organisation and our ability to manage risk and perform at optimum levels. That is why the Board is committed to ensuring Verimark maintains the highest levels of ethical and accountable business conduct. One area where we need to correct our current governance practice is in regard to the membership of the Audit and Risk Committee. I am currently a member of this committee, which should not be the case in terms of King III. We will be addressing this during the course of the 2012 financial year.

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders, listening to their views and addressing their concerns, is an integral part of doing business for Verimark.

Verimark has identified a broad range of internal and external stakeholders who have a material interest in or are affected by Verimark's activities and has assessed our involvement with them, or our potential impact on them. A table showing a list of our stakeholders, the type of engagement we have with them, the methods we use to engage with them and the key topics and concerns raised at engagement and responses to these is included in our governance report.

A range of communication methods are used to engage with our stakeholders and we encourage dialogue and feedback. One of the Board's key communication roles is with our investors and potential investors. At the time of the release of our results our senior management team participates in a roadshow which addresses investors and potential investors. We encourage shareholders to attend our annual general meeting, notice of which is contained in this report. At this meeting shareholders have the opportunity to raise questions with the Board and to vote on any resolutions presented.

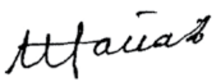
THE BOARD

I would like to extend my thanks and appreciation to my fellow board members for their contribution to our deliberations during the year.

The resignation of Financial Director, Jeremy Thomas, on 28 February 2011 was the only change to the Board during the year. In the interim the Company Secretary, Siegfried Preller, has been appointed Acting Financial Director. Siegfried has been Verimark's Company Secretary for the past two years. As such he attends all Board and Board sub-committee meetings and has an in depth knowledge of the business, which allowed for a seamless handover of financial control.

ACKNOWLEDGEMENTS

My congratulations to the Verimark team for another outstanding performance this year. On behalf of my fellow directors my thanks go to Verimark's management team and every member of staff for your contribution to this achievement.



Dr James Motlatsi
Independent Non-executive Chairman

19 May 2011

GOVERNANCE REPORT

Towards compliance with King III Code of Corporate Practices and Conduct

Verimark is listed on the JSE Limited (JSE) and is subject to the Listings Requirements of the JSE (JSE Listings Requirements), the guidelines contained in the King III Report, the Companies Act 61, of 1973 as amended (the Act), as well as any other legislation applicable to companies in South Africa. To the best of the Board's knowledge we have complied with the provisions set out in the JSE Listings Requirements.

In terms of the JSE Listings Requirements companies need to report on the extent to which they comply with the principles incorporated in King III. We would refer you to the scorecard table on pages 27 to 30 of this report in which we have set out where we have been able to apply the King III principles and have explained where we have not been able to apply them and what our intentions are in these areas.

Verimark's directors endorse the Code of Corporate Practices and Conduct (the Code), set out in the King III Report on Corporate Governance. In an ongoing effort to improve Verimark's governance standards, the Board has reviewed the recommendations contained in the revised Code and is taking the necessary steps to ensure that they are applied throughout the Company.

- All non-executive directors are independent[1].
- Non-executive directors do not receive share options or incentives.
- There is a clear separation of the responsibilities between the Chairman and the Chief Executive Officer.
- The daily management of the Company and of the Group's affairs is the responsibility of the Chief Executive Officer.
- The Chairman of the Board is independent and free of conflicts.

GOVERNANCE AND MANAGEMENT SYSTEMS

Verimark recognises that good corporate governance is key to the integrity of the organisation and its ability to manage risk and perform at optimum levels. It is for this reason that Verimark is committed to the highest levels of ethical and accountable business conduct.

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[1] The definition of an independent non-executive director in King III (These are the criteria that Verimark uses to define an independent non-executive director):

A non-executive director who:

- is not a representative of a major shareholder who can control or significantly influence management or the board;
- does not have a material direct or indirect interest in the company/group which:
  - is greater than 5% of the group's total number of shares in issue; and
  - is less than 5% of the group's total number of shares in issue, but is material to his/her personal wealth;
- has not been employed by the group or appointed as designated auditor or partner in the group's external audit firm, or senior legal adviser in the previous three financial years;
- is not related (immediate family) to someone who has been employed by the group in an executive capacity in the previous three financial years;
- is not a professional advisor to the group; and
- is free from any other business or relationship that could conflict, such as being a director of a material customer of or supplier to the company.

BOARD OF DIRECTORS

Board balance and independence

While the Board acts as the custodian of corporate governance within the organisation, a clear allocation of responsibilities among the directors of the Company ensures a balance of power and authority. The directors' contracts do not exceed three years, as recommended in the Code, and no independent non-executive director has been with the Company for longer than 10 years.

The structure of the Verimark Board is closely aligned to the recommendations of King III, with the two non-executive directors being independent. The independence of these directors is assessed annually. The Chair of the Board is an independent non-executive director. It is the intention of the Board to elect the Chairman annually and a succession plan is being developed for this position.

Currently, the membership of the Board does not reflect the demographics of South Africa. The Board is looking at addressing this in the future.

The Board's corporate governance role

Good governance is effectively about strong leadership. The Verimark Board's role is to direct, govern and be in effective control of the Company.

The Board's Charter and the Company's Code of Ethics define the roles, responsibilities and behaviours of the Board in ensuring a successful, ethical and sustainable business.

The Board is required to make decisions on matters of a material and significant nature and is accountable for the Company's sustainability. The matters on which it makes decisions include the Company's financial and operating results, major acquisitions and disposals, considerable capital expenditure and the strategic direction of the business. It is also accountable for ensuring Verimark maintains a safe and healthy workplace, has a responsible approach to its product selection and the marketing of its products, complies with the Consumer Protection Act, takes steps to ensure that Verimark limits its impact on the environment as much as possible by its management of waste and its use of energy, in the form of electricity and fuel, and water. The Audit and Risk Committee is responsible for assessing the risks which may impact on the ability of the Company to deliver in line with its strategy, while maintaining high standards of economic, environmental, social and governance practices. For a list of the identified risks see page 17 and 18.

Not only does the Board direct the development of the Company strategy but it is incumbent upon its members to assess the short- and long-term impacts of the strategy on all stakeholders.

Accountability rests with the Board for ensuring financial and legislative compliance, as well as the timeous identification and management of risk and opportunity.

The Board Charter commits the Board to ensuring the Company is a responsible corporate citizen.

The Charter:

- 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
- 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.

The racial and gender composition of the Board

At the end of February 2011, 25% of our directors were black and all our Board members are male. It is our intention to transform the Board to bring it in line with the spirit and intent of employment equity principles.

Board membership as at 28 February 2011

	Position	Appointed	Attendance at Board meetings
Independent non-executive directors			
J Motlatsi	Chairman	1 July 2005	5/5
J Pieterse	Director	3 November 2005	5/5
Executive directors			
M van Straaten	Chief Executive Officer	1 July 2005 (Verimark (Pty) Limited – 1993)	5/5
J Thomas*	Financial Director	1 October 2009	5/5

*Resigned on 28 February 2011.

Induction and development

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

Board expertise

The Board needs the appropriate balance of skills and experience within its ranks to fulfil its mandate. The members of the Verimark Board have a wide range of skills and financial, technical and commercial expertise that can guide the decision-making of the Board. Biographies of the Board are to be found on page 21.

Independent advice

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

Retirement and re-election of directors

Directors retire by rotation every three years and may offer themselves for re-election by the shareholders at the Company's Annual General Meeting. MJ van Straaten and JM Pieterse retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

Board meetings and attendance

The Board held five meetings during the past financial year. The Company Secretary acts as Secretary to the Board and its committees and attends all Board and Board committee meetings.

Changes to the Board

During the financial year ended 28 February 2011 Jeremy Thomas resigned as Financial Director on 28 February 2011. Siegfried Preller who was appointed as Company Secretary on 12 May 2009 has temporarily assumed the role of Financial Director from 23 March 2011.

Board committees

While the Board remains accountable and responsible for the performance and affairs of the Company, it delegates certain functions to management and the Board committees who assist it with the discharge of its duties. Appropriate structures for this delegation are in place, as are appropriate monitoring and reporting systems.

Each Board committee acts within 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 chairmen of the Board committees are required to attend annual general meetings to answer any questions shareholders may raise.

The Board committees are:

- Audit and Risk Committee
  - Audit
  - Risk
  - IT
  - Ethics
  - Sustainable development
- Remuneration and Nomination Committee

Board committee membership and attendance during the year

	Audit and Risk Committee	Remuneration and Nomination Committee
J Motlatsi (Chairman of the Audit and Risk Committee)	4/4	2/2
J Pieterse (Chairman of the Remuneration and Nomination Committee)	4/4	2/2
M van Straaten*	4/4	2/2
J Thomas*	4/4	2/2
S Preller*	4/4	2/2

* By invitation.

Roles and responsibilities

Audit and Risk Committee

The Audit and Risk Committee proposes the appointment of the external auditor and ensures the external auditors are independent. The external auditors attend the formal committee meetings and also have unrestricted 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.

The Audit and Risk Committee meets to consider financial reporting issues and to advise the Board on a range of matters. The committee has approved terms of reference.

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 are maintained at a high level at all times. The committee also identifies and monitors non-financial aspects relevant to the businesses of the Group, including IT risk, and reviews appropriate non-financial information that goes beyond the assessment of financial and quantitative performance factors.

The committee reviews the half-yearly financial reports, the annual financial statements and the accounting policies of the Company and its subsidiaries. The committee also satisfies itself that the Financial Director is appropriately qualified. In terms of Section 270A (1)(F) of the Act the Audit Committee report is set out on page 25 and 26 of this report.

Remuneration and Nomination Committee

The committee is responsible for approving executive remuneration, controlling the effectiveness of the Company's Human Resources policy, ensuring that remuneration levels and conditions of service of all employees are appropriate, that a succession plan is in place for directors, nominates successors for key positions in the Company, evaluates share option schemes and trusts, maintains a procedure for appointments to the Board and evaluates potential new directors.

The remuneration paid to our directors is disclosed on page 79.

COMPANY SECRETARY

The Company Secretary plays a pivotal role in guiding and assisting the Board on the delivery of its mandate. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary is responsible for providing the Board, collectively, and directors, individually, with guidance on the discharge of their responsibilities in terms of legislative and regulatory requirements.

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 and that the directors have all the relevant information and facts they need 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.

CONFLICTS OF INTEREST

Directors are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of 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 they hold at least annually and as and when the changes occur.

During the financial year ended 28 February 2011, 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 disciplinary action is taken, as Verimark responds to offences and prevents recurrence.

INTERNAL CONTROLS

Internal control systems were introduced to provide management and the Board with 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.

GOVERNANCE CONTENTS IN LINE WITH KING III AND GRI GOVERNANCE INDICATORS

Application of King III and GRI G3 governance indicators	Our application or explanation
Board of directors	
Changes to the board in 2011.	See page 35.
Which members of the board retire this year in terms of rotation set out in Articles of Association.	See page 25.
Dates directors were appointed to the board, how many board meetings were held, how many each director attended in 2011.	See page 24.
Details of committee memberships, chairman, non-executive, executive and independence status, number of meetings held during the year and attendance at these meetings.	See page 25.
Board induction – Please describe the board induction process and any training/ education initiatives undertaken with the board during the year.	See page 25.
Governance structure including committees under the highest governance body.	See page 24 and 25.
An explanation of what tasks the board is responsible for, e.g. setting strategy, sustainable development, safety, risk, etc.	See page 24.
In terms of King III need to show that effective leadership is in place that will allow sustainability to become integrated into the company – an explanation of responsibilities for sustainable development at board level required.	While Verimark has begun the process of integrating sustainability into its strategic approach to doing business the Verimark Board is still considering how best to ensure effective leadership of sustainable development throughout the business at Board level.
An explanation of the role of the committees.	See page 25 and 26.
Is the chairman executive or non-executive, independent or otherwise and if not have you appointed a lead independent non-executive director and who is it?	The Chairman is an independent non-executive director and there is therefore no need to appoint a lead independent non-executive director.
Board structure Provide number of directors who are executives, how many are non-executive and those that are independent. Also provide racial and gender composition. Indicate if majority of non-executive directors are independent.	See page 24.
What mechanisms are in place for shareholders and employees to provide recommendations or direction to the board of directors including the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body and informing and consulting employees about working relationships with formal representation bodies and representation of employees on the board?	See page 30.
Linkage between compensation for members of the board, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance).	Verimark has in place a link between compensation for senior managers which is linked to financial performance. It is considering ways and means of how best to link compensation to the social and environmental performance of the Company.
In terms of King III can we show that the chairman and non-executive directors do not receive incentive awards geared to the share price of corporate performance?	See remuneration of directors on page 79 paid for meetings.
Is the remuneration policy to be approved by shareholders at the AGM?	Yes.
What processes are in place for the board to ensure conflicts of interest are avoided?	See page 26.
Please explain the process for determining the qualifications and expertise for the members of the board for guiding the organisation's strategy on economic, environmental and social topics.	Currently no formalised process is in place to determine the qualifications and expertise of non-executive directors for guiding Verimark's strategy. The Board plans to address this in the next financial year.
Please provide details of any policies, codes, charters, etc governing the board and its committees.	See page 24 for details of the Board Charter.
Board procedures for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles.	See page 17 and 18 and page 24 and 25.
How often does the board assess the company's sustainability performance?	The Audit and Risk Committee has always assessed the economic sustainability of the business when it meets and insofar as it has always assessed the risks and opportunities that present themselves it has assessed its non-financial sustainability. In the future it will increase its assessment of the Company's sustainability performance to include environmental and socio-economic aspects.

Application of King III and GRI G3 governance indicators	Our application or explanation
Board of directors continued	
The processes are in place for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance?	The Board does not currently have a process in place to evaluate its performance, but will be addressing this in the future.
An explanation of whether and how the precautionary approach or principle is addressed by Verimark, i.e. What is the organisation's approach to risk management in operational planning or the development of new projects/operations.	See page 17 and 18.
To which externally developed economic, environmental and social charters, principles or other initiatives does Verimark subscribe or which does it endorse?	The Company does not currently subscribe to any externally developed charters.
The Company's memberships of associations such as industry, national/international advocacy associations/organisations.	Verimark is a member of the Franchise Association of South Africa (FASA).
IT governance	
Is IT part of the company's governance structure and does responsibility rest with the board?	IT is not currently part of Verimark's governance structure and we will be addressing this as soon as possible.
Has the board ensured that the company's IT strategy is integrated with its overall business strategy and processes?	This is also to be addressed.
How is IT leveraged to improve the company's performance and sustainability?	Verimark recently installed software to managed its fixed assets and continually makes use of its systems to provide reports and to extract information that helps it to be more efficient and to have better access to information.
Has the board delegated responsibility for implementing an IT governance framework to management – has someone been appointed to be responsible for this, that is the Chief Information Officer, and are they suitably qualified and experienced?	The Board has delegated responsibility for implementing an IT governance framework to the Financial Director.
Does the board monitor and/or evaluate significant IT investments and expenditure and monitor the ROI in IT?	All significant IT expenditure is approved by the Board.
Has independent assurance been obtained on IT governance practices of IT outsourced to third parties?	Verimark outsources a very small portion of its IT to reputable IT companies, but has not yet obtain independent assurance on IT governance practices of IT outsourced to third parties.
Does IT form an integral part of the company's risk management practices?	IT is listed on the Company's risk register.
Is management called upon to demonstrate that there are adequate business resilience arrangements in place for disaster recovery?	Management is not as yet required to demonstrate that adequate business resilience arrangements are in place for disaster recovery. This is something Verimark will be addressing.
Compliance with laws, codes, rules and standards	
Is the board responsible for ensuring that the company complies with the relevant IT laws, rules, codes and standards?	The Board has delegated the responsibility for ensuring that the company complies with the relevant IT laws, etc to the Company's CEO.
Does the board have processes in place to ensure that information assets are effectively managed? This includes information security, information management and information privacy.	The Board is addressing this issue as it does not currently have such processes in place.
Do the risk and audit committee assist the board in carrying out its IT responsibilities? Has the risk committee obtained assurance that IT risks are adequately addressed?	See page 25 and 26.
Does the audit committee consider IT risks as they relate to financial reporting and the going concern of the company?	See page 25 and 26.
Has technology been used to improve audit coverage and efficiency?	Not as yet.
Is legal compliance part of the risk management process and culture of the Company?	See page 18.
Is legal compliance detailed in policies and procedures?	Not as yet.
Has the structure, size, role and reporting line of the compliance function been examined to ensure that it is appropriate for the company and reflects the company's decision on how compliance is integrated with its ethics and risk management?	This is an issue the Company's new Financial Director will be addressing.
Is compliance a board responsibility?	Yes. See page 24.
How has the board discharged its responsibility to establish an effective compliance framework and process in the company.	The Board has established an Audit and Risk Committee which is responsible for ensuring there is an effective compliance framework and process in place in the Company.

Application of King III and GRI G3 governance indicators	Our application or explanation
Internal audit	
Is there an effective internal audit function in place?	There is an internal audit manager who has an assistant, which the Board believes is adequate for the size of our organisation.
Does internal audit evaluate the company's governance processes including ethics, especially 'tone at the top'?	Not as yet.
Is internal audit outsourced?	No, it is an internal function.
If it is outsourced is a senior executive or director responsible or the effective functioning of the internal audit activities?	N/A
Does Internal audit provide a written assessment of the effectiveness of the system of internal controls and risk management to the board?	Internal audit does not provide a written assessment of the effectiveness of the system of internal controls and risk management to the Financial Director for its distribution centres and company owned stores. This issue will be addressed in the 2012 financial year.
Does the internal audit function consider the risks that may prevent or slow down the realisation of strategic goals and opportunities that will promote the realisation of strategic goals?	Internal audit does not consider risks that may prevent or slow down the realisation of Verimark's strategic goals and reports on this to Financial Director. This will also be addressed in the 2012 financial year.
Does the Audit Committee ensure that the internal audit function is subject to an independent quality assurance review in line with the IIA standards?	The Audit Committee does not yet ensure that the internal audit function is subject to independent quality assurance.
Is internal audit a trusted strategic adviser to the audit committee?	Currently internal audit reports to the Financial Director.

- Compliant
- Partially compliant
- Not yet compliant

Stakeholder engagement

Stakeholder	Summary of material issues	Methods of engagement	Frequency of engagement	Key topics and concerns raised at engagement and responses to these
Shareholders, potential investors and investment analysts Verimark has a simple shareholder structure. See page 80 for breakdown of shareholdings.	• Verimark's returns to shareholders and its potential for providing future returns. • Financial and non-financial risk management. • Corporate governance including executive remuneration. • Performance against strategy. • Trends and outlook for commodity markets. • Management of environmental and social risks and opportunities. • Sustainability.	• Roadshows to investors. • Presentations. • Year-end presentations. • Annual report. • Annual general meetings. • Website.	Annually Annually Annually Annually Annually	Issues raised by shareholders and the investor community which included: • Financial performance. • Cash position. • Net debt position. • Dividends. • Strategy going forward.
Providers of debt	• Ability of the Company to repay borrowings. • Risk management.	The Company borrows from South African banks. Regular meetings are held with its bankers. Details of its bankers are to be found on the inside back cover of this report.	As and when required.	Management assesses key covenants and ratios prescribed in loan agreements regularly, any breaches or potential breaches due to market conditions are anticipated, and agreements reached with bankers going forward. Regular meetings are held with Verimark's bankers to assist their understanding of the business.
Suppliers	• Contract terms and delivery • Timeous delivery of products • Quality • Safety • Reliability of supply	• Face-to-face • Telephonic • Email	As and when required.	Verimark regularly communicates with all its suppliers on the status of orders and delivery dates.
Government and regulators	Compliance	• Face-to-face meetings • Correspondence	As and when required.	Discussions with the Department of Labour on work hours, conditions of employment, remuneration and employee contracts and with SARS on Company tax matters.

Stakeholder engagement

Stakeholder	Summary of material issues	Methods of engagement	Frequency of engagement	Key topics and concerns raised at engagement and responses to these
Employees	• Remuneration and benefits. • Workers' rights. • Skills development training, career opportunities. • Grievance and conflict resolution mechanism.	Face-to face meetings	Ongoing regular engagement.	• Employees are kept informed on business issues, what is expected of them and which codes they are expected to adhere to. • Employees understand they are free to join a trade union.
Customers	• High quality products. • Product stewardship. • Service delivery. • Maintaining customer relationships.	• DRTV. • Brochures. • Instore shops. • Verimark stores. • Brochures. • Telephonic.	Ongoing	• High quality products. • Service delivery. • Maintaining customer relationships.
Business partners (retail partners)	• In-store space. • Positioning of in-store space. • New product registration.	• Face-to-face meetings • Correspondence • Telephonic	Ongoing	• In-store space. • Positioning of in-store space. • New product registration.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee comprised the following independent non-executive directors during the year and to the date of this report:

- Mr Johann Pieterse (Chairman)
- Dr James Motlatsi.

The Audit and Risk Committee reports that it has adopted appropriate formal terms of reference as its Terms of Reference, and has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein.

The Audit and Risk Committee considered the matters set out in section 270A(5) of the Companies Act 61, of 1973 as amended (the Act) by the Corporate Laws Amendment Act, and is satisfied with the independence and objectivity of KPMG Inc as external auditors and Mrs C Swart, as the designated auditor. The Audit and Risk Committee further determined the fees to be paid to KPMG Inc and their terms of engagement and pre-approved any proposed contract with KPMG Inc for the provision of non-audit services to the company.

As required by the JSE Listings Requirement 3.84(h), the Audit and Risk Committee has satisfied itself that the Acting Financial Director has the appropriate expertise and experience.

The Audit and Risk Committee has evaluated the annual financial statements of Verimark and the Group for the year ended 28 February 2011 and, based on the information provided to the Audit and Risk Committee, considers that the Group complies, in all material respects, with the requirements of the Act and International Financial Reporting Standards.

JM Pieterse
Audit and Risk Committee Chairman

19 May 2011

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ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and Company annual financial statements of Verimark Holdings Limited (Verimark), comprising the statements of financial position at 28 February 2011, and the statements of comprehensive income, changes in equity and 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, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Group and Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the 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 Company annual financial statements of Verimark, as identified in the first paragraph, were approved by the Board of Directors on 19 May 2011 and are signed on its behalf by:

MJ van Straaten
Chief Executive Officer

19 May 2011

SJ Preller
Acting Financial Director

19 May 2011

CERTIFICATION BY THE COMPANY SECRETARY

In terms of Section 268 (G) of the Companies Act 61, of 1973 as amended (the Act), I certify that, to the best of my knowledge and belief, Verimark Holdings Limited has, in respect of the financial year ended 28 February 2011, lodged with Cipro all returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.

SJ Preller
Company Secretary

19 May 2011

INDEPENDENT AUDITOR'S REPORT

To the members of Verimark Holdings Limited (Verimark)

We have audited the Group annual financial statements and Company annual financial statements of Verimark, which comprise the statements of financial position at 28 February 2011, and the statements of comprehensive income, changes in equity and 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 34 to 81.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 at 28 February 2011, and its consolidated and separate financial performance and 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

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

19 May 2011

DIRECTORS' REPORT

for the year ended 28 February 2011

The directors have pleasure in submitting their report for the financial year ended 28 February 2011.

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 net profit attributable to ordinary shareholders for the year ended 28 February 2011 amounted to R33,5 million (2010: R13,6 million). This translates into headline earnings per share of 31,5 cents (2010: 12,4 cents) per share based on the weighted average number of shares (net of treasury shares) in issue during the year.

The results and financial position of the Company and the Group are contained in the financial statements on pages 38 to 81 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 (the Act) and remain consistent with those applied in the previous year's financial statements, except for the application of the following standards: *IAS 27 (2008) (revised) Consolidated and Separate Financial Statements (IAS 27)* and *IFRS 3 (2008) (revised) Business Combinations (IFRS 3)*. In addition *IFRS 2 Share Based Payment (IFRS 2)* was applied for the first time in the current year as this is the first year that it became applicable.

IFRS 3 and IAS 27 have had no significant impact on the annual financial statements. The effects of IFRS 2 are disclosed in note 13.

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 AUDITOR

The independent auditor, 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 (holding company) was recognised prior to 28 February 2009 in the amount of R248 947 925. This impairment loss has been partially reversed in this financial year by an amount of R97 131 478 (2010: R39 995 315) and the investment in the subsidiary is stated at the market share price for Verimark.

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

SHARE CAPITAL AND SHARE PREMIUM

The details of the authorised and issued share capital and the share premium are provided in notes 11 and 12 of these annual financial statements.

The authorised and issued share capital has not changed during the current financial year. 4 000 000 issued shares are under the control of Verimark Employees Empowerment Trust (VEET) on behalf of previously disadvantaged employees. These shares are recognised as treasury shares. No shares have been granted to employees to date.

At the 2010 annual general meeting, a general authority was granted by shareholders to allow the Company to acquire its own shares in terms of the Companies Act. The directors consider it advantageous, for the Company, for this general authority to continue. Such authority will be used if the directors consider that it is in the best interests of the Company and shareholders to effect such acquisitions having regard to prevailing circumstances and cash resources of the Company. Shareholders will be asked to consider a similar special resolution to this effect at the forthcoming annual general meeting.

During the year the Company, through its subsidiary Verimark (Proprietary) Limited, repurchased 2 980 870 (2010: 3 400 000) of its issued shares for a consideration of R3 735 925 (2010: R1 637 480) bringing the total number of shares to 6 380 870 and the total cost to R5 373 405. These shares are treated as treasury shares in the Group financial statements.

DIVIDENDS

Due to the level of profitability achieved in the financial year ended 28 February 2011, the Board is pleased to announce that a final dividend of R17 140 849 or 15,0 cents per share (2010: R6 856 340 or 6,0 cents per share) was approved on 19 May 2011.

This policy has remained at 50% of profit attributable to owners of the Company. The policy will be reassessed on an ongoing basis as and when dividends become due and payable.

DIRECTORS AND COMPANY SECRETARY

The names of the directors and Company Secretary are:

Executive directors

MJ van Straaten	Chief Executive Officer
SJ Preller	Acting Financial Director and Company Secretary

Non-executive directors

Dr JT Motlatsi	Independent Non-Executive Chairman
JM Pieterse	Independent Non-Executive Director, Audit and Risk Committee and Remuneration Committee Chairman

CHANGES TO THE BOARD

JE Thomas resigned as Financial Director on 28 February 2011. SJ Preller temporarily assumed the role of Financial Director from 23 March 2011.

SJ Preller continues to act as the Company Secretary. In terms of the Company's articles of association, all new director appointments shall retire at the following annual general meeting.

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

In terms of Verimark's BBBEE initiative in 2006, Teba Development purchased 11,5 million shares in Verimark, 4,0 million of which were held for the benefit of Verimark employees. The purchase was funded by the Van Straaten Family Trust. In terms of the agreement with Teba Development, 4,0 million shares were transferred to the control of the VEET. Funding for this purchase was provided by the Van Straaten Family Trust in the form of preference share capital in Selcovest 35 (Proprietary) Limited (Selcovest). The total BBBEE shareholding remains unchanged at 10,1%.

In terms of *IFRS 2: 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 in terms of the Verimark BBBEE initiative.

IFRS 2 SHARE BASED PAYMENT TRANSACTION

On 1 March 2010 certain key managers of Verimark (Proprietary) Limited were issued options to acquire 3 050 000 shares of Verimark. Management's effective holding is 2,67%. This is treated as a cash settled share based payment transaction in Verimark (Proprietary) Limited and an equity settled share based payment transaction in the Group. As Verimark (Proprietary) Limited is the settling entity, Verimark does not account for the share based payment transaction in its separate accounts.

The members of management who will benefit from this transaction are: R du Plessis, M Adam, Z Adam, T Bezuidenhout, N du Plessis, C Hoadley, H Lourens and D Rabie. These managers are considered to be key management and as such are treated as related parties to the Group.

DIRECTORS' SHAREHOLDING

At 28 February 2011, 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
SJ Preller	–	–	–	–
Dr JT Motlatsi	–	–	–	–
JM Pieterse	–	1 791 525	–	1,57

Directors that resigned during the financial year (JE Thomas) held 280 000 of the issued share capital of the Company at 28 February 2011.

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 significant loss to Verimark (Proprietary) Limited.

SUBSIDIARIES AND CONTROLLED ENTITIES

Subsidiaries

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

Controlled entities

- The 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 (SPEs).

The Group established these 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 SPEs have been consolidated into the financial results of the Group as it has been ascertained that control of the SPEs rests 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 VEET 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 R15 370 883 (2010: R14 490 625) does not lie with the Company as the repayment for the preference share liability is limited to Selcovest and the guarantee for such repayment is guaranteed by VEET's investment in Selcovest. The liability remained unpaid at 17 March 2010 (expected settlement date) and although the Van Straaten Family Trust holds the rights, title and interest to the issued share capital of Selcovest as security for the preference share liability, no action has been taken by the Van Straaten Family Trust to date to redeem the preference shares. Should the Van Straaten Family Trust call for the redemption of the preference shares and Selcovest is not in a position to settle the entire preference share liability, then the Van Straaten Family Trust will call upon the VEET guarantee and therefore become the sole shareholder of Selcovest. This will then result in the VEET treasury shares reflected in the

Group being used to settle the preference share liability and thereby decrease the current liabilities and increase the equity of the Group. In addition the annual interest charge would not reoccur. Refer to notes 11, 12 and 15 for further details.

Due to the consolidation of these SPEs, there is a recognition of the cumulative redeemable preference share liability as discussed above and a resultant reduction from the issued share capital and share premium of R13 337 and R10 890 621 respectively relating to the VEET shares. The preference dividend for the year of R1 120 258 (2010: R1 209 684) has been recognised as interest payable in the profit and loss of the Group. (Refer to notes 15 and 22.)

We draw attention to the fact that the preference share liability is currently classified as short term as it was due for repayment on 17 March 2010. The Van Straaten Family Trust at the date of this report has not redeemed the preference share liability as it is still the intention of the Company to continue with the BBBEE initiative.

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

	2011 R	2010 R
Verimark (Proprietary) Limited	**35 445 007**	17 810 627
Creditvision Rental Finance (Proprietary) Limited	**(946)**	(600)
Fullimput 173 (Proprietary) Limited	**–**	–
Verimark Employees Empowerment Trust	**–**	–
Selcovest 35 (Proprietary) Limited	**2 499 023**	166 762

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 than 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

The shareholders approved, as a general approval contemplated in the Companies Act 61, of 1973 as amended (the Act), the repurchase 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 Limited (JSE), it being recorded that in terms of the Listings Requirements of the JSE, general repurchases of the Company's shares can be made.

SUBSEQUENT EVENTS

No 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 JT Motlatsi
Chairman

Johannesburg
19 May 2011

MJ van Straaten
Chief Executive Officer

Johannesburg
19 May 2011

STATEMENTS OF FINANCIAL POSITION

as at 28 February 2011

	Note	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
ASSETS					
Non-current assets		**31 184 724**	25 930 550	**171 446 611**	74 315 133
Plant and equipment	3	**14 200 034**	9 262 745	**–**	–
Intangible assets	4	**14 342 291**	14 285 564	**–**	–
Investment in subsidiary companies	5	**–**	–	**171 446 611**	74 315 133
Deferred taxation asset	6	**2 642 399**	2 382 241	**–**	–
Current assets		**139 987 865**	111 564 661	**771 867**	977 726
Inventories	7	**60 273 972**	45 202 346	**–**	–
Trade and other receivables	8	**62 543 037**	51 965 542	**–**	47 491
Prepayments		**268 116**	191 108	**38 855**	–
Loans receivable	9	**233 773**	465 773	**392 671**	624 671
Bank and cash balances	10	**16 668 967**	13 739 892	**340 341**	305 564
Total assets		**171 172 589**	137 495 211	**172 218 478**	75 292 859
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company		**80 626 333**	56 899 109	**161 427 092**	65 150 332
Share capital	11	**346 420**	356 355	**380 908**	380 908
Share premium	12	**21 378 068**	25 104 058	**316 702 119**	316 702 119
Share based payment reserve	13	**392 883**	–	**–**	–
Retained earnings/(accumulated loss)		**58 508 962**	31 438 696	**(155 655 935)**	(251 932 695)
Non-current liabilities		**7 905 135**	6 631 653	**–**	–
Interest-bearing liabilities	14	**7 905 135**	6 631 653	**–**	–
Current liabilities		**82 641 121**	73 964 449	**10 791 386**	10 142 527
Preference share liability	15	**15 370 883**	14 490 625	**–**	–
Amounts owing to subsidiary company and other related party	16	**–**	–	**10 636 407**	9 810 575
Trade and other payables	17	**61 099 389**	50 137 747	**154 979**	289 495
Shareholders for dividend	18	**–**	42 457	**–**	42 457
Short-term portion of interest-bearing liabilities	14	**3 783 089**	1 732 669	**–**	–
Taxation payable		**2 387 760**	7 560 951	**–**	–
Total equity and liabilities		**171 172 589**	137 495 211	**172 218 478**	75 292 859

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 28 February 2011

		GROUP		COMPANY	
	Note	2011 R	2010 R	2011 R	2010 R
Revenue	19	**461 654 112**	347 510 910	**–**	–
Cost of sales		**(261 566 489)**	(206 832 562)	**–**	–
Gross profit		**200 087 623**	140 678 348	**–**	–
Other income/(expense)	20	**1 311 621**	(2 182 745)	**–**	–
Selling expenses		**(49 655 213)**	(36 304 847)	**–**	–
Other operating expenses		**(94 006 497)**	(73 924 392)	**(854 718)**	(2 888 492)
Reversal of impairment of investment in subsidiary companies		**–**	–	**97 131 478**	39 995 315
Operating profit before finance income and finance expense	21	**57 737 534**	28 266 364	**96 276 760**	37 106 823
Finance income	22	**2 966 279**	4 268 154	**6 856 340**	–
Finance expense	22	**(11 387 023)**	(12 382 328)	**–**	–
Profit before taxation		**49 316 790**	20 152 190	**103 133 100**	37 106 823
Income tax	23	**(15 834 184)**	(6 534 212)	**–**	–
Profit for the year		**33 482 606**	13 617 978	**103 133 100**	37 106 823
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income attributable to owners of the Company		**33 482 606**	13 617 978	**103 133 100**	37 106 823
Earnings per share					
Basic earnings per share (cents)	31	**31,5**	12,4		
Diluted basic earnings per share (cents)	31	**31,3**	12,4		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2011

	Share capital R	Share premium R	Share based payment reserve R	Retained earnings/ (accumulated loss) R	Total R
GROUP					
Balance at 1 March 2009	**367 687**	**26 730 206**	**–**	**17 820 718**	**44 918 611**
Total comprehensive income for the year					
Profit for the year				13 617 978	13 617 978
Transactions with owners recorded in equity					
Treasury shares held by Verimark (Proprietary) Limited (refer note 11 and 12)	(11 332)	(1 626 148)			(1 637 480)
Balance at 28 February 2010	**356 355**	**25 104 058**	**–**	**31 438 696**	**56 899 109**
Total comprehensive income for the year					
Profit for the year				**33 482 606**	**33 482 606**
Transactions with owners recorded in equity					
Treasury shares held by Verimark (Proprietary) Limited (refer note 11 and 12)	**(9 935)**	**(3 725 990)**			**(3 735 925)**
IFRS 2 share based payment transaction			**392 883**		**392 883**
Contributions by and distributions to owners of the Company					
Dividend paid to owners of the Company				**(6 412 340)**	**(6 412 340)**
Balance at 28 February 2011	**346 420**	**21 378 068**	**392 883**	**58 508 962**	**80 626 333**
COMPANY					
Balance at 1 March 2009	**380 908**	**316 702 119**	**–**	**(289 039 518)**	**28 043 509**
Total comprehensive income for the year					
Profit for the year				37 106 823	37 106 823
Balance at 28 February 2010	**380 908**	**316 702 119**	**–**	**(251 932 695)**	**65 150 332**
Total comprehensive income for the year					
Profit for the year				**103 133 100**	**103 133 100**
Contributions by and distributions to owners of the Company					
Dividend paid to owners of the Company				**(6 856 340)**	**(6 856 340)**
Balance at 28 February 2011	**380 908**	**316 702 119**	**–**	**(155 655 935)**	**161 427 092**

STATEMENTS OF CASH FLOW

for the year ended 28 February 2011

		GROUP		COMPANY	
	Note	2011 R	2010 R	2011 R	2010 R
Cash flows from operating activities					
Cash generated from/(utilised by) operations	25.1	**49 515 351**	45 592 995	**5 875 742**	(2 650 114)
Finance income received		**2 966 279**	3 981 468	**–**	–
Finance expense paid		**(9 969 941)**	(11 102 958)	**–**	–
Income tax paid	25.2	**(21 267 533)**	(3 480)	**–**	–
Dividend paid	25.3	**(6 454 797)**	–	**(6 898 797)**	–
Net cash inflows/(outflows) from operating activities		**14 789 359**	38 468 025	**(1 023 055)**	(2 650 114)
Cash outflows from investing activities		**(11 419 527)**	(8 255 331)	**–**	–
Acquisitions of plant and equipment		**(11 552 362)**	(7 996 221)	**–**	–
Acquisitions of intangible assets		**(233 071)**	(288 132)	**–**	–
Proceeds from disposal of plant and equipment		**365 906**	29 022	**–**	–
Cash (outflows)/inflows from financing activities		**(440 757)**	320 871	**1 057 832**	2 712 638
Loans receivable collected		**232 000**	231 999	**232 000**	231 999
Interest-bearing liabilities repaid		**(2 590 464)**	(1 124 815)	**–**	–
Interest-bearing liabilities raised		**5 893 632**	2 851 167	**–**	–
Repurchase of own shares		**(3 735 925)**	(1 637 480)	**–**	–
Preference share liability repaid		**(240 000)**	–	**–**	–
Increase in loans from subsidiary company and other related party		**–**	–	**825 832**	2 480 639
Net increase in cash and cash equivalents		**2 929 075**	30 533 565	**34 777**	62 524
Cash and cash equivalents at beginning of year		**13 739 892**	(16 793 673)	**305 564**	243 040
Cash and cash equivalents at end of year	25.4	**16 668 967**	13 739 892	**340 341**	305 564

1. ACCOUNTING POLICIES

1.1 Reporting entity

Verimark (the Company) is a company domiciled in South Africa. The address of the Company's registered office is included in the Directors' report. The consolidated financial statements, comprising Verimark and its subsidiaries (together referred to as the Group) and the Company 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), the AC 500 series as issued by the Accounting Practices Board and the requirements of the Companies Act of South Africa.

The financial statements were authorised for issue by the Board of Directors on 19 May 2011.

1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and the valuation of share based payments 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 in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 IFRS 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 1.3.18.

1.2.5 Changes in accounting policies

Business combinations and consolidated and separate financial statements

The Group has adopted the new *IFRS 3 (2008) Business Combinations* and *IAS 27 (2008) Consolidated and Separate Financial Statements* in accounting for business combinations and ownership interests in subsidiaries, respectively, for all new acquisitions that will occur. No business combinations or changes in equity interests of subsidiaries took place during 2011.

The changes in accounting policies were applied prospectively. There was no material impact on earnings per share resulting from the adoption of the new IFRS 3 and IAS 27.

1.2.6 Statements adopted for the first time

Share based payment transactions

The Group has adopted the revised *IFRS 2 Share Based Payments* in accounting for share based payment transactions. Under the new accounting policy equity settled share based payment awards granted to employees are recognised as an expense, with a corresponding increase in equity over the period of entitlement. The effect on earnings per share on the adoption of IFRS 2 is disclosed in note 31.

1.3 Significant accounting policies

The accounting policies set out below have been applied consistently by the Group and Company to all periods presented in these financial statements, except as explained in note 1.2.5, which addresses changes in accounting policies.

1.3.1 Basis of consolidation

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.

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. Transaction costs, other than those associated with the issue of equity, that the Group incurred in connection with the business combination that took place before 1 January 2009 were capitalised as part of the cost of the acquisition.

Special purpose entities

The Group has established special purpose entities (SPEs) 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. SPEs 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 exposed 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.

Accounting policies

Accounting policies of subsidiaries and special purpose entities have been changed where necessary to align them with the policies adopted by the Group.

1.3.2 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 received for cash sales), flow of economic benefits is probable, the associated costs and possible return of the merchandise can be estimated reliably, the amount of revenue can be measured reliably and there is no continuing management involvement with the merchandise.

The Group receives a once off franchise fee for new franchise arrangements. This fee is received upfront upon the conclusion of a franchise agreement. The revenue is recognised when the agreement has been concluded and the franchise fee is received or receivable.

1.3.3 Finance income/(expense)

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

Interest income and interest expense is recognised in profit or loss as it accrues, using the effective interest 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 is usually the ex-dividend date. Foreign exchange gains and losses are recognised when currency gains and losses occur. Interest on preference shares is recognised as it accrues using the effective interest method. Foreign exchange gains and losses are reported on a gross basis depending on foreign currency movements.

1.3.4 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 or other comprehensive income in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss 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. Current tax also includes any tax liability arising from the declaration of dividends.

1. ACCOUNTING POLICIES CONTINUED

1.3 Significant accounting policies continued

1.3.4 Income tax expense continued

Deferred tax is recognised in respect of 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 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle tax liabilities and assets on a net basis or their tax assets and liabilities will be recognised simultaneously.

A deferred tax asset 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.

1.3.5 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to controlling ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding, for own shares held and for the effects of all dilutive potential ordinary shares and options.

1.3.6 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating segment's operating results are reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

1.3.7 Plant and equipment

Recognition and measurement

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

Cost includes expenditure that is 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 or loss.

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 or loss as incurred.

Capital work in progress

Capital work in progress comprises assets that are being assembled (development in stores) and which are not yet ready for use for the required purpose. Capital work in progress is transferred to Company owned stores equipment once assembly is completed. Capital work in progress is not depreciated.

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 as follows for the current and comparative periods:

Computer equipment	3 years
Manufactured structures and handling equipment	4-5 years
Moulds and dies	4 years
Office furniture and equipment	5-10 years
Motor vehicles	4-5 years
Company owned (Co-owned) stores equipment	3 years
Media equipment	2 years
Shop fittings	3 years
Capital work in progress	Not depreciated

The residual values, if not insignificant, depreciation method and useful lives of plant and equipment are reviewed at each financial year end and adjusted if appropriate.

1.3.8 Intangible assets

Goodwill

Goodwill represents the excess of the consideration transferred over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss. Goodwill is measured at cost less any accumulated impairment losses.

Other intangibles

Trademarks and software that are acquired by the Group, and which have a finite useful life, are 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 lives for the current and comparative periods are as follows:

Trademarks	10 years
Computer software	3 years

The residual values, if not insignificant, amortisation method and useful lives of intangible assets are reviewed at each financial year end and adjusted if appropriate.

1.3.9 Impairment of assets

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 are largely 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. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets on a pro-rate basis.

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.

1. ACCOUNTING POLICIES CONTINUED

1.3 Significant accounting policies continued

1.3.9 Impairment of assets continued

Non-financial assets continued

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

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

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor.

The Group considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment. In assessing impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted by management's judgement as to whether actual losses are likely to be greater or less than suggested by historical trends.

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. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.3.10 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.

1.3.11 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.

1.3.12 Leases

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 statement of financial position.

Finance leases – lessee

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

1.3.13 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. The unwinding of the discount is recognised as finance cost.

1.3.14 Financial instruments

Non-derivative financial assets

Non-derivative financial assets comprise loans and receivables. The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Group de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade and other receivables, loans receivable, other receivables and cash and cash equivalents.

Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are recognised at amortised cost using the effective interest method less any impairment losses.

Cash and cash equivalents are measured at amortised cost.

Non-derivative financial liabilities

The Group initially recognises financial liabilities (secured and unsecured liabilities) on the date that they are originated. All other liabilities are recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire, or when there is a substantial modification of the original terms.

Non-derivative financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost, using the effective interest method.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. 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 recognised in profit or loss as they arise.

The Group holds derivative financial instruments, in the form of forward exchange contracts. Hedge accounting is not applied to these derivative instruments which economically hedge monetary assets and liabilities denominated in foreign currencies.

Offset

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

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 or from retained earnings or share premium.

1. ACCOUNTING POLICIES CONTINUED

1.3 Significant accounting policies continued

1.3.15 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 reporting date. Gains and losses arising on translation are credited to or charged to profit and loss.

1.3.16 Employee benefits

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 in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

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.

Share based payment transactions

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period that the employees unconditionally become entitled to the rewards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. The expense is measured at grant date and recognised over the vesting period in profit or loss.

Share based payment arrangements in which the Group receives goods or services as consideration for its equity instruments are accounted for as equity settled share based payment transactions.

1.3.17 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.

1.3.18 Estimations and judgements applied by directors in applying the accounting polices

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

Impairment of investment in subsidiary company

Management continuously considers the recoverability of the investment in and loans to the subsidiaries. The fair value of the investment is determined by reference to the quoted share price at the reporting date or an appropriate valuation technique (usually discounted cash flow). If the value of any investment has decreased below the carrying amount of the investment, the value is written down to recoverable amount.

Impairment of long outstanding trade 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 collectability of the trade receivables, as well as management's experience of the collection history of trade receivables. The fair value of trade receivables is estimated at the present value of future cash flows discounted at the present market rate of interest at the reporting date. Management believes that the allowance for impairment is conservative and there are no significant trade receivables that are doubtful and have not been impaired.

Impairment of goodwill

Goodwill is assessed for impairment indicators at each reporting date. Impairment indicators include such events as a decline in the earnings of the underlying subsidiary, diminution in investment value, reduction of quoted share price, etc.

Where such an indication of impairment exists the goodwill is assessed for impairment. Impairment losses on goodwill are not reversed.

Impairment of inventory

Obsolete inventory is identified on a continuous basis and an impairment loss is raised when necessary. 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.

1.3.19 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 2011, and have not been applied in preparing these financial statements. These standards are disclosed in note 32 to the financial statements.

None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for *IFRS 9 Financial Instruments*, which becomes mandatory for the Group's 2013/14 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to early adopt this standard and the extent of the impact has not been determined.

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.

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 a year approximates the amortised cost less impairment losses discounted at the effective rate of interest at the reporting date.

2.2 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.

2.3 Cash and cash equivalents

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

2.4 Trade and other payables

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

2.5 Interest-bearing liabilities

The notional amount of interest-bearing liabilities is deemed to reflect the fair value as the applicable interest rate approximates market rates at each reporting date.

2.6 Non-derivative financial instruments

Fair value which is determined for financial statement purposes is calculated based on the present value of the principal asset and interest cash flows discounted at the market rate of interest at the reporting date.

2.7 Derivative financial instruments

The fair value of forward exchange contracts is based on current market related currency exchange rates, taking into account appropriate contractual forward prices.

2.8 Share based payment transactions

The fair value of the employee share purchases is measured using the Monte Carlo simulation method. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on a valuation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected repayments, expected term of the instrument, expected dividends and the risk-free rate.

Service and non-market conditions attached to the transaction are not taken into account in determining fair value.

3. PLANT AND EQUIPMENT

	Computer equipment R	Manufacturing structures and handling equipment R	Moulds and dies R
GROUP			
Cost			
Balance at 1 March 2010	**2 224 549**	**1 468 057**	**548 297**
Additions	**491 263**	**574 332**	**–**
Disposals	**(885 399)**	**(194 881)**	**(548 297)**
Balance at 28 February 2011	**1 830 413**	**1 847 508**	**–**
Balance at 1 March 2009	2 088 884	1 440 046	548 297
Additions	146 996	28 011	–
Disposals	(11 331)	–	–
Balance at 28 February 2010	2 224 549	1 468 057	548 297
Accumulated depreciation and impairment losses			
Balance at 1 March 2010	**1 952 614**	**1 255 055**	**508 163**
Disposals	**(874 562)**	**(133 067)**	**(537 115)**
Depreciation for the year	**233 202**	**125 211**	**28 952**
Balance at 28 February 2011	**1 311 254**	**1 247 199**	**–**
Balance at 1 March 2009	1 770 220	1 099 313	445 949
Disposals	(11 331)	–	–
Depreciation for the year	193 725	155 742	62 214
Balance at 28 February 2010	1 952 614	1 255 055	508 163
Carrying amounts			
At 28 February 2011	**519 159**	**600 309**	**–**
At 28 February 2010	271 935	213 002	40 134
At 28 February 2009	318 664	340 733	102 348

Security

The above moveable assets (except for motor vehicles) have been ceded in favour of ABSA Bank Limited in terms of General Notarial and Special Bonds (see note 10).

Leased assets

The Group leases motor vehicles, media assets and retail equipment under finance lease (instalment sale agreements) from ABSA Bank Limited and Wesbank, a division of FirstRand Bank Limited. The leased vehicles secure the lease obligations (see note 14). At 28 February 2011, the carrying value of leased motor vehicles is R3 021 890 (2010: R1 971 306), media assets is R2 131 678 (2010: R2 936 889) and retail equipment is R766 624 (2010: R270 005).

Office furniture and equipment R	Motor vehicles R	Company owned stores equipment R	Media equipment R	Shop fittings R	Capital work in progress R	Total R
3 551 523	**2 566 819**	**2 752 142**	**2 751 944**	**8 114 959**	**–**	**23 978 290**
373 895	**2 210 258**	**1 180 684**	**2 358 975**	**4 008 051**	**354 904**	**11 552 362**
(5 067)	**(172 347)**	**–**	**(422 797)**	**(16 389)**	**–**	**(2 245 177)**
3 920 351	**4 604 730**	**3 932 826**	**4 688 122**	**12 106 621**	**354 904**	**33 285 475**
3 273 127	434 883	2 244 585	578 744	5 405 744	–	16 014 310
287 167	2 131 936	507 557	2 184 584	2 709 970	–	7 996 221
(8 771)	–	–	(11 384)	(755)	–	(32 241)
3 551 523	2 566 819	2 752 142	2 751 944	8 114 959	–	23 978 290
3 126 480	**474 854**	**1 311 996**	**929 507**	**5 156 876**	**–**	**14 715 545**
–	**(25 134)**	**–**	**(330 572)**	**(8 201)**	**–**	**(1 908 651)**
155 921	**979 424**	**1 003 434**	**1 579 895**	**2 172 508**	**–**	**6 278 547**
3 282 401	**1 429 144**	**2 315 430**	**2 178 830**	**7 321 183**	**–**	**19 085 441**
2 945 797	50 119	467 623	68 135	3 646 340	–	10 493 496
(1 706)	–	–	(3 305)	–	–	(16 342)
182 389	424 735	844 373	864 677	1 510 536	–	4 238 391
3 126 480	474 854	1 311 996	929 507	5 156 876	–	14 715 545
637 950	**3 175 586**	**1 617 396**	**2 509 292**	**4 785 438**	**354 904**	**14 200 034**
425 043	2 091 965	1 440 146	1 822 437	2 958 083	–	9 262 745
327 330	384 764	1 776 962	510 609	1 759 404	–	5 520 814

Assessment of useful lives, residual value and depreciation methods

During the year ended 28 February 2011, the Group conducted a review of the estimated useful lives, residual values and depreciation methods of plant and equipment. There were no changes required.

Capital work in progress

Capital work in progress comprises assets that are being assembled (development in stores) and which are not yet ready for use for the required purpose. Capital work in progress is transferred to Company owned stores equipment once assembly is completed.

4. INTANGIBLE ASSETS

	Goodwill R	Trademarks R	Computer software R	Total R
GROUP				
Cost				
2011				
Balance at beginning of year	**13 996 651**	**200 000**	**1 473 122**	**15 669 773**
Additions	**–**	**–**	**233 071**	**233 071**
Balance at end of year	**13 996 651**	**200 000**	**1 706 193**	**15 902 844**
2010				
Balance at beginning of year	13 996 651	200 000	1 184 990	15 381 641
Additions	–	–	288 132	288 132
Balance at end of year	13 996 651	200 000	1 473 122	15 669 773
Accumulated amortisation and impairment losses				
2011				
Balance at beginning of year	**–**	**193 333**	**1 190 876**	**1 384 209**
Amortisation for the year	**–**	**6 667**	**169 677**	**176 344**
Balance at end of year	**–**	**200 000**	**1 360 553**	**1 560 553**
2010				
Balance at beginning of year	–	173 333	1 067 936	1 241 269
Amortisation for the year	–	20 000	122 940	142 940
Balance at end of year	–	193 333	1 190 876	1 384 209
Carrying amounts				
At 28 February 2011	**13 996 651**	**–**	**345 640**	**14 342 291**
At 28 February 2010	13 996 651	6 667	282 246	14 285 564
At 28 February 2009	13 996 651	26 667	117 054	14 140 372

Impairment testing of cash-generating units containing goodwill

Goodwill arose on 1 July 2005 when Verimark 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 (2004) Business Combinations* for acquisitions before 1 January 2010, 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 turnaround strategy has yielded positive results for the second year and management has continued to be conservative and has shown the investment at the Verimark market share price.

For the purpose of impairment testing, the entire goodwill amount is allocated to the Company's operating subsidiary, Verimark (Proprietary) Limited (cash-generating unit (CGU)). The recoverable amount of Verimark (Proprietary) Limited was based on the quoted share price of Verimark, this being the value (fair value less costs to sell) obtained through continuing use of the CGU. The recoverable amount was determined in a similar manner in 2010.

4. INTANGIBLE ASSETS CONTINUED

Assumptions

The quoted share price, at year end, of Verimark has been used to determine the fair value less costs to sell of the underlying CGU. Following the reversal of a portion of the impairment loss recognised in 2009 for the investment in Verimark (Proprietary) Limited, the recoverable amount is estimated to approximate the carrying amount of the investment in the Company. Management believes that the value to be derived from the disposal of the investment would be far greater than the carrying amount, based on current market conditions. As such, no impairment loss has been recognised for the goodwill.

	COMPANY	
	2011 R	2010 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
Verimark (Proprietary) Limited		
– Opening balance	**74 277 013**	34 281 698
– Reversal of impairment	**97 131 478**	39 995 315
Closing balance	**171 408 491**	74 277 013
Reconciliation of original cost		
Original cost	**283 229 623**	283 229 623
Total impairment	**(111 821 132)**	(208 952 610)
Carrying value	**171 408 491**	74 277 013
Creditvision Rental Finance (Proprietary) Limited		
– Cost of shares	**1**	1
– Loan to subsidiary company	**38 119**	38 119
Closing balance	**38 120**	38 120
Net investment in subsidiary companies	**171 446 611**	74 315 133

The directors have valued the investment in Verimark (Proprietary) Limited based on the market share price of Verimark. This is more than the carrying amount of the investment in Verimark (Proprietary) Limited. The valuation of the investment will be reviewed on an ongoing basis.

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
6. DEFERRED TAXATION ASSET				
Balance at beginning of year	**2 382 241**	1 642 219	**–**	–
Current year movement per statement of comprehensive income	**260 158**	740 022	**–**	–
– net deductible temporary differences	**260 158**	960 669	**–**	–
– prior year over provision	**–**	(220 647)	**–**	–
Balance at end of year	**2 642 399**	2 382 241	**–**	–

Deferred tax at rate of 28% (2010: 28%) comprises temporary differences arising on:

	Assets R	Liabilities R	Total R
2011			
– Leave pay accrual	**926 887**	**–**	**926 887**
– Doubtful debts allowance	**460 386**	**–**	**460 386**
– Prepayment	**–**	**(64 193)**	**(64 193)**
– Lease straight-lining	**294 354**	**–**	**294 354**
– Depreciation/wear and tear on shop fittings	**1 024 965**	**–**	**1 024 965**
	2 706 592	**(64 193)**	**2 642 399**
2010			
– Leave pay accrual	666 575	–	666 575
– Doubtful debts allowance	704 805	–	704 805
– Prepayment	–	(53 510)	(53 510)
– Lease straight-lining	342 410	–	342 410
– Depreciation/wear and tear on shop fittings	721 961	–	721 961
	2 435 751	(53 510)	2 382 241

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following:				
Tax losses	**1 799 203**	1 559 621	**1 699 999**	1 460 678

As a result of the legal parent company and subsidiaries, other than Verimark (Proprietary) Limited, 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 R6 425 724 (2010: R5 570 076) for the Group and R6 071 427 (2010: R5 216 707) for the Company.

	GROUP		COMPANY	
	2011 R	2010 R	**2011 R**	2010 R

7. INVENTORIES

Merchandise	**58 729 771**	38 042 913	**–**	–
Merchandise in transit	**4 962 545**	8 292 501	**–**	–
Impairment of inventory	**(3 418 344)**	(1 133 068)	**–**	–
	60 273 972	45 202 346	**–**	–

Security

Refer to note 10 for security provided over banking facilities.

Refer to note 21 for details of inventory written off during the year.

8. TRADE AND OTHER RECEIVABLES

Trade receivables	**62 814 126**	50 949 909	**–**	–
Sundry debtors	**887 098**	720 943	**–**	–
Staff receivables	**34 392**	80 812	**–**	–
Franchise loans receivable	**249 551**	167 995	**–**	–
Deposits	**750 182**	28 146	**–**	–
Other receivables	**–**	3 373 949	**–**	47 491
Impairment of trade receivables	**(2 192 312)**	(3 356 212)	**–**	–
	62 543 037	51 965 542	**–**	47 491

Security

Trade receivables have been ceded as security for banking facilities (refer note 10).

9. LOANS RECEIVABLE

Unsecured local loans – Motor Vision (Proprietary) Limited				
HW Bonsma (retired non-executive)	**233 773**	465 773	**233 773**	465 773
The loan is unsecured, interest-free and repayable in full by 31 August 2011.				
VEET	**–**	–	**158 898**	158 898
The loan is unsecured, interest-free and repayable on demand.				
	233 773	465 773	**392 671**	624 671
Less: Short-term portion	**(233 773)**	(465 773)	**(392 671)**	(624 671)
Motor Vision (Proprietary) Limited	**(233 773)**	(465 773)	**(233 773)**	(465 773)
VEET	**–**	–	**(158 898)**	(158 898)
Long-term portion included in non-current assets	**–**	–	**–**	–

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	R	R	**R**	R
10. BANK AND CASH BALANCES				
Bank balances and cash on hand	**16 668 967**	13 739 892	**340 341**	305 564

The following security and facilities have been provided in respect of banking facilities provided to the Company and Group:

Company and SPEs

- None.

Verimark (Proprietary) Limited

ABSA Bank Limited

Security

- Cession of linked life policies of MJ van Straaten in the amount of R20 000 000
- Cession of trade receivables
- General Notarial and Special Covering Bonds over movable assets in the amount of R10 000 000
- ABSA Vehicle and Asset Finance (AVAF) movable assets non-motor vehicle.

In addition the gearing must be maintained at 100% or lower of trade receivables ceded to the bank, in current to 90 days. These conditions have been met in the current and prior year.

Refer to note 25.4 for split between bank balances and cash on hand.

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	R	R	**R**	R
11. SHARE CAPITAL				
Authorised				
200 000 000 (2010: 200 000 000) ordinary shares of 0,3333 cents each	**666 667**	666 667	**666 667**	666 667
Issued				
114 272 328 (2010: 114 272 328) ordinary shares of 0,3333 cents each	**381 024**	381 024	**380 908**	380 908
4 000 000 (2010: 4 000 000) treasury shares of 0,3333 cents each held by VEET	**(13 337)**	(13 337)	**–**	–
6 380 870 (2010: 3 400 000) treasury shares of 0,3333 cents each held by Verimark (Proprietary) Limited	**(21 267)**	(11 332)	**–**	–
	346 420	356 355	**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)	**–**	–
Treasury shares held by Verimark (Proprietary) Limited	**(6 380 870)**	(3 400 000)	**–**	–
Number of shares held externally at end of year	**103 891 458**	106 872 328	**114 272 212**	114 272 212

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

All issued shares are fully paid up.

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	R	R	**R**	R

12. SHARE PREMIUM

Premium on total issued shares	**37 620 827**	37 620 827	**316 702 119**	316 702 119
Repurchase of own shares (treasury shares)				
– VEET	**(10 890 621)**	(10 890 621)	**–**	–
– Verimark (Proprietary) Limited	**(5 352 138)**	(1 626 148)	**–**	–
Balance at end of year	**21 378 068**	25 104 058	**316 702 119**	316 702 119

13. SHARE BASED PAYMENT RESERVE

On 1 March 2010 the Group established a share based payment scheme whereby certain key members of management were granted shares in Verimark.

Management were given an indirect option to acquire shares through Verimark (Proprietary) Limited after they have repaid the loans granted to purchase the shares. Management's effective holding is 2,67%. This is treated as a cash settled share based payment in Verimark (Proprietary) Limited as Verimark has not granted its own shares to its employees. The scheme is therefore valued at each reporting date which is 28 February in Verimark (Proprietary) Limited. The scheme is treated as an equity settled share based payment transaction in the Group, as Verimark (Proprietary) Limited is the settling entity and has the obligation to deliver the shares to the members of management.

The expense has been recognised in Verimark (Proprietary) Limited as it will be receiving the services and benefits of the share based payment scheme over the service period.

The share based payment scheme is to be settled by physical delivery of shares as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of grant
Share grant to key management on 1 March 2010.	3 050 000	5 years service, payment of 10% of annual bonus received by employees as well as dividends received relating to the shares to be taken as repayment of grant loan.	5 years

The value of the share based payment scheme has been based on the following factors:

	2011
	R
Fair value at grant date – management	**1 969 811**
Spot price on grant date	**0,67**
Option price	**0,65**
Spot price on valuation date	**1,50**
	%
Expected volatility	**78,46**
Expected dividend yield	**5,09**
Risk-free interest rate	**7,38**
Option life	**5 years**
Reserve and expense	**R**
Share based payments granted to management	**392 883**
Closing balance of reserve	**392 883**

13. SHARE BASED PAYMENT RESERVE CONTINUED

The fair value of the share based payment at grant date was determined using the Monte Carlo simulation valuation technique, which is in line with standard market practice.

Historical volatility is the measure of the amounts by which the share price is expected to fluctuate. The equally weighted standard approach was applied to determine historical volatility. The volatility calculation is based on historical share price data for a period equal to the remaining contracted life of the options, after adjusting for specific price movements that could potentially distort the volatility estimation.

The shares were valued as options due to management not sharing in any downside risks.

	GROUP		COMPANY	
	2011 R	2010 R	**2011 R**	2010 R
14. INTEREST-BEARING LIABILITIES				
Secured local loans				
Investec Bank Limited	**5 306 162**	5 513 437	**–**	–
The loan bears interest at prime less 2%.				
The loan has been secured by the residential property of a director, MJ van Straaten (refer note 24.1).				
The loan is repayable on 8 September 2023.				
The loan facility allows full repayment and drawdown at the discretion of the directors during the 20 year period.				
ABSA Bank Limited	**19 410**	468 073	**–**	–
The loans bear interest at the prime rate and are repayable over 24 months (2010: 24 months). The loans are secured by the financed media assets (refer note 3).				
Wesbank, a division of FirstRand Bank Limited	**6 076 182**	2 117 076	**–**	–
The loans bear interest at the prime rate and are repayable over 37 months (2010: 37 months). The loans are secured by the financed motor vehicles, media assets and retail equipment (refer note 3).				
Van Straaten Family Trust	**286 470**	265 736	**–**	–
The loan bears interest at a variable rate of 78% of the prime interest rate. The loan is repayable on 17 March 2010.				
Balance at end of year	**11 688 224**	8 364 322	**–**	–
Less: Short-term portion included in current liabilities	**(3 783 089)**	(1 732 669)	**–**	–
– Investec Bank Limited	**(330 718)**	(201 672)	**–**	–
– ABSA Bank Limited	**(19 410)**	(448 587)	**–**	–
– Wesbank, a division of FirstRand Bank Limited	**(3 146 491)**	(816 674)	**–**	–
– Van Straaten Family Trust	**(286 470)**	(265 736)	**–**	–
Long-term portion included in non-current liabilities	**7 905 135**	6 631 653	**–**	–

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	R	R	**R**	R

15. PREFERENCE SHARE LIABILITY

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Balance at beginning of year	**14 490 625**	13 280 941	**–**	–
Accumulated interest	**1 120 258**	1 209 684	**–**	–
Repayment (dividend)	**(240 000)**	–	**–**	–
Balance at end of year	**15 370 883**	14 490 625	**–**	–
Less: Short-term portion included in current liabilities	**(15 370 883)**	(14 490 625)	**–**	–
Long-term portion included in non-current liabilities	**–**	–	**–**	–

The rights of the 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. The Van Straaten Family Trust has not redeemed the preference shares at 28 February 2011. As a result the preference share liability is classified as short-term and as such is repayable on demand. Refer to the Directors' report for further detail.

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 VEET, via Selcovest, to purchase 4 000 000 ordinary shares in Verimark. 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.

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	
	2011	2010	**2011**	2010
	R	R	**R**	R

16. AMOUNTS OWING TO SUBSIDIARY COMPANY AND OTHER RELATED PARTY

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Verimark (Proprietary) Limited	**–**	–	**10 486 694**	9 660 862
Selcovest 35 (Proprietary) Limited	**–**	–	**149 713**	149 713
	–	–	**10 636 407**	9 810 575

The loans are unsecured, interest-free and repayable on demand.

	GROUP		COMPANY	
	2011 R	2010 R	**2011 R**	2010 R
17. TRADE AND OTHER PAYABLES				
Trade payables	**40 091 065**	31 984 866	**–**	–
Other payables	**3 884 461**	638 242	**154 979**	289 495
Payroll accruals	**12 164 876**	12 789 650	**–**	–
Commissions	**1 392 647**	520 584	**–**	–
Royalties and licence fees	**1 304 827**	2 047 951	**–**	–
Store opening and space rentals	**1 210 249**	690 205	**–**	–
Straight-lining provision	**1 051 264**	1 466 249	**–**	–
Closing balance	**61 099 389**	50 137 747	**154 979**	289 495
18. SHAREHOLDERS FOR DIVIDEND				
Dividend 26 June 2006	**–**	29 629	**–**	29 629
Dividend 4 December 2006	**–**	12 828	**–**	12 828
	–	42 457	**–**	42 457
19. REVENUE				
Sales to customers	**461 654 112**	347 510 910	**–**	–
20. OTHER INCOME/(EXPENSE)				
Other receivable written off	**–**	(2 908 443)*	**–**	–
Other income	**1 282 241**	712 575	**–**	–
Profit on disposal of plant and equipment	**29 380**	13 123	**–**	–
	1 311 621	(2 182 745)	**–**	–

* A favourable judgement was received by Verimark (Proprietary) Limited in a particular legal matter prior to 2009. This matter was taken on appeal by the defendant and was heard by the High Court during the 2010 financial year. The judgement was not favourable to the Group and the full amount of R2,9 million previously awarded and recognised in other receivables was written off in the statement of comprehensive income. In addition, legal fees of R1 171 593, including the defendant's legal costs, were expensed during 2010.

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	R	R	**R**	R

21. OPERATING PROFIT BEFORE FINANCE INCOME AND FINANCE EXPENSE

Operating profit is arrived at after charging/(crediting):				
Amortisation of computer software (intangible assets)	**169 677**	122 940	**–**	–
Amortisation of trademark (intangible assets)	**6 667**	20 000	**–**	–
Auditor's remuneration	**1 135 000**	1 076 522	**–**	–
– current year	**700 000**	746 555	**–**	–
– other services	**177 558**	235 445	**–**	–
– prior year under provision	**257 442**	94 522	**–**	–
Bad debts expensed	**3 390 635**	58 369	**–**	–
Depreciation of plant and equipment	**6 278 547**	4 238 391	**–**	–
Directors' emoluments for services as directors	**7 853 714**	4 290 859	**243 230**	313 948
De-listing costs	**–**	1 790 147	**–**	1 790 147
Employee costs	**65 116 109**	49 801 963	**–**	–
Impairment (reversed)/raised on trade receivables (net)	**(1 163 900)**	350 000	**–**	–
Impairment of inventory	**3 665 256**	2 216 594	**–**	–
– inventory written off	**1 379 980**	4 138 242	**–**	–
– impairment loss charge/(reversal)	**2 285 276**	(1 921 648)	**–**	–
Reversal of impairment of investment in subsidiary companies (refer note 5)	**–**	–	**(97 131 478)**	(39 995 315)
Operating lease charge:	**16 655 407**	15 651 141	**–**	–
– property	**15 437 061**	13 057 990	**–**	–
– motor vehicles	**764 936**	1 429 847	**–**	–
– other office equipment	**868 395**	796 956	**–**	–
– lease straight-lining	**(414 985)**	366 348	**–**	–
Retirement benefits contributions	**3 271 218**	2 537 622	**–**	–
Share based payment expense (refer note 13)	**392 883**	–	**–**	–

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
22. FINANCE (INCOME)/EXPENSE				
Finance income				
Foreign exchange gains – realised	**(2 905 128)**	(3 966 773)	**–**	–
Foreign exchange gains – unrealised	**–**	(286 686)	**–**	–
Interest income from financial assets	**(61 151)**	(14 695)	**–**	–
Dividend income	**–**	–	**(6 856 340)**	–
	(2 966 279)	(4 268 154)	**(6 856 340)**	–
Finance expense				
Foreign exchange losses – realised	**7 232 743**	7 510 011	**–**	–
Foreign exchange losses – unrealised	**276 090**	–	**–**	–
Interest expense from other financial liabilities	**2 737 198**	3 592 947	**–**	–
Interest on preference shares – unrealised (refer note 15)	**1 120 258**	1 209 684	**–**	–
Interest on loan from the Van Straaten Family Trust – unrealised (refer note 14)	**20 734**	69 686	**–**	–
	11 387 023	12 382 328	**–**	–
Net finance expense/(income)	**8 420 744**	8 114 174	**(6 856 340)**	–
23. INCOME TAX				
South African normal taxation				
Current taxation	**15 409 209**	7 274 234	**–**	–
– current year expense	**14 828 870**	8 086 015	**–**	–
– prior year under/(over) provision	**580 339**	(811 781)	**–**	–
Secondary tax on companies	**685 133**	–	**–**	–
Deferred taxation	**(260 158)**	(740 022)	**–**	–
– current year charge	**(260 158)**	(960 669)	**–**	–
– prior year over provision	**–**	220 647	**–**	–
	15 834 184	6 534 212	**–**	–
Reconciliation of tax rate	**%**	%	**%**	%
Current year's charge as a percentage of income before taxation	**32,1**	32,4	**–**	–
Exempt income	**–**	0,1	**28,2**	30,2
Non-deductible expenditure	**(1,1)**	(5,8)	**–**	(1,4)
Unutilised tax losses	**(0,4)**	(1,6)	**(0,2)**	(0,8)
Prior year (under)/over provision	**(1,2)**	2,9	**–**	–
Secondary tax on companies	**(1,4)**	–	**–**	–
Standard taxation rate	**28,0**	28,0	**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.

Details of shareholders are included in note 34.

The directors of the Company are disclosed in the Directors' report. Directors and managers subject to the share based payment transaction are considered key management. Details of the share based payment transaction are included in note 13.

Directors' emoluments are disclosed in notes 21 and 33.

Details of directors' shareholding are disclosed in the Directors' report. Details of security provided by Directors are disclosed in note 14.

There are no post-employment benefits, service contracts or termination benefits for directors.

A payroll accrual for short-term benefits of R6 206 000 (2010: R1 017 854) is included in note 17.

Emoluments paid to key management (excluding Directors) amount to R5 257 309 (2010: R4 059 443).

	GROUP		COMPANY	
	2011 R	2010 R	**2011 R**	2010 R
24.2 Related party transactions				
24.2.1 Loans to subsidiary companies				
Creditvision Rental Finance (Proprietary) Limited				
Closing balance	**–**	–	**38 119**	38 119
The loan is unsecured, interest-free and has no fixed terms of repayment (refer note 5).				
24.2.2 Loans from subsidiary companies				
Verimark (Proprietary) Limited				
Opening balance	**–**	–	**(9 660 862)**	(7 178 940)
Advances from subsidiary	**–**	–	**(825 832)**	(2 481 922)
Closing balance	**–**	–	**(10 486 694)**	(9 660 862)
Refer note 16.				
24.2.3 Loans receivable – Motor Vision (Proprietary) Limited				
HW Bonsma (retired non-executive director)				
Opening balance	**465 773**	697 772	**465 773**	458 802
Payment received	**(232 000)**	(231 999)	**(232 000)**	(231 999)
Loans receivable	**(233 773)**	(465 773)	**(233 773)**	(465 773)

The loan was made to H Bonsma, a retired non-executive director. The loan is unsecured, interest-free and repayable in full by 31 August 2011. Refer note 9.

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
24. RELATED PARTY TRANSACTIONS CONTINUED				
24.2 Related party transactions continued				
24.2.4 Other related party loan (payable)/receivable				
Short-term				
Selcovest 35 (Proprietary) Limited				
Opening balance	**–**	–	**(149 713)**	(150 996)
Repayments	**–**	–	**–**	1 283
Closing balance	**–**	–	**(149 713)**	(149 713)
Refer note 16.				
Verimark Employee Empowerment Trust				
Closing balance	**–**	–	**158 898**	158 898
The loans are unsecured, interest-free and are repayable on demand. Refer note 9.				
Van Straaten Family Trust				
Opening balance	**(265 736)**	(196 050)	**–**	–
Interest	**(20 734)**	(69 686)	**–**	–
Closing balance	**(286 470)**	(265 736)	**–**	–
Refer note 14.				
24.2.5 Directors and key management purchases of goods				
MJ van Straaten	**44 796**	22 402	**–**	–
DN Reichenberg (resigned)	**–**	1 164	**–**	–
JE Thomas (resigned)	**14 978**	16 476	**–**	–
TP Bezuidenhout	**712**	–	**–**	–
C Hoadley	**2 349**	–	**–**	–
N du Plessis	**375**	–	**–**	–
Z Adam	**432**	–	**–**	–
M Adam	**750**	–	**–**	–
R du Plessis	**–**	–	**–**	–
H Lourens	**–**	–	**–**	–
D Rabie	**–**	–	**–**	–
	64 392	40 042	**–**	–

Sale of goods to directors and key management is at a discount of 67%.

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R

25. NOTES TO THE CASH FLOW STATEMENT

25.1 Cash generated from/(utilised by) operations

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Profit before taxation	49 316 790	20 152 190	103 133 100	37 106 823
Adjustment for:				
– amortisation of computer software	169 677	122 940	–	–
– amortisation of trade mark	6 667	20 000	–	–
– depreciation on plant and equipment	6 278 547	4 238 391	–	–
– profit on disposal of plant and equipment	(29 380)	(13 123)	–	–
– other receivable written off	–	2 908 443	–	–
– reversal of impairment of investment	–	–	(97 131 478)	(39 995 315)
– finance income	(2 966 279)	(4 268 154)	–	–
– finance expense	11 387 023	12 382 328	–	–
– unrealised foreign exchange (loss)/gain	(276 090)	286 686	–	–
– share based payment expense	392 883	–	–	–
Operating profit/(loss) before changes in working capital	64 279 838	35 829 701	6 001 622	(2 888 492)
Increase in inventories	(15 071 626)	(5 526 616)	–	–
(Increase)/decrease in trade and other receivables	(10 577 495)	(11 809 865)	47 491	523
(Increase)/decrease in prepayments	(77 008)	202 907	(38 855)	–
Increase/(decrease) in trade and other payables	10 961 642	26 896 868	(134 516)	237 855
	49 515 351	45 592 995	5 875 742	(2 650 114)

25.2 Income tax paid

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Amount owing at beginning of year	(7 560 951)	(290 197)	–	–
Current year charges	(16 094 342)	(7 274 234)	–	–
Amount owing at end of year	2 387 760	7 560 951	–	–
	(21 267 533)	(3 480)	–	–

25.3 Dividend paid

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Amount owing at beginning of year	(42 457)	(42 457)	(42 457)	(42 457)
Current year charge	(6 412 340)	–	(6 856 340)	–
Amount owing at end of year	–	42 457	–	42 457
	(6 454 797)	–	(6 898 797)	–

25.4 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Bank balances	16 600 004	13 663 925	340 341	305 564
Cash on hand	68 963	75 967	–	–
	16 668 967	13 739 892	340 341	305 564

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
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%.				
The total value of contributions to the above schemes were:	**3 271 218**	2 537 622	**–**	–
27. COMMITMENTS				
27.1 Future operating lease commitments entered into for the Group				
Motor vehicles and office equipment				
– payable within one year	**1 066 984**	1 671 291	**–**	–
– payable between year 2 and 5	**783 498**	1 821 665	**–**	–
	1 850 482	3 492 956	**–**	–
Property			**–**	–
– payable within one year	**8 408 143**	10 678 150	**–**	–
– payable between year 2 and 5	**5 397 198**	8 242 319	**–**	–
	13 805 341	18 920 469	**–**	–
The Group leases various motor vehicles under operating leases which expire after 24 to 37 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 2009 with an annual escalation in the rental charge of 8%. The lease expires in 2011.				
27.2 Future finance lease commitments entered into for the Group				
Motor vehicles and office equipment				
– payable within one year	**1 265 261**	1 265 261	**–**	–
– payable between year 2 and 5	**1 319 888**	1 298 660	**–**	–
	2 858 149	2 563 921	**–**	–

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

	GROUP		COMPANY	
	2011 R	2010 R	**2011 R**	2010 R
27. COMMITMENTS CONTINUED				
27.3 Future operating lease commitments entered into for property occupied by franchisees				
Property				
– payable within one year	**408 433**	863 965	**–**	–
– payable between year 2 and 5	**60 872**	469 305	**–**	–
	469 305	1 333 270	**–**	–

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 of 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 April 2010 to 31 March 2011. The amount still to be expensed after the financial year end amounts to R1 991 632 (2010: R520 434).

27.5 Capital commitments

Capital expenditure authorised but not yet contracted for amounts to R14 648 345 (2010: R10 195 732) in respect of assets to be acquired to expand operations of the Group. Included in this amount is R230 000 (2010: R820 000) in respect of capital commitments for intangible assets. These acquisitions will be financed through finance received from instalment sale agreements (finance leases) and cash generated from operations.

27.6 Guarantees

- ABSA Bank Limited issued a R1 000 000 (2010: R1 000 000) guarantee in favour of Oracle Airtime Sales (DSTV) on behalf of the Group;
- ABSA Bank Limited holds guarantees by Verimark (Proprietary) Limited amounting to R1 461 281 (2010: R1 224 363) in respect of operating lease rentals;
- Import letters of credit – R1 246 958 (2010: R3 352 972).

Guarantee in respect of franchisees

The Group guarantees the trading losses of certain franchises where necessary and adequate accrual has been made in the accounts.

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 (refer note 15).

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 and interest rate 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 systems 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 trade 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 a significant customer which represents approximately 83% (2010:63%) of the trade receivables balance at year end. Refer note 28.7.

The Group has policies to ensure that sales of products 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.

28.3 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:

28. FINANCIAL INSTRUMENTS CONTINUED

28.3 Liquidity risk continued

Facilities

- Foreign exchange contract facility – R60 000 000
- General banking facility – R40 000 000
- ABSA vehicle and asset finance facility – R4 041 000
- ABSA vehicle management solutions – R916 000
- Fuel card facility – R73 000
- Client foreign currency facility – R21 000 000
- Commercial asset finance facility – R3 000 000
- ABSA vehicle and asset finance instalment sale agreement facility – R400 000.

The date of review for all banking facilities is 30 April 2011.

The Group is currently in a cash positive position of R16,7 million (2010: R13,7 million). The Group's credit (overdraft) facility with ABSA Bank is monitored and renegotiated where necessary. The facility is available for use when required.

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

The Group makes use of bankers' acceptances where necessary. In future, the Group will continue to convert overseas suppliers to using "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.

28.4.1 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.

28.4.2 Interest rate risk

The Group's interest rate risk arises from borrowings (loans, finance lease liabilities and preference shares). The Group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a variable rate basis.

28.5 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 mostly to 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 3,5% 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 notes 10, 14 and 15 for further details.

28. FINANCIAL INSTRUMENTS CONTINUED

28.6 Summary of financial assets/(liabilities) classification

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

	Amortised cost	
	2011 R	2010 R
GROUP		
Trade and other receivables	**62 543 037**	51 965 542
Loans receivable	**233 773**	465 773
Bank and cash balances	**16 668 967**	13 739 892
Interest-bearing liabilities	**(7 905 135)**	(6 631 653)
Preference share liability	**(15 370 883)**	(14 490 625)
Trade and other payables	**(61 099 389)**	(50 137 747)
Shareholders for dividend	**–**	(42 457)
Short-term portion of interest-bearing liabilities	**(3 783 089)**	(1 732 669)
COMPANY		
Trade and other receivables	**–**	47 491
Loans receivable	**392 671**	624 671
Bank and cash balances	**340 341**	305 504
Amounts owing to subsidiary company and other related party	**(10 636 407)**	(9 810 575)
Trade and other payables	**(154 979)**	(289 495)
Shareholders for dividend	**–**	(42 457)
Investment in subsidiary company	**171 446 611**	74 315 133

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
28.7 Credit risk				
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure and was:				
Loans receivable	**233 773**	465 773	**392 671**	624 671
Trade and other receivables	**62 543 037**	51 965 542	**–**	47 491
Cash and cash equivalents	**16 668 967**	13 739 892	**340 341**	305 564
	79 445 777	66 171 207	**733 012**	977 726
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	**62 814 126**	50 949 909	**–**	–

28. FINANCIAL INSTRUMENTS CONTINUED

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
28.7 Credit risk continued				
Trade receivables excluding any impairment				
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
Retailer customer	**59 511 754**	43 916 105	**–**	–
Franchisee customer	**3 302 372**	7 033 804	**–**	–
	62 814 126	50 949 909	**–**	–

The Group's most significant customer, a domestic retailer, accounts for R51 849 536 (2010: R31 983 972) of the trade receivables carrying amount at 28 February 2011. Normal trading terms are 30 to 60 days, depending on the type of customer. No trade terms have been re-negotiated during the year.

	2011		2010	
	Gross R	Impairment R	Gross R	Impairment R
GROUP				
Impairment losses				
The ageing of trade receivables at the reporting date was:				
Not past due	**45 669 938**	**–**	44 704 187	–
Past due 30 to 120 days	**15 523 846**	**(571 970)**	2 715 341	–
More than 120 days	**1 620 342**	**(1 620 342)**	3 530 381	(3 356 212)
Total	**62 814 126**	**(2 192 312)**	50 949 909	(3 356 212)

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. The amount provided for in the past due 30 to 120 days relates to specific customer claims that the Group has agreed to. 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	
	2011 R	2010 R
Balance at beginning of year	**(3 356 212)**	(3 006 212)
Impairment loss raised	**(2 266 705)**	(350 000)
Impairment loss reversed	**3 430 605**	–
Balance at end of year	**(2 192 312)**	(3 356 212)

The impairment loss has been raised against trade receivables that are considered to be impaired due to uncollectable amounts and credit claims.

The Group believes that the unimpaired amounts that are past due by more than 30 days, and which have not been provided for are still collectable, based on historic payment behaviour and underlying customer credit ratings.

No other financial assets are considered to be impaired.

28. FINANCIAL INSTRUMENTS CONTINUED

28.8 Liquidity risk

Profile of loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. The terms and conditions of outstanding loans were as follows:

				28 February 2011		28 February 2010	
	Currency	Nominal interest rate*	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
GROUP							
Secured bank loans – Investec	ZAR	Prime – 2%	2023	**5 306 162**	**5 306 162**	5 513 437	5 513 437
Secured bank loans – ABSA	ZAR	Prime	2011	**19 410**	**19 410**	468 073	468 073
Secured bank loans – Wesbank	ZAR	Prime	2012/13	**6 076 181**	**6 076 181**	2 117 076	2 117 076
Interest bearing loan – VSFT	ZAR	78% of Prime	2011	**286 470**	**286 470**	265 736	265 736
Redeemable preference shares	ZAR	78% of Prime	2011	**15 370 883**	**15 370 883**	14 490 625	14 490 625
Total liabilities				**27 059 106**	**27 059 106**	22 854 947	22 854 947

* Underlying interest rate used to determine fair value.

Refer to notes 3, 10, and 14 for the security provided for the bank loans. Refer to note 15 for further information on the preference share liability and guarantee thereon.

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

	Carrying amount R	Contractual cash flows R	6 months or less R	6 to 12 months R	>1 year R
GROUP					
28 February 2011					
Non-derivative financial liabilities					
Redeemable preference share liability	**15 370 883**	**15 370 883**	**15 370 883**	**–**	**–**
Secured loans	**11 688 224**	**15 288 464**	**2 264 677**	**2 254 467**	**10 769 320**
Trade and other payables	**60 048 125**	**60 048 125**	**60 048 125**		
Derivative financial liabilities					
Other forward exchange contracts:					
Outflow	**–**	**10 542 999**	**10 542 999**		
	87 107 232	**101 250 471**	**88 226 684**	**2 254 467**	**10 769 320**
28 February 2010					
Non-derivative financial liabilities					
Redeemable preference share liability	14 490 625	14 490 625	14 490 625	–	–
Secured loans	8 364 322	13 678 549	1 356 208	1 065 156	11 257 185
Trade and other payables	48 671 498	48 671 498	48 671 498	–	–
Shareholders for dividend	42 457	42 457	42 457	–	–
Derivative financial liabilities					
Other forward exchange contracts:					
Outflow	–	7 476 000	7 476 000	–	–
	71 568 902	84 359 129	72 036 788	1 065 156	11 257 185

28. FINANCIAL INSTRUMENTS CONTINUED

	Carrying amount R	Contractual cash flows R	6 months or less R	6 to 12 months R	>1 year R
28.8 Liquidity risk continued					
COMPANY					
28 February 2011					
Non-derivative financial liabilities					
Trade and other payables	**154 979**	**154 979**	**154 979**	**–**	**–**
Amounts owing to subsidiary company and other related party	**10 636 407**	**10 636 407**	**–**	**10 636 407**	**–**
	10 791 386	**10 791 386**	**153 979**	**10 636 407**	**–**
28 February 2010					
Non-derivative financial liabilities					
Trade and other payables	289 495	289 495	289 495	–	–
Shareholders for dividend	42 457	42 457	42 457	–	–
Amounts owing to subsidiary company and other related party	9 810 575	9 810 575	–	9 810 575	–
	10 142 527	10 142 527	331 952	9 810 575	–

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method.

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

	GROUP		COMPANY	
	2011 R	2010 R	**2011 R**	2010 R
Level 2				
Forward exchange contracts	**10 597**	286 686	**–**	–

There were no other instruments carried at fair value.

28. FINANCIAL INSTRUMENTS CONTINUED

28.9 Market risk

28.9.1 Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk stated in South African Rand was as follows:

	GROUP		COMPANY	
	2011 R	2010 R	**2011 R**	2010 R
Bank and cash balances	**3 685 161**	2 466 255	**340 341**	305 564
Foreign trade payables	**(1 967 455)**	4 441 707*	**–**	–
Gross exposure at year end	**1 717 706**	6 907 962	**340 341**	305 564
* Foreign trade payables paid in advance.				
Forward exchange contracts for future purchases	**10 542 999**	7 476 000	**–**	–

All trade payables and FECs are Dollar based.

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2011	2010	**2011**	2010
GROUP				
US Dollar	**7,28**	8,08	**6,97**	7,68

Sensitivity analysis

A 10 percent strengthening/weakening of the South African Rand (ZAR) against the following currencies at 28 February 2011 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 2010.

	Profit or loss and equity
GROUP	
28 February 2011	
Rand effect	**171 771**
28 February 2010	
Rand effect	690 797

28.9.2 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	
	2011 R	2010 R	**2011 R**	2010 R
Variable rate instruments				
Financial assets	**16 600 004**	13 663 925	**340 341**	305 564
Financial liabilities	**(27 059 107)**	(22 854 947)	**–**	–
	(10 459 103)	(9 191 022)	**340 341**	305 564

28. FINANCIAL INSTRUMENTS CONTINUED

28.9 Market risk continued

28.9.2 Interest rate risk continued

No financial assets or liabilities are exposed to fixed interest rates.

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.

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 2010.

	Profit or loss and equity			
	GROUP		COMPANY	
	100 bp increase	100 bp decrease	100 bp increase	100 pb decrease
GROUP				
28 February 2011				
Variable rate instruments	**(104 591)**	**104 591**	**(3 403)**	**3 403**
Cash flow sensitivity (net)	**(104 591)**	**104 591**	**(3 403)**	**3 403**
28 February 2010				
Variable rate instruments	(91 910)	91 910	(3 055)	3 055
Cash flow sensitivity (net)	(91 910)	91 910	(3 055)	3 055

28.10 Capital management

The debt to adjusted capital ratio at the end of the reporting period was as follows:

	GROUP		COMPANY	
	2011 R	2010 R	**2011 R**	2010 R
Total liabilities	**90 546 256**	80 596 102	**10 791 386**	10 142 527
Less: Cash and cash equivalents	**(16 668 967)**	(13 739 892)	**(340 341)**	(305 564)
	73 877 289	66 856 210	**10 451 045**	9 836 963
Total equity	**80 626 333**	56 899 109	**161 427 092**	65 150 322
Adjusted debt to capital ratio	**0,92**	1,17	**0,06**	0,15

Refer note 28.5 for details on how the entity manages its capital.

29. APPLICATION OF IFRS 3 (2004) 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 have 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
- 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 (that is 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.

30. SEGMENTAL INFORMATION

The directors have considered the implications of *IFRS 8 Operating Segments* and are of the opinion that the operations of the Group are substantially similar to one another and that the risks and returns of these operations are likewise similar. The Group is therefore of the opinion that there is only one reportable segment. Resource allocation and the management of the operation is performed on an aggregated basis and as such the Group is considered to be a single aggregated business and therefore there is no additional reporting required in terms of IFRS 8.

The Group has assessed external customers and determined that a customer in the retail sector which constitutes 83% (2010: 63%) is the only major customer due to the amount of revenue received and the amount of expenses included in profit and loss. External revenue is categorised per similar group of products as follows:

- Cookware and kitchenware: Bauer, Bastille, Twista, Shogun
- Home cleaning: Genesis, Floorwiz, Icon, Big Green Extreme
- Health and fitness: Maxxus, Orbitrek, V-Ssage, Iron Gym
- DIY and automotive: Diamond Guard, Prolong, Gorilla, Durablade
- Educational and fun toys: i-Play, Biggi Bubble
- Beauty: Pentagon, Cami Secret

These products are distributed countrywide to all customers with no geographical differentiation. Export sales are immaterial. Refer to note 28.9 for further details and information on the Group's major customers.

31. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after tax of R33 482 606 (2010: R13 617 978) attributable to the owners of the Company and a weighted average number of ordinary shares in issue of 106 208 024 (2010: 109 537 954) during the year.

The calculation of headline earnings is based on the profit attributable to equity holders of R33 461 452 (2010: R13 608 529) and a weighted average number of ordinary shares in issue of 108 206 024 (2010: 109 537 954) during the year.

	2011		2010	
	Gross R	**Net R**	Gross R	Net R
Profit attributable to owners of the Company	**–**	**33 482 606**	–	13 617 978
Adjustments:				
Less: IAS 16 gains on disposal of plant and equipment	**(29 380)**	**(21 154)**	(13 123)	(9 449)
Headline earnings		**33 461 452**		13 608 529

	GROUP	
	2011 R	2010 R
Weighted average shares reconciliation		
Number of shares at beginning of year	**114 272 328**	114 272 328
Treasury shares held by VEET	**(4 000 000)**	(4 000 000)
Treasury shares held by Verimark (Proprietary) Limited weighted for the year	**(4 064 304)**	(734 374)
Weighted average number of shares held externally at end of year	**106 208 024**	109 537 954
Share options dilution	**611 983**	–
Diluted weighted average shares	**106 820 007**	109 537 954
Basic earnings per share (cents)	**31,5**	12,4
Headline earnings per share (cents)	**31,5**	12,4
Diluted basic earnings per share (cents)	**31,3**	12,4
Diluted headline earnings per share (cents)	**31,3**	12,4

32. INTERNATIONAL FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of the financial statements of Verimark for the year ended 28 February 2011, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		Effective date
1 January 2011	*IAS 24 Related Party Disclosures* (revised 2009)	The revised *IAS 24 Related Party Disclosures* amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.
	Improvements to IFRSs 2010 – *IFRS 7 Financial Instruments: Disclosures*	The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
	Improvements to IFRSs 2010 – *IAS 1 Presentation of Financial Statements*	The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.
	Improvements to IFRSs 2010 – *IAS 34 Interim Financial Reporting*	The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.
	Improvements to IFRSs 2010 – *IFRIC 13 Customer Loyalty Programmes*	The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers.
1 January 2013	*IFRS 9 Financial Instruments*	Standard issued November 2009 (IFRS 9 (2009)) IFRS 9 (2009) is the first standard issued as part of a wider project to replace IAS 39 IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of *IFRIC 9 Reassessment of Embedded Derivatives*.

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

The directors are of the opinion that improvements to IFRSs, IFRS 9 and IAS 24 will be applicable in future. The directors have not assessed the impact that those statements will have on the financial statements as yet.

33. DIRECTORS' EMOLUMENTS

	Basic salary R	Allowances and other benefits R	Incentive bonuses R	Pension and medical aid contributions R	Total R
GROUP					
28 February 2011					
Executive directors paid by subsidiary					
MJ Van Straaten+	**3 386 896**	**120 000**	**2 500 000**	**441 625**	**6 448 521**
JE Thomas+ ****	**765 145**	**60 000**	**166 667**	**170 151**	**1 161 963**
	4 152 041	**180 000**	**2 666 667**	**611 776**	**7 650 484**
Non Executive directors paid by Company					
JM Pieterse	**126 102**	**–**	**–**	**–**	**126 102**
JT Motlatsi	**117 128**	**–**	**–**	**–**	**117 128**
	243 230	**–**	**–**	**–**	**243 230**
Total	**4 395 271**	**180 000**	**2 666 667**	**611 776**	**7 853 714**
28 February 2010					
Executive directors paid by subsidiary					
MJ van Straaten+	1 812 158	600 000	184 846	273 432	2 870 436
JE Thomas+ ****	454 060	50 000	–	64 794	568 854
SJ Preller*	66 034	8 182	1 079	9 784	85 079
M Warwick **	49 670	4 153	–	11 243	65 066
DN Reichenberg ***	313 654	22 938	9 848	41 036	387 476
	2 695 576	685 273	195 773	400 289	3 976 911
Non-executive directors paid by Company					
JM Pieterse	186 021	–	–	–	186 021
JT Motlatsi	127 927	–	–	–	127 927
	313 948	–	–	–	313 948
Total	3 009 524	685 273	195 773	400 289	4 290 859

\+ Director of the subsidiary Verimark (Proprietary) Limited and Verimark
* Resigned on 21 July 2010 as acting financial director
** Resigned 3 August 2010
*** Resigned 12 May 2010
**** Resigned 28 February 2011

Refer to note 24.2.5 for additional disclosure on transactions with directors.

34. SHAREHOLDER SPREAD

	Number of share holdings	% of share holding	Number of shares	% of shares in issue
Public shareholders				
Companies and other corporate	45	4,55	16 203 215	14,18
Individuals	886	89,49	19 047 229	16,67
Banks and nominees	9	0,91	6 953 621	6,09
Investment trusts and pension funds	46	4,65	3 395 868	2,97
	986	99,6	45 599 933	39,91
Non-public shareholders				
Directors	3	0,30	62 291 525	54,51
Treasury	1	0,10	6 380 870	5,58
	4	0,40	68 672 395	60,09
Total	**990**	**100,00**	**114 272 328**	**100,00**
Size of shareholding				
Public shareholders				
1 – 1 000	320	32,33	151 011	0,13
1 001 – 10 000	428	43,23	1 934 170	1,69
10 001 – 100 000	196	19,80	5 768 372	5,05
100 001 – 1 000 000	32	3,23	8 741 600	7,65
1 000 001 and over	10	1,01	29 004 780	25,39
Non-public shareholders				
1 – 1 000	–	–	–	–
1 001 – 10 000	–	–	–	–
10 001 – 100 000	–	–	–	–
100 001 – 1 000 000	–	–	–	–
1 000 001 and over	4	0,40	68 672 395	60,09
Total	**990**	**100,00**	**114 272 328**	**100,00**
Geographical holdings by owner				
South Africa	981	99,09	110 078 604	96,34
Mauritius	1	0,10	3 699 124	3,24
Namibia	5	0,51	404 950	0,35
Greece	1	0,10	59 250	0,05
United Kingdom	1	0,10	15 400	0,01
United States	1	0,10	15 000	0,01
Total	**990**	**100,00**	**114 272 328**	**100,00**

34. SHAREHOLDER SPREAD CONTINUED

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. Selcovest 35 (Proprietary) Limited and Verimark (Proprietary) Limited hold 3,5% and 5,58% respectively of the issued share capital of the Company.

To the best of the directors' and the Company's knowledge, the following shareholders hold 5% or 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.

	Number of shares	% of issued shares
Beneficial shareholders holding 5% or more of the issued share capital		
The Van Straaten Family Trust and Prime Rentals cc	60 500 000	52,94
Mirror Ball Investments 49 (Proprietary) Limited	7 500 000	6,56
Verimark (Proprietary) Limited	6 380 870	5,58

Total number of shareholders	**990**
Total number of shares in issue	**114 272 328**
Volume traded during the period	**26 800 289**
Ratio of volume traded to shares issued (%)	**23,45**
Share price performance	
Opening price 1 March 2010	R0,67
Closing price 28 February 2011	R1,50
Closing high for the period	R1,70
Closing low for the period	R0,57

NOTICE OF ANNUAL GENERAL MEETING

VERIMARK HOLDINGS LIMITED

(Registration number 1998/006957/06)
(Incorporated in the Republic of South Africa)
("Verimark" or "the Company")
JSE Share Code: VMK   ISIN Code: ZAE000068011

NOTICE IS HEREBY GIVEN that the annual general meeting of members of Verimark will be held in the boardroom, at the offices of the Company, 67 CR Swart Drive, Cnr Freda Road, Bromhof Extension 48, Randburg, 2194 on Thursday, 6 October 2011 at 11:00.

Shareholders or their proxies may participate in the meeting by way of a teleconference call and, if they wish to do so:

- must contact the Company Secretary (by email at the address siegfriedp@verimark.co.za) by no later than 16h00 on Monday, 3 October 2011 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

This notice of meeting includes the attached proxy form.

ATTENDANCE AND VOTING

The date on which an individual must be registered as a shareholder in the Company's register for purposes of being entitled to attend and vote at the meeting is the date of the meeting (record date).

If you are a registered shareholder as at the record date, you may attend the meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the Company) to represent you at the meeting. Any appointment of a proxy may be effected by using the attached proxy form and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the attached proxy form.

If you are a beneficial shareholder and not a registered shareholder as at the record date:

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your CSDP or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached proxy form.

All participants at the meeting will be required to provide reasonably satisfactory identification to the chairman of the meeting.

PURPOSE OF THE MEETING

The purpose of this meeting is to :

- present the directors' report and the audited annual financial statements of the Group for the year ended 28 February 2011;
- present the Audit Committee report;
- consider any matters raised by shareholders; and
- consider and if deemed fit, to pass, with or without modification, the resolutions set out below:

Ordinary Resolution Number 1 – Adoption of the annual financial statements

"Resolved that the annual financial statements for the Company and the Group for the year ended 28 February 2011, including the directors' report and the auditors' report therein, be and are hereby received and confirmed."

Ordinary Resolution Number 2 – Re-election of directors

"Resolved that the following directors, who retire in accordance with the articles of association, and being eligible, offer themselves for re-election, be and are hereby re-elected as directors of the company:

2.1 Mr M van Straaten

2.2 Mr J Pieterse

(Brief *curricula vitae* for these directors are set out on page 21 of this annual report.)

Ordinary Resolution number 3 – Re-appointment of auditors

"Resolved that KPMG Inc. (KMPG) be re-appointed as auditors of the Group and Ms C Swart, being a member of KPMG as the individual designated auditor who will undertake the audit of the Group for the ensuing year."

Ordinary Resolution Number 4 – Appointment of Audit Committee

"Resolved that the following non-executive directors be elected as members of the Audit Committee:

5.1 Mr J Pieterse

5.2 Mr J Motlatsi

Ordinary Resolution Number 5 – Unissued shares to be placed under the control of the directors

"Resolved that all the unissued ordinary shares of the Company be placed under the control of the directors who are hereby authorised, subject to the provisions of the Companies Act and the JSE Listings Requirements, to allot and issue such shares in their discretion when, and on such terms and conditions as, they deem it fit to do so."

Ordinary Resolution Number 6 – General authority to issue shares, and to sell treasury shares, for cash

"RESOLVED THAT the directors of the Company and/or any of its subsidiaries from time to time be and they are hereby authorised, by way of a general authority, to:

- allot and issue shares or options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company;
- issue shares for cash, to such person/s on such terms and conditions and at such times as the directors in their discretion deem fit, subject to the Companies Act 61, of 1973 as amended (the Act), the Articles of Association of the Company, the Listings Requirements of JSE Limited and the following limitations:
  - the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
  - any such issue may only be made to public shareholders as defined by the Listings Requirements of JSE and not to related parties;
  - the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 20% (twenty percent) of the number of issued ordinary shares;
  - this general authority is valid until the earlier of the Company's next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given;
  - an announcement giving full details, including the impact on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share, and, if applicable, diluted earnings per share and diluted headline earnings per share, will be released when the Company has issued ordinary shares representing, on a cumulative basis within 1(one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
  - in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares; and
  - whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

In terms of the Listings Requirements of the JSE, a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of ordinary resolution number 7 for it to be approved, excluding the Designated Adviser and the controlling shareholders together with their associates.

Ordinary Resolution Number 7 – Remuneration policy

Resolved that, by way of a non-binding advisory vote, the Company's remuneration policy as set out in the Annual Report, be endorsed as follows:

- Remuneration of employees – page 61.
- Remuneration of directors – page 79.

To consider and, if deemed fit, pass the following resolutions as Special Resolutions:

Special Resolution Number 1 – Approval of non-executive directors' fees

"Resolved that the following non-executive directors' fees payable for the period 1 October 2011 until the next annual general meeting, be and are hereby approved:

Amount	Director	Description
R22 864,60* R22 864,00* R6 097,30* R6 097,30*	J Motlatsi	Chairman of the Board Annual general meeting Member of the Audit and Risk Committee Member of the Remuneration Committee
R32 210,20#	J Pieterse	Chairman of the Audit and Risk Committee and Remuneration Committee

* Meeting fee
\# Quarterly fee

Special Resolution Number 2 – Financial assistance to related or inter-related company

Resolved that the directors be and are hereby authorised , in terms of and subject to the provision of Section 45 of the Companies Act 61, of 1973 as amended (the Act) to cause the Company to provide any financial assistance to any company or corporation which is related or inter-related to the Company.

Special Resolution Number 3 – Acquisition of own securities

"RESOLVED THAT the mandate given to the Company (or any of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the Company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the Company's Articles of Association, the provisions of the Companies Act 61, of 1973 as amended (the Act) and the Listings Requirements of JSE Limited (JSE) (the Listings Requirements) be extended,provided that:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter-party;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- this general authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution (whichever period is shorter);
- an announcement be published as soon as the Company has cumulatively repurchased 3% (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 securities and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- repurchases by the Company, and/or its subsidiaries, in aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued share capital as at the date of passing this special resolution or 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- repurchases may not be made by the Company and/or its subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded

during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- the Company may not enter the market to proceed with the repurchase of its ordinary shares until the Company's sponsor has confirmed the adequacy of the Company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE."

The directors, after considering the effect of the maximum repurchase permitted, must be of the opinion that if such repurchase is implemented:
- the company and the Group will be able, in the ordinary course of business, to pay their debts for a period of 12 months after the date of this notice;
- the assets of the Company and the Group will be in excess of the liabilities of the company and the Group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements for a period of 12 months after the date of this notice;
- the share capital and reserves will be adequate for the ordinary business purposes of the Company and the Group for a period of 12 months after the date of this notice; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice.

The reason for the passing of the above special resolution is to grant the Company a general authority in terms of the Act for the acquisition by the Company or any of its subsidiaries of securities issued by the Company, which authority shall be valid until the earlier of the next annual general meeting, or the variation or revocation of such General Authority by Special Resolution by any subsequent general meeting of the Company; provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this general meeting. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire securities issued by the Company.

The following information, which is required by the JSE Listings Requirements with regard to the resolution granting a general authority to the Company to repurchase its securities, appears on the pages of the financial statements to which this notice of general meeting is annexed, as indicated below:
- Directors and management page 21
- Major shareholders page 81
- Directors' interests in securities page 36
- Share capital page 56
- Responsibility statement page 32
- Material changes page 25

LITIGATION

There are no legal or arbitration proceedings, either pending or threatened against the Company or its subsidiaries, of which the Company is aware, which may have, or have had in the recent past, being at least the previous 12 months, a material effect on the financial position of the Company or its subsidiaries.

SOLVENCY AND LIQUIDITY STATEMENT

The Board of Directors of the Company confirm that the Company will not enter into a transaction to distribute capital and reserves in terms of ordinary resolution number 3 or to repurchase shares in terms of special resolution number 3 unless:

a) the Company and its subsidiaries (collectively the Group) will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of that distribution or repurchase;

b) The assets of the Company and the Group, valued in accordance with the accounting policies used in the latest audited Group annual financial statements, will exceed the liabilities of the Company and the Group for a period of 12 months after the date of that distribution or repurchase;

c) the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of that distribution or repurchase; and

d) the working capital available to the Company and the Group will be adequate for the ordinary business purposes for a period of 12 months after the date of that distribution or repurchase.

The directors of the Company hereby state that:

a) the intention of the directors of the company is to utilise the authority if, at some future date, the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company and will ensure that any such utilisation is in the interests of the shareholders; and
b) the method by which the company intends to re-purchase its securities and the date on which such re-purchase will take place, has not yet been determined.

JSE LIMITED LISTINGS REQUIREMENTS [S14.10]

In terms of the JSE Listings Requirements, any shares currently held by the Verimark Share Incentive Scheme will not have their votes at the annual general meeting taken into account in determining the results of voting on special resolution number 3 and ordinary resolutions numbers 5 and 6.

By order of the Board

Siegfried Preller
Company Secretary

FORM OF PROXY

VERIMARK HOLDINGS LIMITED

(Registration number 1998/006957/06)
(Incorporated in the Republic of South Africa)
("Verimark" or "the Company")
JSE Share Code: VMK   ISIN Code: ZAE000068011

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only.

This proxy form relates to the Annual General Meeting to be held annual general meeting to be held at 67 CR Swart Drive, Cnr Freda Road, Bromhof Extension 48, Randburg, 2194 on Thursday, 6 October 2011 at 11:00 (meeting) (see note 1) and is for use by registered shareholders whose shares are registered in their own names on the date of the meeting (record date) (see note 2).

Terms used in this proxy form have the meanings given to them in the notice of meeting to which this proxy form is attached.

Please print clearly when completing this form and see the instructions and notes at the end of this form for an explanation of the use of this proxy form and the rights of the shareholder and the proxy.

I/We (full name in block letters) ______________________________

of (address) ______________________________

Telephone (work) ______________________________ (home) ______________________________

being a shareholder of the Company and being the registered owner/s of ______________________________ ordinary shares in the Company (note 3)

hereby appoint ______________________________

or failing him, the chairman of the meeting (see note 4)

to attend and participate in the meeting and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the meeting) at the meeting, even if the meeting is postponed, and at any resumption thereof after any adjournment (see note 5)

My/Our proxy shall vote as follows:
Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion (see note 6)

	For	Against	Abstain
Ordinary Resolution Number 1 – Adoption of the annual financial statements			
Ordinary Resolution Number 2 – Re-election of directors **2.1** Mr M van Straaten			
2.2 Mr J Pieterse			
Ordinary Resolution Number 3 – Reappointment of auditors			
Ordinary Resolution Number 4 – Appointment of Audit Committee **4.1** Mr J Pieterse			
4.2 Mr J Motlatsi			
Ordinary Resolution Number 5 – To place the unissued shares under the control of the directors			
Ordinary Resolution Number 6 – General authority to issue shares for cash			
Ordinary Resolution Number 7 – Remuneration policy			
Special Resolution Number 1 – Approval of non-executive directors' fees **1.1** Mr J Motlatsi			
1.2 Mr J Pieterse			
Special Resolution Number 2 – Financial assistance			
Special Resolution Number 3 – Acquisition of shares			

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this ______________________________ day of ______________________________ 2011

Signature ______________________________

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. This proxy form will not be effective at the meeting unless received at the Company's transfer office, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, by no later than 11h00 on Tuesday, 4 October 2011. If a shareholder does not wish to deliver this proxy form to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown 2107.

2. This form is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the meeting. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form, or may appoint a representative in accordance with paragraph 12 below.

   Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker, must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.

3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this proxy form at the record date unless a lesser number of shares is inserted.

4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the proxy form and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him in this proxy form by delivering to the Company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy in this proxy form.

5. Unless revoked, the appointment of a proxy in terms of this proxy form remains valid until the end of the meeting, even if the meeting or part thereof is postponed or adjourned.

6. If:

6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting or any resolution; or

6.2 the shareholder gives contradictory instructions in relation to any matter; or

6.3 any additional resolution/s which are properly put before the meeting; or

6.4 any resolution listed in the proxy form is modified or amended,

then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the proxy shall comply with those instructions.

7. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this proxy form will not be effective unless:

7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or

7.2 the Company has already received a certified copy of that authority.

8. The chairman of the meeting may, in his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.

9. Any alternations made in this proxy form must be initialled by the authorised signatory/ies.

10. This proxy form is revoked if the shareholder who granted the proxy:

10.1 gives written notice of such revocation to the Company, so that it is received by the Company by not later than 11h00 on Tuesday, 4 October 2011; or

10.2 subsequently appoints another proxy for the meeting; or

10.3 attends the meeting himself in person.

11. All notices which a shareholder is entitled to receive in relation to the Company shall continue to be sent to that shareholder and shall not be sent to the proxy.

12. If duly authorised, Companies and other corporate bodies who are shareholders of the company having shares registered in their own names may, instead of completing this proxy form, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. That notice will not be effective at the meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the Company's transfer office, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, by not later than 11h00 on Tuesday, 4 October 2011. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder to Computershare Investor Services (Pty) Limited, PO Box 61061, Marshalltown 2107.

13. 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.

14. 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 (Pty) Limited
70 Marshall Street, Johannesburg 2001
(P O Box 61051, Marshalltown 2107)

SHAREHOLDERS' DIARY

Financial year-end	28 February
Announcement of annual results	23 May 2011
Announcement of interim results	October 2011
Annual general meeting	6 October 2011
Interim dividend declaration	October 2011
Final dividend board approval	May 2012

ADMINISTRATION

Verimark Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 1998/006957/06
Share code: VMK
ISIN: ZAE000068011

Directors
Dr JT Motlatsi (Chairman)*
MJ van Straaten (Chief Executive Officer)
SJ Preller (Financial Director)
JM Pieterse*
*Independent non-executive

Company Secretary
SJ Preller

Registered office
67 CR Swart Drive
Corner CR Swart Drive and Freda Road
Bromhof Extension 48
Randburg 2194

PO Box 78260, Sandton 2146

Bankers
Absa Bank Limited
3rd Floor, ABSA Towers East
170 Main Street, Johannesburg 2001

Attorneys
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Glyn & Marais House
72 Grayston Drive
Sandown

PO Box 652361, Benmore 2010

Transfer secretaries
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(Proprietary) Limited

Auditors
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KPMG Crescent
85 Empire Road
Parktown 2193

Private Bag 9, Parkview 2122

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www.verimark.co.za