VERIMARK
HOLDINGS LIMITED

'12 INTEGRATED ANNUAL REPORT

for the year ended 29 February

CONTENTS

ABOUT THIS REPORT

With innovation as our bedrock, we've become familiar to most South Africans since we opened our doors in 1977. Our growth, infused with a strong entrepreneurial spirit, has been steady over the last 35 years. Aside from our conspicuous presence on television, the products we sell are to be found in most stores across the country. 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 three and a half decades.

We are especially grateful to the people who work at Verimark for the effort they put in continuing the business's success, and building on the vision set for the Company. We invest substantial time and effort in training our staff. We train in excess of 1 000 people per year (existing sales staff, new sales staff and seasonal sales staff) and we are proud of the effort and achievements in this regard.

With this report we attempt to inform the readers thoroughly, but succinctly, of our performance for the period 1 March 2011 to 29 February 2012, and also to provide them with a good idea of where Verimark is heading as a company.

This report is written mindful of the requirements of the JSE and the third King Report on Corporate Governance (King III). However, what constitutes integrated reporting remains the subject of debate, internationally. The report is also guided by the Global Reporting Initiative's (GRI) G3.1 Reporting Guidelines and we include for the first time an index of those indicators we have disclosed.

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 2.

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 35 years.

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.

FINANCIAL STATISTICS

	2012	2011
	%	%
Sales growth	(2)	33
Gross margin	42	43
Operating margin	10,9	12,5
Return on shareholders' equity	29,1	41,5
	R'000	R'000
Revenue	451 150	461 654
Gross profit	188 825	200 088
Profit before tax	41 872	49 317
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	56 393	64 192
Earnings attributable to owners	26 808	33 483
Operating profit	48 983	57 737
Headline earnings	26 838	33 461
Cash generated by operations	37 241	49 515
Shareholders' equity	92 246	80 626
Total assets	155 443	171 173
ORDINARY SHARE PERFORMANCE	cents	cents
Earnings per share	25,8	31,5
Headline earnings per share	25,8	31,5
Diluted earnings per share	25,3	31,3
Diluted headline earnings per share	25,4	31,3
Dividend per share	13,5	15,0
SHARE STATISTICS	R	R
Listing price	2,50	2,50
Lowest price traded	1,00	0,57
Highest price traded	2,06	1,70
Closing price	1,05	1,50
EBITDA RECONCILIATION		
EBITDA	56 392 577	64 192 425
Interest	(7 110 628)	(8 420 744)
Depreciation	(7 190 286)	(6 278 547)
Amortisation	(219 413)	(176 344)
Profit before tax	41 872 250	49 316 790

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 shareholders' equity Profit/(loss) for the year as a percentage of average shareholders' 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

35 YEARS OF HISTORY

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. Over the next 35 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 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.

KEY MILESTONES

- Company founded with R5 000 in **1977**. Number of employees = 2
- MJ van Straaten bought out his brother's 50% share of the business in **1993**. Number of employees = ±30
- Revenue (ZAR) from zero in **1977** (founding) to listing in 2005 to R281 million
- MJ van Straaten is elected finalist in SA Best Entrepreneur Award **1997** and **1999**
- Verimark is selected as one of South Africa's Top 20 non-listed companies
- **2011** – 4th best growth on JSE over 12 months period
- **2012** – Consolidation of head office and distribution centre on one property. Staff: ±1 300

1977 Verimark sells its first product at the Rand Easter Show

1984 Introducing the first home exercise machine to South Africans

1990 First company to distribute DRTV products through retail stores

1992 Introducing store within a store concept at retail level

1995 Exhibits the Verimark product range for the first time at the largest DRTV show in Las Vegas

1999 CEO is elected as Finalist in SA Best Entrepreneur Awards

2005 Listing on main board of the JSE Limited

2011 Ranked fourth in the McGregor BFA's composite index that compares all companies on the JSE Limited

HOW WE OPERATE AND WHAT WE SELL

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 – long and short form
- Print, in-store TV playback units and demonstrations

DISTRIBUTION OF PRODUCTS

- Store within a store in retailers
- Verimark stores
- Shows and promotions
- Online shopping
- Call centres
- International

BUSINESS MODEL MAXIMISES PRODUCT SALES VOLUMES AND RETURN ON INVESTMENT

Our business model is very different from that of traditional retailers or suppliers to the retail trade.

OUR PRODUCTS

We source products by visiting trade fairs, retail stores and through a network of business partners and manufacturers across the globe. The selection criteria for the product we sell are uniqueness, quality, demonstrability and the widest possible demographic demand.

Our product range, built up over the last two decades, includes long-established products, most of which are brand leaders, and new products which are added to our product range every year. We endeavour to sell products that are conducive to healthy lifestyles such as the Maxxus exercise range and the Bauer cooking range and those that have educational benefits such as the i-Play bilingual laptop.

To identify and select products with high sales potential is not an easy task nor an exact science. Hard work breeds success and over the years our ability to select an increasing number of products with high sales potential is there for all to see.

All of the products we sell come with a 14-day money back guarantee. We encourage our customers to sample 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.

Selling our products is another area where we innovate and excel, of course. Given the uniqueness of our product offering, we identified the use of a long form television commercial known as Direct Response Television (DRTV) as the most suitable means to promote and sell our products.

PROMOTION AND ADVERTISING STRATEGY

Verimark pioneered DRTV in South Africa nearly two decades ago and has been the market leader ever since. 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 traditional marketing strategies.

In addition to continuous and aggressive TV advertising, 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 developed over many years, limits the risk of investing in the 'wrong' 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 screen. Research, however, suggests that the sales potential at retail store level is at least five times higher than the call centre option. 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 sales area dedicated to Verimark products. To optimise the demand for our products, we also started opening Verimark-branded stores, which are 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 earned recognition from peers around the globe as the benchmark of this integrated strategy (the distribution of DRTV products through retail).

SYSTEMS AND PROCESSES

There's always room for improvement, and we are always on the lookout for weaknesses in our own systems and processes such that by fine-tuning these we can provide a better value offering to our customers.

During the year under review we focused on system and process improvements to mitigate some of the inefficiencies caused by the Company having to rent an extra two warehouses. We achieved this by implementing the following:

- An EDI interface with our key retail customers, resulting in improved data accuracy, shortened transaction processing cycles, improved response times and productivity
- A Verimark sales reporting system which provided us with improved, focused and timely sales information/trends
- Improvements to our telecommunication infrastructure connecting to our Verimark stores, allowing for faster, more accurate and secure information exchange.

Looking ahead, we will implement further changes to our system, including:

- Finalising and improving our information infrastructure (together with a move to a new warehouse facility)
- Implementing an integrated warehouse management system to improve inventory control and inventory management
- Further enhancements to our sales ordering processes and cycles
- Further enhancements to our customer care and customer repair service offerings.

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
- Outsource 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 traditional marketing strategies. Verimark's success speaks for itself.

Today Verimark is rated as one of South Africa's most recognised and trusted brands – a true testament to our effective marketing, constant innovation and superior product quality!

SOME OF OUR ALL-TIME WINNING HOUSEHOLD BRANDS

BRAND LEADERS SEE VERIMARK AS #1

Verimark is today rated as the market leader on the African continent. This is no surprise given our rare ability to continuously bring more unique, innovative and top quality products to the ever-increasing millions of consumers that demand the very best and aspire to the ultimate lifestyle.

While many companies claim to deliver "quality and service", Verimark's genuine pursuit of "only the very best" has clearly differentiated the Company from the rest.

Our ever-increasing product range covers Health and Fitness, Home Cleaning, DIY, Automotive, Cooking and Kitchenware, Beauty and Educational Toys.

Verimark is rated as one of the largest buyers of TV airtime in South Africa. Not only do we have 78 "As Seen on TV" Verimark stores nationwide – an achievement no other international DRTV company can claim – but we also pioneered the concept of a store within a store and are one of the largest suppliers to the almost 2 000 retail chain stores with whom we work.

VISIT WWW.VERIMARK.CO.ZA FOR MORE INFORMATION

HEALTH AND FITNESS

MAXXUS
IRON GYM
Elite OrbiTrek
MASSAGE

HOME CLEANING

FLOORWIZ
GENESIS
ICON Washing Ball
TOBI
Shark
MicroWiz

DIY AND AUTOMOTIVE

DURABLADE
DIAMOND GUARD
prolong SUPER LUBRICANTS
TOOL GOBBLER PRO

COOKWARE AND KITCHENWARE

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

BEAUTY

PENTAGON
Cami Secret
genie bra what all women wish for

EDUCATIONAL AND FUN TOYS

i-PLAY
Biggi Bubble
Stunt Racer
Educational Laptop
Portable Game Station

FLOORWIZ

ECOFIBRE MOP

Floorwiz has been independently rated as South Africa's most preferred mop, and the Floorwiz Ecofibre mop is the latest addition to the hugely popular, ever growing Floorwiz brand. These fashion coloured mops incorporate the latest super soft Ecofibre strands for the ultimate in cleaning technology. They attract dirt like a magnet, clean even the toughest of scuff marks and greasy messes with ease. Best of all the power of Ecofibre is activated with tap water only, no harsh chemicals are needed, making this environmentally friendly too. Its large cleaning surface and 360° swivel head allow it to be used in the tightest of corners, even underneath your furniture. The pads are machine washable, so it's like using a new mop everytime. The Ecofibre mop is perfect for cleaning tiles, vinyl, sealed hardwood and wood laminates and even windows and mirrors.

With the amazing new Floorwiz Twizz Mop the Ecofibre strands wash and dry your floors quicker and easier than ever before, without getting your hands wet or dirty with the built in ratchet system!

MicroWiz

MICROFIBRE CLOTHS

Microwiz is the latest in cleaning technology. It provides the best dusting and cleaning medium available on the market using just water – so there's no need for harmful chemicals. Microwiz attracts dirt and dust like a magnet and will not scratch. You can clean any surface to a grease free and streak free clean – you can even use them on glasses and camera lenses! Best of all, you get five of these fantastic multipurpose cleaning cloths in five brilliant colours all in one banded pack.

GENESIS
REVOLUTIONARY HOMEWARE

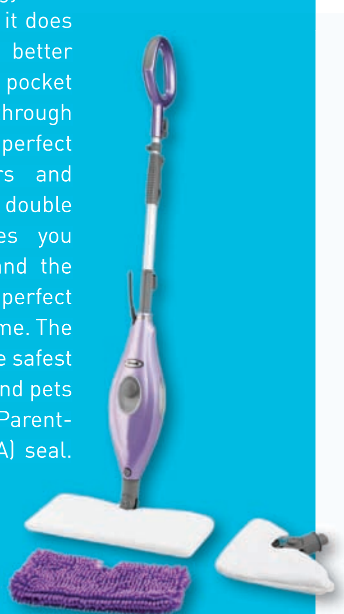
HYDROVAC EXTREME

Genesis is a leading brand in home cleaning. Our latest breakthrough in deep cleaning technology is the Genesis Hydrovac Extreme. It boasts an incredible six stage water filtration system for the most effective vacuum cleaning, and also incorporates the most powerful deep cleaning system so you can wash and dry your carpets and upholstery like never before. Delivering an impressive 22 Kpa suction power it's designed to tackle even the biggest wet and dry cleaning jobs in and around the house to perfection. The Hydrovac Extreme is manufactured in Europe to the highest quality standards and is backed by an incredible three year guarantee. Our Genesis Hydrovac Extreme is the ultimate home cleaning solution.

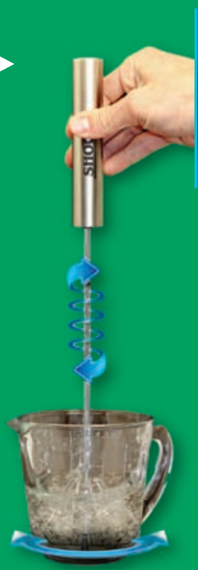
Shark

STEAM POCKET MOP

Verimark revolutionised steam cleaning in South Africa. Our partnership with the Shark Steam Pocket Mop allows us to bring our customers the next generation in floor steam cleaning technology. It cleans and sanitises all hard floors, and best of all it does it faster, easier and much better than ever before! The steam pocket technology releases steam through both sides creating the perfect temperature to clean floors and remove harmful bacteria. Its double sided cleaning surface gives you double the cleaning power and the interchangeable heads make it perfect to clean any surface in your home. The Shark Steam Pocket mop is the safest way to clean around children and pets and has been awarded the Parent-Tested Parent-Approved (PTPA) seal.



SHOGUN WHIZZ



Another kitchen essential that has quickly become a household favourite is the Shogun Whizz. With the Whizz, you can whip milk into a perfect froth in seconds so you can make your own coffee creations at home! With its unique double loop design and the push and whip action you now aerate and whisk five times faster. We also include a magnificent recipe booklet so you can create tasty coffee drinks, meringues, heavenly omelettes and more!

i-PLAY Stunt Racer WITH MUSIC

i-Play is one of the leading toy brands in South Africa. The Stunt Racer is one of the top selling toys and given its popularity we have now incorporated music into this fun radio controlled car. With its oversized go-anywhere wheels you do awesome 360 degree spins, flips and wheelies while the flashing LED lights turn nightime into playtime. Stunt Racer is the perfect toy for kids aged three years old and up.

TOTAL FLEX

Verimark has always been passionate about innovative fitness products and this year launched the Total Flex. Whether you're looking for a lean sexy body or a chiselled muscular physique, the Total Flex is the perfect machine for you. This totally unique Total Flex home gym comes completely assembled and ready to use in just seconds. Just squeeze the locking pins to change the seat position so you can enjoy over 50 gym exercises all in the comfort of your home. It's a Flat Bench so you can build a strong chest and back, an Incline Bench that will target and define abs, as well as a lower body workout machine to target, tighten and tone hips, buns and thighs.

With Total Flex your options are endless as you sculpt every part of your body. With lightning fast changeovers that keep your heart rate elevated – you'll do a cardio workout at the same time – and workout your entire body in as little as 18 minutes a day. Whatever your fitness level; from beginner to advanced, the Total Flex puts you in a safe, comfortable position. Increasing the intensity is as simple as engaging a different band, or hook on all three bands to take it to the max!

Plus, to ensure you get the best results in the shortest possible time, you'll also get a complete guidance system, workout DVD, exercise chart and weight loss guide.

genie bra™

what all women wish for

Verimark markets the original Genie Bra. Given its enormous worldwide success the Genie Bra has gained phenomenal support in South Africa from women who want the absolute best in quality, support, style and comfort. Unlike cheap imitations, only Genie Bra is made from woven Everlast comfort stretch fabric that conforms to the wearer's size and shape. It's also machine washable and will never lose its shape. Its wide comfort band provides maximum support for petite and full figured ladies alike. The Genie Bra is guaranteed to give women the lift, shape and comfort they've always wanted.

Cami Secret

Cami Secret gives the discreet layered look you would get with a camisole, but without the hassle or bulk of an entirely separate garment. Now you can completely change the look of any outfit with Cami Secret. Made of lightweight, breathable fabric that simply clips onto your bra to give you the appearance of wearing a camisole. One size fits all and it easily adjusts up or down to exactly where you want it. Cami Secret is a wardrobe essential for every woman.

CUSTOMER REVIEWS REACH NEW HEIGHTS OF SATISFACTION

THIS IS A STORY OF HOW VERIMARK HELPED CHANGE A WOMAN'S LIFE...

Mandy* was visiting her parents in Simons Town, Cape Town, when she decided to go to a movie… and 28 May 2005 was the night that changed her life forever. Driving home, she became the victim of a violent crime when she was forced off the road by two cars and held at gunpoint and then assaulted by two men. Mandy believes that they initially intended to hijack her car but when they saw it was quite old they simply decided to do away with Mandy as she could probably identify them. In pain and helpless, she had to listen to them debating whether to simply shoot her or to shoot her and then set fire to her and her car to destroy any evidence that might lead to them. When she felt petrol being poured over her, she gathered her remaining strength and tried to run away, only to be caught and beaten again. Finally, she felt herself engulfed in flames. Although she managed to escape, her life as she knew it had changed completely. The extent of her burn wounds meant that she could no longer wear a bra because of the pain and the fact that nylon irritated her skin. Then in December 2011 she happened to see the Verimark TV commercial for the Genie Bra. Seeing that it had no nylon in it and even though it was quite expensive, Mandy decided to take her savings and pay the price because, as she says, "It's been almost seven years since I've been able to feel and look feminine with my 'girls', if you know what I mean!"

She went to her local Verimark store where a "really kind and helpful lady" helped her try on a Genie bra. Says Mandy: "It was incredible! It felt like I had a second skin on my body and my 'girls' felt well and in place and mostly, I felt like a 'woman' for the first time since that horrible night on the mountain".

Since buying the bras she has had no discomfort or rash at all. The Genie bra has changed her life, helping her to regain her positive attitude to life and her self-esteem.

Mandy was so happy that she wrote to Verimark CEO Micke van Straaten:

"Thank you for being the wise person you are and for taking this chance on this product, bringing it to the women of South Africa and making such a remarkable difference in not only my life, but I'm sure countless other women's lives too. Thank you so very very much and I just know that you and your staff will always be in my heart-song of gratitude for making it possible for me to once more, be the best I can possibly be."

With eternal gratitude
Mandy

genie bra™
what all women wish for

Moved by Mandy's courage and determination to move on after her terrifying experience, Micke van Straaten wrote to her, praising her strength and saying how happy he was that Verimark was helping to contribute to her physical, psychological and spiritual recovery. As a gesture of encouragement he also offered her a gift of an extra set of Genie bras.

HERE ARE SOME EXCERPTS FROM MANDY'S LETTER THANKING HIM FOR HIS GENEROSITY AND SUPPORT.

Dear Mr Van Straaten

I am at a loss for words right now and all I feel in my heart is gratitude… because of your generous gift and offer of gifting to me another set of "Genies"…

You know, just yesterday I posted a question on my Facebook wall asking my friends for the 5 things they simply cannot go without in one single day. Most of my friends actually responded and in the end, I also wrote my list: "The people I love and hold dear to my heart, my "Genie" for my 'genie sisters', my Powertex, my Blackberry and finally, a nice cup of coffee in the morning". I had to explain my term "Genie" for my 'genies' because my friends didn't know what I meant and so the Genie Bra continues to affect women, even on a social medium like Facebook. The funny thing is, I wrote my list quite spontaneously and without much thought; that's how big a role my Genie plays in my life these days. And every morning when mum helps me to get dressed, I simply feel 'complete' and my heart-song joyful every day.

Thank you also for letting me share some of my joy with you and thank you for accepting my joy and for the pride and trust you have in the Genie Bra…

Once again, thank you so very much for this incredible gift of kindness… you'll never fully know just how much joy and gratitude this gift brings to my heart.

Kindly
Mandy

* Not her real name.

INSPIRING NEW BUILDING

Verimark has been in its current offices overlooking the N1 Highway near Malibongwe offramp since October 2003. This 7 283 square metre office and DC space has served us well over the past nine years, but given our growth over the past few years, we needed to also make use of 2 240 square metres of additional off-site warehouse space.

The time has now come to upgrade to a larger premises. We are in the process of building our new Head Office and DC off Witkoppen Road. This magnificent new 14 744 square metre premises is ideally situated while still having sufficient room for future expansion. With this new development we will be able to benefit from an improved distribution system, as well as capitalise on various other cost savings from incorporating our business under one roof.

This massive project is currently underway and we envisage moving in around mid September 2012.

CHIEF EXECUTIVE OFFICER'S REPORT

MICHAEL J VAN STRAATEN
CHIEF EXECUTIVE OFFICER

HIGHS AND LOWS

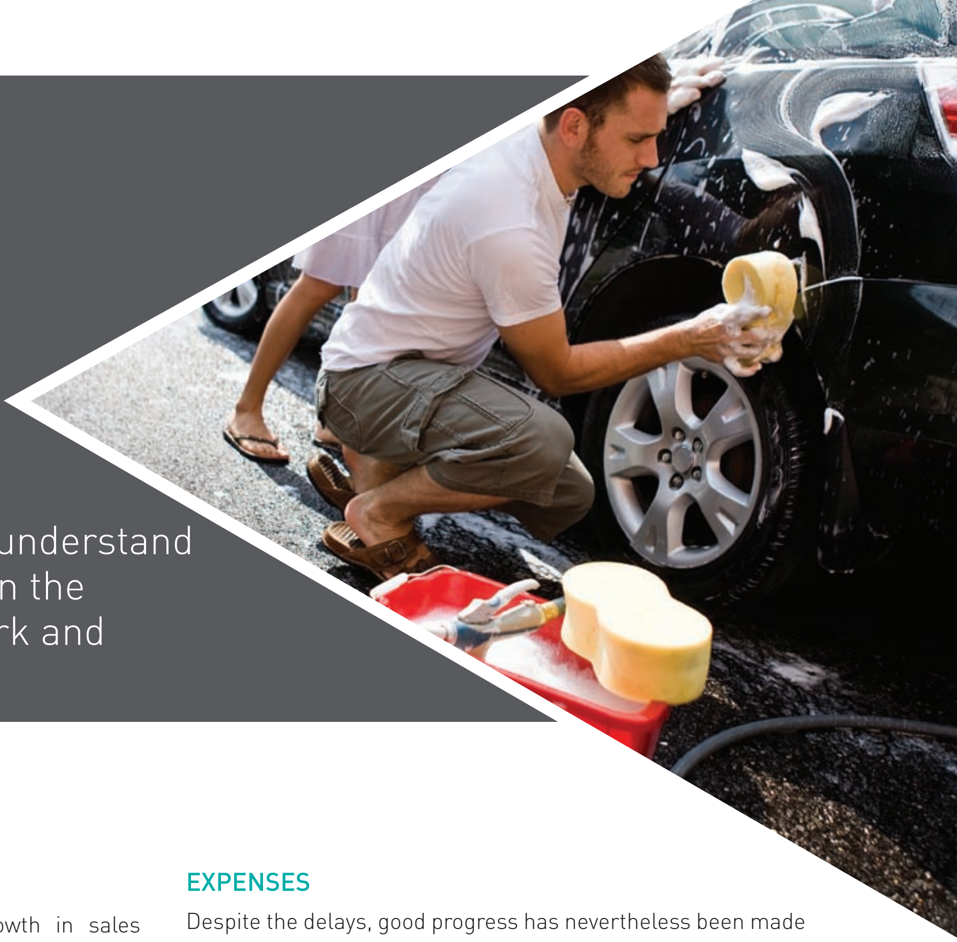
HIGHS AND LOWS

It was expected that given the phenomenal growth in sales of 84% achieved over the last two years, the business would enter a consolidation phase. Revenue for the year was marginally down by 2,3% to R451,2 million. The exceptional growth achieved previously resulted in Verimark literally outgrowing its infrastructure, which brought about huge pressure on the business and new management team. The challenges to upgrade our infrastructure distracted from the focus required to grow sales and contain costs.

To date good progress has been made in upgrading the infrastructure for the next growth phase. We are moving into a new custom-built, double size warehouse/head office later this year. New product introductions resulted in sales starting to increase toward the end of the year. This trend continued into the current year.

CRITICAL PERFORMANCE INDICATORS FOR THE YEAR UNDER REVIEW

- Revenue decreased marginally from R461,6 million to R451,2 million (2,3%)
- Operating profit before interest decreased from R57,7 million to R49 million (15,2%)
- Profit before taxation decreased from R49,3 million to R41,9 million (15,1%)
- Headline earnings decreased from R33,5 million to R26,8 million (19,8%)
- Headline earnings per share decreased from 31,5 cents to 25,8 cents (18,1%)
- Dividend per share decreased from 15 cents to 13,5 cents (10%)
- The Verimark share performance ranked in the top 40 on the JSE (out of approximately 420 companies) over a 12 month period (last year 4th) – *Business Times survey, October 2011*
- We are moving to a new office and warehouse complex which will resolve our infrastructure problems experienced over the last 18 months. The complex has been designed with energy and water use efficiency in mind



It is vital that stakeholders understand the underlying differences in the business models of Verimark and typical retailers.

INTRODUCTION

After recording two years of exceptional growth in sales (38% and 33%) and profits, it was expected (as pointed out in the previous year's CEO Report) that growth would slow and that the business would temporarily enter a period of consolidation. The high growth experienced over the previous two years exerted huge pressures on the business' infrastructure, which impacted negatively on sales growth and the control of costs. This resulted in a slight decrease in sales of 2,3% to R451,2 million and profits before tax of R41,9 million in the 2012 financial year, a decrease of 15,1% compared to the previous year.

The challenges experienced in upgrading and improving our infrastructure and systems to accommodate the much larger trading base, unfortunately negatively affected the sustained focus required of the new management team for optimal generation of sales growth and cost control.

In line with the Group's dividend policy, the Board decided on 30 March 2012 to declare a dividend of 50% of the preliminary unaudited profit attributable to shareholders.

FINANCIAL REVIEW

The main reasons for the reduction in profitability were:

MARGINAL DECREASE IN SALES AND GROSS PROFITS

Taking into account the operational gearing of the business, even a marginal variation in sales has a disproportionate impact on profitability. While the Group derived exponential benefit from this reality when high sales growth was achieved in the past, the slight decrease in sales in the year under review had the opposite effect. Challenges around upgrading the business infrastructure continued during the year under review, resulting in the anticipated cost savings being somewhat delayed. A weakening Rand in the second half of last year further negatively impacted on the gross profit margin. These challenges are discussed in more depth in the Operational Review section.

EXPENSES

Despite the delays, good progress has nevertheless been made towards improving the infrastructure. Since end 2010, Verimark has been operating from two separately located warehouses. Our new custom-built warehouse/head office, which is double the size of the old one, will be completed in October this year. This will not only provide Verimark with sufficient warehouse space for its immediate and future needs, but should also give rise to major efficiencies and cost savings.

Whilst net finance expenses of R7,1 million were R1,3 million lower than in the 2011 financial year, the volatility in the Rand exchange rate in the latter half of the year has resulted in more pronounced swings in the foreign exchange gains and losses being recorded in 2012.

OPERATIONAL REVIEW

It is vital that stakeholders understand the underlying differences in the business models of Verimark and typical retailers. This year, in line with King III's recommendations relating to the format of listed companies' Integrated Reports, the Verimark business model is dealt with under a separate heading.

PRODUCTS, PROMOTION AND ADVERTISING

The time and effort invested in upgrading our infrastructure unfortunately impacted on the rate of new product introductions. This trend, however, started reversing towards the end of the year, when a number of new products were launched; unfortunately too late to effectively counter the lag of the full financial year.

Our ability to maintain turnover, notwithstanding the slower new product introductions in the early part of the year, does credit to our established/older product range, which, for the most part, are brand leaders in their respective product categories.

Advertising costs were aligned with sales which resulted in a slight reduction in costs. Notwithstanding this decrease, Verimark was still rated by Nielsen in early 2012 as by far the largest TV advertiser in our industry, and also the seventh largest in South Africa.

CHIEF EXECUTIVE OFFICER'S REPORT
(continued)

Although the significant investment made in TV playback units (used for in-store advertising) over the previous two years did increase our costs, we are comfortable that the future benefits to be derived far outstrip the depreciation charges incurred.

The information at our disposal confirms that even though no sales growth was achieved in the year under review, Verimark maintained its dominant market leadership position and market share of at least 50%, in the direct response retailing market.

Some of the products introduced during the year were:

- **Cami Secret:** Quick and easy clip on camisole
- **Floorwiz Ecofibre Mop:** Microfibre mop in four fashion colours
- **Genie Bra:** Conform fitting bra offering support, lift and style
- **Microwiz:** Multipurpose microfibre cleaning cloths
- **Shark Steam Pocket Mop:** Steam cleaner that sanitises while you clean
- **Shogun Whizz:** Whisk with unique push and whip action
- **i-Play Stunt Racer:** Radio controlled stunt car

DISTRIBUTION AND SALE OF PRODUCTS

In addition to pioneering Direct Response Television (DRTV) advertising in Africa more than two decades ago, Verimark also pioneered the distribution of DRTV products through retail. To maximise our substantial investment in product sourcing and development, as well as the brand awareness and demand created through exceptionally high levels of advertising, 78 Verimark branded stores (company and franchised) have been opened across Southern Africa over the last decade.

Although sales during the greater part of the year were flat, our retail partners maintained our space and prominence, given Verimark's trading record over three decades and the brand's growth potential. Their strategy has been validated by the positive growth in sales recorded by most of our retail partners towards the end of the year.

BUSINESS ENVIRONMENT

During the period under review, the trading results of businesses that service and supply the consumer in Southern Africa generally did not meet expectations. Although most economists believed the average consumer would be in better financial shape than in the previous year, this optimism was not confirmed by increased spend on consumer goods. Although Verimark's financial performance over the last year was to some extent impacted by the current economic situation, this was not the main contributory factor.

Given Verimark's unique business model, our business/financial performance has been (and will always be) impacted far more by our ability to innovate and be creative than by macroeconomic trends.

PROSPECTS

Although sales in the first two months of the new financial year were positive, this trend subsequently reversed and resulted in a decrease in overall sales for the first five months. The reasons contributing to this against the trend change are explained in a trading statement issued through SENS on the 3 August 2012.

The cost inefficiencies that resulted from the business outgrowing its infrastructure, given the exceptional growth over the previous two years, continued during the first five months of the year. This combined with the reasons noted in the trading statement, will result in the business making the anticipated losses for the first six months of the new financial year detailed in the trading statement.

We believe that the causes for the reduction in sales have been addressed and expect to see positive sales growth in the last six months of the new financial year. The operational and process efficiencies should start bearing fruit after the relocation to our new, double the size, warehouse and head office in November.

Although the new management team did not perform to expectations during the recent period, we have learned hard and valuable lessons from this temporary setback. The medium and long term prospects of the group remain positive.

Statements regarding the prospect of the group have not been reviewed or reported on by the group's external auditors.

ACKNOWLEDGEMENTS

The exceptional growth recorded in the previous two years put our business infrastructure under severe pressure, resulting in our failure to achieve the targets we had set for ourselves. The new management team's abilities were stretched to the utmost in the past year and their response sometimes failed to meet expectations. However, we have gained valuable business insights from the experience.

Although our growth targets remained temporarily beyond our reach, each member of the Verimark team tried their hardest and gave their best, for which my sincere thanks.

In addition to my Verimark colleagues, I would also like to thank our non-executive directors, our retail partners and suppliers for their support over the last year.

Most importantly, a special thanks to our customers who invest in our products to help enhance their lives and lifestyles.

MJ van Straaten
Chief Executive Officer

23 August 2012

STAKEHOLDER ENGAGEMENT

We engage, consult and listen throughout the year to what our stakeholders have to say to and about us. The key issues these individuals and groups raise are shown in the following table.

Who?	Engaged how?	Frequency of engagement	Key topics raised at engagement and responses to these
Shareholders, potential investors and investment analysts. Verimark has a simple shareholder structure. See page 89 for breakdown of shareholdings.	Roadshows to investors Presentations Year end presentations Annual report Annual general meetings Website	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	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	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	Face-to-face meetings Correspondence	As and when required	Company tax matters Various discussions on employment topics with Department of Labour
Employees	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	DRTV Brochures In-store shops Verimark stores Brochures Telephonic	Ongoing	High quality products Service delivery Maintaining customer relationships
Business partners (retail partners)	Face-to-face meetings Correspondence Telephonic	Ongoing	In-store space Positioning of in-store space New product registration

SUMMARY OF COMPANY RISKS

A rigorous risk identification and management focuses the Company. High-level risks and associated mitigation measures are shown in the following table.

Risk	Impact	Mitigation
ECONOMIC OUTLOOK		
Uncertain economic conditions impact consumer confidence.	This could negatively affect our ability to achieve our sales forecasts.	Verimark's direct sales model is not impacted in the same way as the traditional retailing model.
PRODUCT OFFERING		
Failure to introduce suitable/ innovative new products.	Will result in poor business performance.	Verimark has a core product range, most of which are brand leaders and we add new products every year. An established network of business partners and manufacturers, together with our continual search for unique products at trade fairs and retail stores across the globe, assists us to continually improve our product offering. Our success rate at selecting products is much higher than the average for our industry.
PRODUCT COST		
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. We are comfortable with our foreign exposure strategy and in most cases would adjust our selling prices when our product prices change.
SELLING CHANNELS		
Loss of in-store retail space and favourable in-store positioning.	This could adversely affect our sales through retail outlets.	Given our proven sales record with our retail partners, in most cases, a reduction in space and/or prominence by a retail partner will have a direct impact on their own sales of Verimark products.
OPERATIONAL RISK		
Any weakness in or failure of our systems, processes and controls.	Any weakness or failure of system, processes and controls will negatively affect our ability to effectively manage our business, control inventory and contain costs.	This is an ongoing process. Given the substantial growth experienced over the past few years, certain processes required re-assessment and improvement. Verimark is confident that, with the current team, the various risks are being adequately addressed.
Inadequate control of Group assets.	Inadequate control of Group assets could result in financial loss to the business.	High risk assets are assessed/identified on a continuous basis. Verimark has invested in systems and improved processes and believes that good progress has been made in mitigating this risk.
Inadequate distribution centre facilities.	Lack of distribution facilities will impact on our ability to maintain our customer service levels and control stock loss, etc.	Due to the substantial growth over the last few years, the stockholding has outgrown the main Verimark facility. In the interim, additional warehouse space was rented to accommodate the increased stockholding, thereby temporarily increasing the risk of shortages and costs. A newly built custom warehouse is currently under construction and expected to be operational by October 2012.

Risk	Impact	Mitigation
OPERATIONAL RISK (continued)		
Supplier failure.	Supplier failure could result in failure to meet sales targets because of lack of availability of stocks.	In most cases, Verimark has alternative suppliers for its products.
Inability to comply with legislation.	New or amended health, safety and environmental legislation could result in increased costs and non-compliance could lead to fines.	Verimark complies with the various health, safety and environmental legislation in place in South Africa.
Energy and water supply risk.	Energy and water supply shortages could adversely affect our ability to operate.	We are aware of the need to reduce our electricity and water consumption. The move to our new warehouse should result in various savings in this regard. In addition, our new premises has been built with Green Principles in mind (see new building, page 11).
Introduction of Consumer Protection Act (CPA) and its implications.	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.	We have evaluated the impact of the Consumer Protection Act (CPA) on our business and whilst we believe it poses low risk to Verimark, we have made improvements in our systems and processes to minimise this risk further. We believe we have sufficient insurance in place to cover any additional risk the CPA may pose.
COST CONTROL		
Cost increases not controlled.	Competitiveness and long-term profitability negatively affected by cost increases.	Due to the significant growth experienced in the past few years, certain costs inefficiencies were experienced. Certain senior management changes were made during the year and we believe that this renewed focus will result in the improvements required.
LABOUR AND KEY EMPLOYEES		
Succession planning.	Business will be negatively impacted by lack of managerial skills and experience to maintain continuity of business performance.	It is important that Verimark retain and develop skills for its unique business model. It has been a top priority to recruit and retain senior management with the skills required.
BRAND AND REPUTATION		
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.

CORPORATE ACCOUNTABILITY

OUR EMPLOYEES

As mentioned at the start of this report, we rely on a dedicated and equipped workforce to implement the Company's vision strategy. We employ staff from all walks of life (school leavers, housewives, students) and provide learning and practical experience opportunities to those with minimal skill or experience.

In order for our staff to achieve the Company's expectations, we ensure that they are offered the opportunity to be trained and develop themselves.

The Company's full-time training division trains in excess of 1 000 staff per year (includes existing sales staff, new sales staff and seasonal sales staff) and we are proud of the effort and achievements in this regard. Our full-time sales staff are trained bi-annually or when there are specific new product introductions.

Some noteworthy training facts for 2012 are:

- The number of employees trained was approximately 1 800 or roughly 150 people per month (includes part-time employees)
- 3 000 hours is the amount of time spent on training by the full-time training division
- Approximately R1 million is spent on training
- 1 315 of HDSAs trained (94% of total)
- 811 of women trained (58% of total)

Training encompasses sales skills and techniques and product knowledge. Many of the flexitimers only work for us at certain times of the year (peak seasons) yet they are equipped with the ability to progress further in their careers even though those careers may be outside of Verimark.

ENVIRONMENTAL MANAGEMENT

Verimark has little direct environmental impact. We consume water and energy (electricity, diesel and petrol), generate some emissions to air and produce waste (paper and cardboard) from packaging materials. Transportation is outsourced and this is where we believe we have the biggest environmental impact from the emissions produced by these vehicles carrying our products.

We are only beginning to understand our impacts comprehensively and will in the coming years quantify our greenhouse gas emissions (which we may have to pay for in the not too distant future).

We see that recycling our paper and cardboard waste may benefit us to a degree and we will begin looking at the quantities involved in the forthcoming financial year. We also intend to engage our suppliers to ensure that they understand the importance of using fewer resources (water, energy, other materials) in the manufacture, packaging and transportation of their products.

This year we are very pleased to announce that we are moving to new premises in Gauteng, South Africa – a custom built building with warehouse facilities designed with green principles in mind. The building is equipped with solar powered geysers, energy saving lighting and water efficiency measures. Of course, the new building will also alleviate our infrastructure constraints and improve our business's overall efficiency.

PRODUCT RESPONSIBILITY

Verimark tests all its products for health and safety impacts. These 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. We comply 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.

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.

TOTAL WORKFORCE

2012: **586**
2011: 554
2010: 625

2012: **751**
2011: 630
2010: 641

Category	2010	2011	2012
Full time	263	305	323
Part-time	1 003	879	1 014
Total	**1 266**	**1 184**	**1 337**

Category	2010	2011	2012
HDSA	1 130	1 054	1 198
White	136	130	139
Total	**1 266**	**1 184**	**1 337**

The 2010/2011 figures were re-stated.

MANAGEMENT COMPOSITION

31% middle management are HDSA
60% junior management are HDSA
20% senior management is female
15% middle management is female of which 8% are HDSA
25% junior management is female of which 16% are HDSA

HDSA: Historically Disadvantaged South Africans.

ELECTRICITY CONSUMPTION
(kWh)

2012: **244 688**
2011: 177 685
2010: 161 442

FUEL CONSUMPTION
(litres of petrol and diesel)

2012: **278 954**
2011: 218 173
2010: 172 892

HEALTH AND SAFETY

There have been no lost time injuries for 11 years.

BOARD OF DIRECTORS

MICHAEL J VAN STRAATEN

MICHAEL J VAN STRAATEN (58)

CHIEF EXECUTIVE OFFICER

BComm Hons, CA(SA)
Appointed 1 July 2005 (Verimark Proprietary 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.

In 1993, 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 & Young; and selected as one of South Africa's Leading Managers by the Corporate Research Foundation.

DR JAMES T MOTLATSI (59)

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.

DR JAMES T MOTLATSI

SHAUN BEECROFT

SHAUN BEECROFT (48)

FINANCIAL DIRECTOR

BComm, CTA, CA(SA)
Appointed 6 December 2011

Shaun served articles with PriceWaterhouse Coopers and qualified as a Chartered Accountant in 1989. He joined SARS in 1990 and from 1993 spent over 19 years in the private sector, mainly in the FMCG industry (DairyBelle, Gabriel SA, Coca Cola, Ceres Fruit Juices) of which six years were in expatriate positions in Botswana and Swaziland.

Shaun has served as a director on the boards of a number of companies in South Africa since 2003 and was a key member in the unbundling of DairyBelle out of Tiger Brands Limited in 2007 and the sale of Gabriel SA to Control Instruments Limited in 2006.

JOHANN M PIETERSE (61)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom CTA, MCompt, 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.

JOHANN M PIETERSE

MITESH PATEL

MITESH PATEL (38)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCompt (Hons), CA(SA)
Appointed 28 May 2012

Mitesh is a qualified Chartered Accountant with over 10 years of experience in assurance and business advisory, in both the private and public sector. He is currently the Managing Partner of Nkonki Inc. Mitesh has been involved with audit committees for at least ten years and is currently chairman of the audit committees of a number of JSE-listed companies, as well as of Skinwell Limited and Alert Limited. He is also a non-executive director on several boards of listed companies and chairman of the board of Wearne Limited

Mitesh has in-depth understanding of corporate governance principles as set out in King III; risk management; directors' responsibilities principles; integrated reporting and the new Companies Act 71 of 2008 and has acted as adviser to the private and public sector on best practice recommendations of King III and compliance with the new Companies Act.

SIEGFRIED J PRELLER (37)

COMPANY SECRETARY

BComm Hons, CA(SA)
Appointed 12 May 2009

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. Siegfried 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. He resigned as Acting Financial Director on 6 December 2011.

SIEGFRIED J PRELLER

CHAIRMAN'S REPORT

The South African market continued to reflect the effects of a challenging global environment.

DR JAMES T MOTLATSI
CHAIRMAN

OVERVIEW

The Verimark management team were faced with additional challenges in the past year, including a volatile exchange rate, operational and infrastructural challenges, and positioning the Company for future growth.

Unfortunately these challenges impacted negatively on the rate of new product introductions and cost containment. The move to our new custom built warehouse facility should provide a number of operational and cost efficiency opportunities and position the Company to take advantage of future growth opportunities.

DIVIDEND

The Board declared a final dividend of 13,5 cents per share (2011: 15,0 cents per share) for the financial year ended 29 February 2012.

SUSTAINABILITY

The Company recognises the imperative to balance returns for its shareholders with the long-term needs of the business, employees, the broader community and the environment.

Whilst the Company's energy usage is not significant, we continue to investigate opportunities to reduce our consumption, for example our new premises has been constructed with "green" principles in mind using solar powered energy and low usage lighting.

With South Africa's unemployment rate amongst the highest in the world, job creation opportunities are of top priority. Verimark continues to make a positive contribution in the training and employment of first-time job seekers, with 1 397 new job seekers trained during the past financial year.

BOARD AND GOVERNANCE

The directors and employees ensure that the Company is managed in an efficient, accountable, responsible and moral manner.

With the introduction of the new Companies Act, the King III recommendations on corporate governance, new legislation with regard to competition law, consumer protection and others, the Board has focused more attention on compliance and governance issues. This is an ongoing process and the Board will continue to explore methods to improve its performance with regard to all aspects of governance.

DIRECTORATE

It is with pleasure that I welcome to the Board Mitesh Patel as non-executive director and Shaun Beecroft as Financial Director and look forward to their contribution.

APPRECIATION

On behalf of the Board, I would like to thank our employees for their continued commitment and dedication throughout this challenging year. To Micke and his executive team, I acknowledge their hard work and leadership in what has been a tough year. I extend thanks to my fellow Board members for the valuable guidance and support provided during the year.

I would like to express gratitude to our suppliers, advisers and business associates for their contribution to the business.

Finally, and most notably, we value the continued support of our loyal customers as well as new customers gained in the period.

Dr James Motlatsi
Chairman

24 May 2012

FUN INSPIRING BUBBLES

FUN INSPIRING BUBBLES

CORPORATE GOVERNANCE

COMPLIANCE WITH THE KING CODE

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 71, 2008 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. Please refer to the index of governance contents showing Verimark's alignment with the governance requirements of King III and the GRI.

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 page 27 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.

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.

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.

THE BOARD'S 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 16.

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.

BOARD COMPOSITION

The composition of the Board is shown in the following table:

	Position	First appointed	Attendance
Independent non-executive directors			
JT Motlatsi*	Chairman	1 July 2005	4/4
JM Pieterse	Director	3 November 2005	4/4
M Patel*	Director	28 May 2012	N/A
Executive directors			
MJ van Straaten**	Chief Executive Officer	1 July 2005	4/4
S Beecroft	Financial Director	6 December 2011	N/A
SJ Preller	Company Secretary	12 May 2009	4/4

* Indicates HDSA.

** 1981 – Verimark Proprietary Limited.

Note that S Beecroft and M Patel were appointed after the meetings held during the financial year.

The Board held four 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.

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 members are to be found on page 20.

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.

CHANGES TO THE BOARD

During the financial year ended 29 February 2012, Siegfried Preller temporarily assumed the role of Financial Director from 23 March 2011 to 6 December 2011.

Shaun Beecroft was appointed as the Financial Director with effect from 6 December 2011 and Siegfried Preller continues to act as the Company Secretary.

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.

We are in the process of establishing a social and ethics committee as per the requirements of the Companies Act and will be reporting on its formation in our next report.

All directors, and Chairmen of the Board committees are required to attend annual general meetings to answer any questions shareholders may raise.

Committee 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 is 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 36 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 pages 65 and 89 of the report.

Attendance by directors at Board committee meetings is shown below:

	Audit and Risk Committee	Remuneration and Nomination Committee
JT Motlatsi (Chairman of the Board)	4/4	1/1
JM Pieterse (Chairman of the Remuneration and Nomination Committee and the Audit and Risk Committee)	4/4	1/1
M Patel	N/A	N/A
MJ van Straaten*	4/4	1/1
S Beecroft*	0/0	0/0
SJ Preller*	4/4	1/1

* Denotes by invitation.

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 29 February 2012, 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 23 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 ALIGNMENT INDEX

Status	Application of King III and GRI G3 governance indicators	Our application or explanation
BOARD OF DIRECTORS		
Compliant	Changes to the board in 2012.	See pages 33.
Compliant	Which members of the board retire this year in terms of rotation set out in Articles of Association.	See page 25.
Compliant	Dates directors were appointed to the board, how many board meetings were held, how many each director attended in 2012.	See page 24.
Compliant	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.
Compliant	Board induction – Please describe the board induction process and any training/education initiatives undertaken with the board during the year.	See page 25.
Compliant	Governance structure including committees under the highest governance body.	See pages 24 and 25.
Compliant	An explanation of what tasks the board is responsible for, e.g. setting strategy, sustainable development, safety, risk, etc.	See page 24.
Partially compliant	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.
Compliant	An explanation of the role of the committees.	See page 25.
Compliant	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.
Compliant	**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.
Compliant	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 15 – through management.
Not yet compliant	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.
Compliant	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 pages 65 and 89 paid for meeting attendance.
Compliant	Is the remuneration policy to be approved by shareholders at the AGM?	Yes.
Compliant	What processes are in place for the board to ensure conflicts of interest are avoided?	See page 26.
Not yet compliant	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 intends to put this issue on its agenda for the forthcoming year.

- Compliant
- Partially compliant
- Not yet compliant
- Not applicable

CORPORATE GOVERNANCE

(continued)

Application of King III and GRI G3 governance indicators	Our application or explanation
BOARD OF DIRECTORS (continued)	
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 pages 16 and 17 and pages 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.
Are the processes 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 pages 16 and 17.
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.
Verimark'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 implemented improved systems as noted on page 5 of this report.
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 obtained 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 in the future.
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.

Application of King III and GRI G3 governance indicators	Our application or explanation
IT GOVERNANCE (continued)	
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 pages 25 and 26.
Does the audit committee consider IT risks as they relate to financial reporting and the going concern of the company?	See pages 25 and 26.
Has technology been used to improve audit coverage and efficiency?	Not as yet.
COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS	
Is legal compliance part of the risk management process and culture of Verimark?	See page 17.
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 in the forthcoming year.
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.
INTERNAL AUDIT	
Is there an effective internal audit function in place?	There is an internal audit manager who has an assistant, to assist with internal audit duties. The Board continues to investigate ways to improve the effectiveness of this function.
Does internal audit evaluate the company's governance processes including ethics, especially 'tone at the top'?	Not as yet. The Company is engaging with service providers to assist it in this process.
Is internal audit outsourced?	No, it is an internal function.
If it is outsourced is a senior executive or director responsible for 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. This will be reviewed in the forthcoming 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 report on this to the Financial Director.
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
- Not applicable

ANNUAL FINANCIAL STATEMENTS

CONTENTS

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, comprising the statements of financial position at 29 February 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated 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 the requirements of 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 Company and its subsidiaries 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 Group and Company 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 Holdings Limited, as identified in the first paragraph, were approved by the Board of Directors on 24 May 2012 and are signed on its behalf by:

MJ van Straaten
Chief Executive Officer

24 May 2012

SR Beecroft
Financial Director

24 May 2012

DIRECTORS' REPORT

for the year ended 29 February 2012

The directors have pleasure in submitting their report for the financial year ended 29 February 2012.

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 29 February 2012 amounted to R26,8 million (2011: R33,5 million). This translates into headline earnings per share of 25,8 cents (2011: 31,5 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 91 of the report.

GOING CONCERN

The financial statements have been prepared using the appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The directors have reasonable expectations that the Company and its subsidiaries 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 Holdings Limited (Company) was recognised prior to 28 February 2009 in the amount of R248 947 925. This impairment loss has been partially reversed in previous years by R77 539 434 but in the current financial year the impairment loss was increased by an amount of R51 422 547. The investment in the subsidiary is stated at the market share price for Verimark Holdings Limited as at 29 February 2012.

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

Due to the accounting principles applied for reverse listings per IFRS 3, the goodwill was not impacted by this impairment. Refer to notes 4 and 5 for further explanation.

SHARE CAPITAL AND SHARE PREMIUM

Details of the authorised and issued share capital and the share premium are provided in notes 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 VEET (Verimark Employees Empowerment Trust) on behalf of previously disadvantaged employees. These shares are recognised as treasury shares. No shares have been granted to employees to date.

At the 2011 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 previous year the Company, through its subsidiary Verimark Proprietary Limited, repurchased 2 980 870 of its issued shares for a consideration of R3 735 925, bringing the total number of shares to 6 380 870 and the total cost to R5 373 405. No shares were purchased during the year ended 29 February 2012. 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 29 February 2012, the Board announced that a final dividend of R15 426 764 or 13,5 cents per share (2011: R17 140 849 or 15,0 cents per share) was approved and announced on the Stock Exchange News Service (SENS) by the Board on 30 March 2012.

This dividend is in line with the dividend policy of 50% of profit attributable to owners of the Company and the final dividend was based on the preliminary unaudited results for the financial results of the year ended 29 February 2012. The policy will be reassessed on an ongoing basis as and when dividends become due and payable.

With effect from 1 April 2012, secondary tax on companies (STC) will be replaced with a dividend tax. Although the dividend for the period under review is payable after 1 April 2012 it does not fall into the new dividend tax regime due to the fact that it was declared prior to this date.

DIRECTORS AND COMPANY SECRETARY

The names of the directors and Company Secretary are:

EXECUTIVE DIRECTORS

MJ van Straaten	Chief Executive Officer
SR Beecroft	Financial Director

NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

SJ Preller

An additional independent non-executive director was recommended for appointment by the Board on 24 May 2012.

CHANGES TO THE BOARD

Shaun Beecroft was appointed as Financial Director on 6 December 2011. Siegfried Preller resigned on the same day after he temporarily assumed the role of Financial Director from 28 February 2011.

Siegfried Preller continues to act as the Company Secretary. In terms of the Company's articles of association, each year, one-third of Verimark's directors retire and their re-election is subject to the approval of shareholders at the annual general meeting. All new appointments will be confirmed by shareholders at the 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 million of which were held for the benefit of Verimark employees. The purchase was funded by the Van Straaten Family Trust and facilitated through Mirror Ball. In terms of the agreement with Teba Development, 4 million shares were transferred to the control of the Verimark Employees Empowerment Trust (VEET). The total BBBEE shareholding remains unchanged at 10,1%.

In terms of 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 3 050 000 shares of Verimark Holdings Limited. 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 Financial Statements of Verimark Holdings Limited.

The members of management who will benefit from this transaction are: M Adam, Z Adam, TP Bezuidenhout, N du Plessis, R 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 29 February 2012, 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:

	Direct	Indirect	Total number of shares held	Percentage of issued share capital
Director				
MJ van Straaten and associates	–	60 500 000	60 500 000	52,94
SR Beecroft and associates	–	–	–	–
Dr JT Motlatsi and associates	–	–	–	–
JM Pieterse and associates	–	1 791 525	1 791 525	1,57

INTEREST OF DIRECTORS IN CONTRACTS

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

LITIGATION

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

SUBSIDIARIES AND CONTROLLED ENTITIES

SUBSIDIARIES

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

CONTROLLED ENTITIES

Verimark Employees Empowerment Trust (Trust No. IT2016/07) (VEET)
Selcovest 35 Proprietary Limited (Reg. No. 2005/018106/07) (Selcovest)

These are controlled entities as they are considered special purpose entities (SPEs).

The Group established the special purpose entities in the form of VEET and Selcovest for BBBEE purposes, as explained in the paragraph dealing with broad based black economic empowerment. The Group does not have any direct or indirect shareholdings in these entities.

In terms of IAS 27 and SIC 12, these 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 the Empowerment Trust by being able to retain and promote skills from its workforce. Verimark is also entitled to benefit from any surplus (after discharging liabilities) in the Trust upon its termination by the Trustees.

The directors draw attention to the fact that the risk of the repayment of the preference share liability of R15 857 342 (2011: R15 370 883) does not lie with the Group. 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. Should the Van Straaten Family Trust act on the guarantee, this will result in the treasury shares reflected in the Group being used to settle the preference share liability. This will 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 of R13 337 and share premium of R10 890 621. The cumulative preference dividend of R1 086 459 (2011: R1 120 258) has been recognised as interest payable in the profit and loss of the Group. (Refer to notes 11, 12, 15 and 21.)

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 recalled the preference share liability as it is still the intention to continue with the BBBEE initiative.

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

	2012 R	2011 R
Verimark Proprietary Limited	**30 393 974**	35 445 007
Creditvision Rental Finance Proprietary Limited	**(356)**	(946)
Fullimput 173 Proprietary Limited	**–**	–
Verimark Employee Empowerment Trust	**–**	–
Selcovest 35 Proprietary Limited	**(2 307 577)**	(2 499 023)

BORROWING POWERS

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

CERTIFICATION BY THE SECRETARY

In terms of the Companies Act, 71 of 2008 as updated, the Company Secretary, SJ Preller has certified that, to the best of his knowledge and belief, the Company has, in respect of the financial year reported upon, lodged with the Registrar of Companies all returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.

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 James Motlatsi
Chairman

Johannesburg
24 May 2012

Michael van Straaten
Chief Executive Officer

Johannesburg
24 May 2012

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 94 of the Companies Act, 71 of 2008 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.

At the year end the Group had two independent non-executive directors, in May 2012 a third independent non-executive director was appointed to the Board.

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

The Audit and Risk Committee was reassured by management that adequate financial controls are in place for the Group.

The Audit and Risk Committee has evaluated the annual financial statements of Verimark and the Group for the year ended 29 February 2012 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

24 May 2012

INDEPENDENT AUDITOR'S REPORT

To the members of Verimark Holdings Limited

We have audited the Group annual financial statements and Company annual financial statements of Verimark Holdings Limited, which comprise the statements of financial position at 29 February 2012, 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 32 to 35.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of 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 Holdings Limited at 29 February 2012, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 29 February 2012, we have read the Directors' report, the Audit Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Per C Swart
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown, Johannesburg
24 May 2012

GROUP STATEMENT OF FINANCIAL POSITION

as at 29 February 2012

	Note	GROUP 2012 R	2011 R
ASSETS			
Non-current assets		**31 255 665**	31 184 724
Plant and equipment	3	**14 298 052**	14 200 034
Intangible assets	4	**14 662 960**	14 342 291
Deferred taxation asset	6	**2 294 653**	2 642 399
Current assets		**124 187 028**	139 987 865
Inventories	7	**62 641 191**	60 273 972
Trade and other receivables	8	**49 187 776**	62 543 037
Prepayments		**211 358**	268 116
Loans receivable	9	**–**	233 773
Bank and cash balances	10	**12 146 703**	16 668 967
Total assets		**155 442 693**	171 172 589
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company		**92 246 445**	80 626 333
Share capital	11	**346 420**	346 420
Share premium	12	**21 378 068**	21 378 068
Share based payment reserve	13	**787 925**	392 883
Retained earnings		**69 734 032**	58 508 962
Non-current liabilities		**5 645 307**	7 905 135
Interest-bearing liabilities	14	**5 645 307**	7 905 135
Current liabilities		**57 550 941**	82 641 121
Preference share liability	15	**15 857 342**	15 370 883
Trade and other payables	17	**31 023 956**	61 099 389
Current portion of interest-bearing liabilities	14	**3 688 770**	3 783 089
Taxation payable		**2 651 296**	2 387 760
Bank overdraft	10	**4 329 577**	–
Total equity and liabilities		**155 442 693**	171 172 589

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2012

		GROUP	
	Note	2012 R	2011 R
Revenue from sale of merchandise	18	**451 149 634**	461 654 112
Cost of sales		**(262 324 739)**	(261 566 489)
Gross profit		**188 824 895**	200 087 623
Other income	19	**1 699 956**	1 311 621
Selling expenses		**(47 412 969)**	(49 655 213)
Other operating expenses		**(94 129 004)**	(94 006 497)
Operating profit before finance income and finance expense	20	**48 982 878**	57 737 534
Finance income	21	**8 140 634**	2 966 279
Finance expense	21	**(15 251 262)**	(11 387 023)
Profit before taxation		**41 872 250**	49 316 790
Income taxation	22	**(15 064 408)**	(15 834 184)
Profit for the year		**26 807 842**	33 482 606
Other comprehensive income		**–**	–
Total comprehensive income attributable to owners of the Company		**26 807 842**	33 482 606
Earnings per share			
Basic earnings per share (cents)	30	**25,8**	31,5
Diluted earnings per share (cents)	30	**25,3**	31,3

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2012

	Share capital R	Share premium R	Share based payment reserve R	Retained earnings R	Total R
GROUP					
Balance at 1 March 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 to 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 equity holders	–	–	–	(6 412 340)	(6 412 340)
Balance at 28 February 2011	**346 420**	**21 378 068**	**392 883**	**58 508 962**	**80 626 333**
Total comprehensive income for the year					
Profit for the year	**–**	**–**	**–**	**26 807 842**	**26 807 842**
Transactions with owners recorded in equity					
IFRS 2 share based payment transaction	**–**	**–**	**395 042**	**–**	**395 042**
Contributions by and distributions to owners of the Company					
Dividend paid to equity holders	**–**	**–**	**–**	**(15 582 772)**	**(15 582 772)**
Balance at 29 February 2012	**346 420**	**21 378 068**	**787 925**	**69 734 032**	**92 246 445**

GROUP STATEMENT OF CASH FLOW

for the year ended 29 February 2012

	Note	GROUP 2012 R	2011 R
Cash flows from operating activities			
Cash generated by operations	24.1	**37 241 358**	49 515 351
Finance income received		**8 140 634**	2 966 279
Finance expense paid		**(13 584 787)**	(9 969 941)
Income taxation paid	24.2	**(14 453 126)**	(21 267 533)
Dividend paid	24.3	**(15 582 772)**	(6 454 797)
Net cash inflows from operating activities		**1 761 307**	14 789 359
Cash outflows from investing activities		**(7 870 231)**	(11 419 527)
Acquisitions of plant and equipment to expand operations		**(7 595 472)**	(11 552 362)
Acquisitions of intangible assets to maintain operations		**(603 361)**	(233 071)
Proceeds from disposal of plant and equipment and intangible assets		**328 602**	365 906
Cash outflows from financing activities		**(2 742 917)**	(440 757)
Loans receivable collected		**232 000**	232 000
Interest-bearing liabilities repaid		**(3 934 314)**	(2 590 464)
Interest-bearing liabilities raised		**1 559 397**	5 893 632
Repurchase of own shares		**–**	(3 735 925)
Preference share liability repaid		**(600 000)**	(240 000)
Net (decrease)/increase in cash and cash equivalents		**(8 851 841)**	2 929 075
Cash and cash equivalents at beginning of year		**16 668 967**	13 739 892
Cash and cash equivalents at end of year	24.4	**7 817 126**	16 668 967

COMPANY STATEMENT OF FINANCIAL POSITION

as at 29 February 2012

	Note	COMPANY 2012 R	2011 R
ASSETS			
Non-current assets		**120 024 064**	171 446 611
Investment in subsidiary companies	5	**120 024 064**	171 446 611
Current assets		**515 145**	771 867
Prepayments		**–**	38 855
Loans receivable	9	**158 898**	392 671
Bank and cash balances	10	**356 247**	340 341
Total assets		**120 539 209**	172 218 478
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company		**108 736 488**	161 427 092
Share capital	11	**380 908**	380 908
Share premium	12	**316 702 119**	316 702 119
Accumulated loss		**(208 346 539)**	(155 655 935)
Current liabilities		**11 802 721**	10 791 386
Amounts owing to subsidiary company and other related party	16	**11 634 545**	10 636 407
Accruals		**168 176**	154 979
Total equity and liabilities		**120 539 209**	172 218 478

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2012

	COMPANY 2012 R	2011 R
Dividends received	**17 140 849**	6 856 340
Other operating expenses	**(1 268 057)**	(854 718)
(Impairment)/reversal of impairment of investment in subsidiary	**(51 422 547)**	97 131 478
(Loss)/profit before taxation	**(35 549 755)**	103 133 100
Income taxation	**–**	–
(Loss)/profit for the year	**(35 549 755)**	103 133 100
Other comprehensive income	**–**	–
Total comprehensive income attributable to owners of the Company	**(35 549 755)**	103 133 100

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2012

	Share capital R	Share premium R	Accumulated loss R	Total R
COMPANY				
Balance at 1 March 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 equity holders	–	–	(6 856 340)	(6 856 340)
Balance at 28 February 2011	**380 908**	**316 702 119**	**(155 655 935)**	**161 427 092**
Total comprehensive income for the year				
Loss for the year	**–**	**–**	**(35 549 755)**	**(35 549 755)**
Contributions by and distributions to owners of the Company				
Dividend paid to equity holders	**–**	**–**	**(17 140 849)**	**(17 140 849)**
Balance at 29 February 2012	**380 908**	**316 702 119**	**(208 346 539)**	**108 736 488**

COMPANY STATEMENT OF CASH FLOW

for the year ended 29 February 2012

	Note	COMPANY 2012 R	2011 R
Dividend received		**17 140 849**	6 856 340
Operating expenses		**(1 268 057)**	(854 718)
Cash generated from operating activities		**15 872 792**	6 001 622
Loan receivable written off		**1 773**	–
Decrease in trade and other receivables		**–**	47 491
Decrease/(increase) in prepayments		**38 855**	(38 855)
Increase/(decrease) in trade and other payables		**13 197**	(134 516)
Cash inflows from operating activities		**15 926 617**	5 875 742
Dividend paid	24.3	**(17 140 849)**	(6 898 797)
Net cash outflows from operating activities		**(1 214 232)**	(1 023 055)
Cash inflows from financing activities		**1 230 138**	1 057 832
Loans receivable collected		**232 000**	232 000
Increase in loans from subsidiary company and other related party		**998 138**	825 832
Net increase in cash and cash equivalents		**15 906**	34 777
Cash and cash equivalents at beginning of year		**340 341**	305 564
Cash and cash equivalents at end of year		**356 247**	340 341

1. ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Verimark Holdings Limited (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 Holdings Limited 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 2008, as amended and Companies Regulations, 2011.

The financial statements were authorised for issue by the Board of Directors on 24 May 2012.

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 Company'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 1.3.16.

1.2.5 Changes in accounting policies

Statements adopted for the first time

IAS 24 *Related Party Disclosures* – IAS 24 applies to all entities with an annual period beginning on or after 1 January 2011. It clarifies and simplifies the definition of a related party. IAS 24 has been applied in the Related Party note 23.

IFRS 7 *Financial Instruments* – IFRS 7 is amended to add an explicit statement that the 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. The amendments had no impact on the financial statements.

IAS 1 *Presentation of Financial Statements* clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

All changes in components of equity have already been disaggregated and thus IAS 1 improvements have no impact on the financial statements.

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, transactions 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 subsidiary companies 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.

Dividend income is recognised in profit or loss on the date that the right to receive payment is established. In the Company's separate financial statements, dividend income is regarded as revenue.

Other income consists of Skills Development Levy refunds for training provided and adhoc fees charged to franchisees which are recognised on receipt of funds.

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 realised 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.

Secondary tax on companies (STC) is provided at a rate of 10% on the amount by which dividends declared by the Company exceed dividends received. STC is recognised as part of the current tax charge in the statement of comprehensive income when the related dividend is declared. To the extent that it is probable that the entity with STC credits will declare dividends of its own, against which unutilised STC credits may be utilised, a deferred tax asset is recognised for such STC credits.

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 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 profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and for the effects of all dilutive potential ordinary shares.

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 derecognised. 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 the required use. Capital work in progress is transferred to Company owned store equipment once assembly is complete. 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
Motor vehicles	4 – 5 years
Moulds and dies	4 years
Office furniture and equipment	5 – 10 years
Shop fittings	3 years
Company owned (Co-owned) stores equipment	3 years
Media equipment	2 years

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

(continued)

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3.8 Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition 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 is negative, a bargain purchase gain is recognised immediately in profit or loss. Goodwill is measured at cost less any accumulated impairment losses.

Other intangibles

Software and trademarks 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 are as follows:

Computer software	3 years
Trademarks	10 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 inflows 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-rata basis. The recoverable amount of an asset or CGU 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 or CGU.

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

Goodwill with an indefinite useful life is allocated to cash-generating units and is tested for impairment at each 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 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.

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.

1.3.12 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.

1.3.13 Financial instruments

Non-derivative financial assets

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.

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3.13 Financial instruments (continued)

Non-derivative financial assets (continued)

The Group derecognises 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.

Non-derivative financial assets comprise loans and receivables.

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

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.

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 derecognises 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.

1.3.14 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 or 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.

1.3.15 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 or 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 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 awards. 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.

(continued)

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 and receivables, including returns and credit risks

Management identifies impairment of trade receivables, including returns and credit notes, on an ongoing basis. The estimation of the requirement for impairment is based on the current 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.

1.3.18 New standards and interpretations not yet adopted

A number of standards, amendments to standards and interpretations are not yet effective for the year ended 29 February 2012, and have not been applied in preparing these financial statements. These standards are disclosed in note 31 to the financial statements.

None of these are expected to have an effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments,* IFRS 7 *Disclosures – Transfers of Financial Assets, Offsetting Financial Assets and Financial Liabilities,* IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of Interest in other Entities,* IAS 27 *Separate Financial Statements (2011),* IFRS 13 *Fair Value Measurement* and IAS 32 *Offsetting Financial Assets and Financial Liabilities* which become mandatory for the Group's 2013/14 consolidated financial statements. The Group does not plan to early adopt these standards 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 one 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 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 one 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 are 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.

(continued)

	Computer equipment R	Manufacturing structures and handling equipment R	Moulds and dies R
3. PLANT AND EQUIPMENT			
GROUP			
Cost			
Balance at 1 March 2011	**1 830 413**	**1 847 508**	**–**
Additions	**359 615**	**184 056**	**–**
Disposals	**(17 674)**	**–**	**–**
Transfers	**–**	**–**	**–**
Balance at 29 February 2012	**2 172 354**	**2 031 564**	**–**
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	–
Accumulated depreciation and impairment losses			
Balance at 1 March 2011	**1 311 254**	**1 247 199**	**–**
Disposals	**(4 684)**	**–**	**–**
Depreciation for the year	**296 376**	**172 822**	**–**
Balance at 29 February 2012	**1 602 946**	**1 420 021**	**–**
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	–
Carrying amounts			
At 29 February 2012	**569 408**	**611 543**	**–**
At 28 February 2011	519 159	600 309	–

SECURITY

The above moveable assets (except for motor vehicles, media assets and retail equipment) have been ceded in favour of ABSA Bank Limited in terms of General Notarial and Special Covering Bonds limited to R10 000 000 (see note 10).

LEASED ASSETS

The Company 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 29 February 2012, the carrying value of leased motor vehicles is R2 403 786 (2011: R3 021 890), of media assets is R1 793 219 (2011 R2 131 678) and of retail equipment is R345 833 (2011: R766 624).

ASSESSMENT OF USEFUL LIVES, RESIDUAL VALUE AND DEPRECIATION METHODS

During the year ended 29 February 2012, the Group conducted a review of the estimated useful lives, residual values and depreciation methods of plant and equipment. There were no changes required.

Office furniture and equipment R	Motor vehicles R	Co-owned stores equipment R	Media equipment R	Shop fittings R	Capital work in progress R	Total R
3 920 351	**4 604 730**	**3 932 826**	**4 688 122**	**12 106 621**	**354 904**	**33 285 475**
244 467	**1 041 906**	**929 888**	**1 159 750**	**2 888 964**	**786 826**	**7 595 472**
(724)	**(172 347)**	**(691 717)**	**(77 542)**	**(50 089)**	**–**	**(1 010 093)**
–	**–**	**71 858**	**248 499**	**–**	**(320 357)**	**–**
4 164 094	**5 474 289**	**4 242 855**	**6 018 829**	**14 945 496**	**821 373**	**39 870 854**
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
3 282 401	**1 429 144**	**2 315 430**	**2 178 830**	**7 321 183**	**–**	**19 085 441**
–	**(53 858)**	**(571 145)**	**(71 512)**	**(1 726)**	**–**	**(702 925)**
165 978	**1 313 955**	**870 486**	**1 960 374**	**2 410 295**	**–**	**7 190 286**
3 448 379	**2 689 241**	**2 614 771**	**4 067 692**	**9 729 752**	**–**	**25 572 802**
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
715 715	**2 785 048**	**1 628 084**	**1 951 137**	**5 215 744**	**821 373**	**14 298 052**
637 950	3 175 586	1 617 396	2 509 292	4 785 438	354 904	14 200 034

(continued)

	Goodwill R	Trademarks R	Computer software R	Total R
4. INTANGIBLE ASSETS				
GROUP				
Cost				
2012				
Balance at beginning of year	13 996 651	200 000	1 706 193	15 902 844
Additions	–	–	603 361	603 361
Disposals	–	–	(71 188)	(71 188)
Balance at end of year	13 996 651	200 000	2 238 366	16 435 017
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
Accumulated amortisation and impairment losses				
2012				
Balance at beginning of year	–	200 000	1 360 553	1 560 553
Amortisation for the year	–	–	219 413	219 413
Disposals	–	–	(7 909)	(7 909)
Balance at end of year	–	200 000	1 572 057	1 772 057
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
Carrying amounts				
At 29 February 2012	13 996 651	–	666 309	14 662 960
At 28 February 2011	13 996 651	–	345 640	14 342 291

IMPAIRMENT TESTING OF CASH-GENERATING UNITS CONTAINING GOODWILL

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

In terms of IFRS 3 (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 28 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 third year and management has continued to be conservative and has shown the investment at the Verimark Holdings Limited market share price.

For the purpose of impairment testing, the entire goodwill amount is allocated to the Company's operating subsidiary, Verimark Proprietary Limited (Verimark) (cash-generating unit (CGU)). The recoverable amount of Verimark was based on its fair value less costs to sell, which was determined using the market share price of Verimark Holdings Limited. This is consistent with the prior year. The carrying amount of the CGU was determined to be lower than its recoverable amount.

	COMPANY	
	2012 R	2011 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	**171 408 491**	74 277 013
– (Impairment)/reversal of impairment	**(51 422 547)**	97 131 478
Closing balance	**119 985 944**	171 408 491
Reconciliation of original cost		
Original cost	**283 229 623**	283 229 623
Total impairment	**(163 243 679)**	(111 821 132)
Carrying value	**119 985 944**	171 408 491
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	**120 024 064**	171 446 611

The directors have valued the investment in Verimark Proprietary Limited at the market share price of Verimark Holdings Limited. This is greater than the net asset value of the subsidiary company. The valuation of the investment will be reviewed on an ongoing basis.

(continued)

	GROUP 2012 R	GROUP 2011 R
6. DEFERRED TAXATION ASSET		
Balance at beginning of year	**2 642 399**	2 382 241
Current year movement per statement of comprehensive income	**(347 746)**	260 158
– net deductible temporary differences	**(347 746)**	260 158
Balance at end of year	**2 294 653**	2 642 399

Deferred tax at rate of 28% (2011: 28%) comprises temporary differences arising on:

	Assets R	Liabilities R	Total R
2012			
– Leave pay accrual	**687 994**	**–**	**687 994**
– Doubtful debts allowance	**129 472**	**–**	**129 472**
– Prepayment	**–**	**(59 180)**	**(59 180)**
– Lease straight-lining	**174 202**	**–**	**174 202**
– Depreciation/wear and tear on shop fittings	**1 362 165**	**–**	**1 362 165**
	2 353 833	**(59 180)**	**2 294 653**
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

	GROUP 2012 R	GROUP 2011 R	COMPANY 2012 R	COMPANY 2011 R
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following:				
Tax losses	**2 800 480**	1 799 203	**2 556 212**	1 699 999

As a result of the legal parent company being expected to mainly earn non-taxable income in the form of dividends in the future, a deferred tax asset has not been recognised in respect of the estimated assessable loss of R10 001 713 (2011: R6 425 724) for the Group and R9 129 328 (2011: R6 071 427) for the Company.

	GROUP	
	2012 **R**	2011 R
7. INVENTORIES		
Merchandise	**59 271 692**	58 729 771
Merchandise in transit	**5 899 537**	4 962 545
Impairment of inventory	**(2 530 038)**	(3 418 344)
	62 641 191	60 273 972

SECURITY

Refer to note 10 for security provided over banking facilities.

Refer to note 20 for details of inventory written off during the year.

	GROUP	
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	**44 226 502**	62 814 126
Sundry debtors	**391 978**	887 098
Advance payments made to foreign suppliers	**4 612 775**	–
Staff receivables	**33 399**	34 392
Franchise loans receivable	**390 407**	249 551
Deposits	**149 246**	750 182
Impairment of trade receivables	**(616 531)**	(2 192 312)
	49 187 776	62 543 037

SECURITY

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

	GROUP		COMPANY	
	2012 **R**	2011 R	**2012** **R**	2011 R
9. LOANS RECEIVABLE				
Unsecured local loans – Motor Vision Proprietary Limited				
HW Bonsma (retired non-executive director)	**–**	233 773	**–**	233 773
The loan was unsecured, interest-free and repayable in full by 31 August 2011.				
Verimark Employees Empowerment Trust	**–**	–	**158 898**	158 898
The loan is unsecured, interest-free and repayable on demand.				
	–	233 773	**158 898**	392 671
Less: Short-term portion	**–**	(233 773)	**(158 898)**	(392 671)
Motor Vision Proprietary Limited	**–**	(233 773)	**–**	(233 773)
Verimark Employees Empowerment Trust	**–**	–	**(158 898)**	(158 898)
Long-term portion included in non-current assets	**–**	–	**–**	–

(continued)

	GROUP 2012 R	GROUP 2011 R	COMPANY 2012 R	COMPANY 2011 R
10. BANK AND CASH BALANCES				
Bank balances and cash on hand	**12 146 703**	16 668 967	**356 247**	340 341
Bank overdraft	**(4 329 577)**	–	**–**	–
	7 817 126	16 668 967	**356 247**	340 341

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

COMPANY AND SPEs

- None.

VERIMARK PROPRIETARY LIMITED (LEGAL SUBSIDIARY):

ABSA Bank Limited

Security

- Cession of linked life policies in the amount of R20 000 000 (on the life of MJ van Straaten);
- Cession of trade receivables; and
- General Notarial and Special Covering Bonds over moveable assets in the amount of R10 000 000.

In addition, the gearing calculated as interest-bearing debt to shareholders' funds must be maintained at 100% or lower at all times. The value of trade receivables ceded to the bank, current to 90 days, must at all times at least be equal to the General Banking Facility of R40 000 000. These conditions have been met in the current and prior period.

Refer to note 24.4 for split between bank balances and cash on hand.

	GROUP 2012 R	GROUP 2011 R	COMPANY 2012 R	COMPANY 2011 R
11. SHARE CAPITAL				
Authorised				
200 000 000 ordinary shares of 0,3333 cents each	**666 667**	666 667	**666 667**	666 667
Issued				
114 272 328 (2011: 114 272 328) ordinary shares of 0,3333 cents each	**381 024**	381 024	**380 908**	380 908
4 000 000 (2011: 4 000 000) treasury shares of 0,3333 cents each held by VEET	**(13 337)**	(13 337)	**–**	–
6 380 870 (2011: 6 380 870) treasury shares of 0,3333 cents each held by Verimark Proprietary Limited	**(21 267)**	(21 267)	**–**	–
	346 420	346 420	**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)**	(6 380 870)	**–**	–
Number of shares held externally at end of year	**103 891 458**	103 891 458	**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	
	2012	2011	**2012**	2011
	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)**	(5 352 138)	**–**	–
Balance at end of year	**21 378 068**	21 378 068	**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 share options in Verimark Holdings Limited.

Management were given an indirect shareholding through Verimark Proprietary Limited. 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.

An 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	Five 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:

	2012	2011
	R	R
Fair value at grant date	**1 969 811**	1 969 811
Spot price on grant date	**0,67**	0,67
Option price	**0,65**	0,65
Spot price on valuation date	**1,5**	1,5
	%	%
Expected volatility	**78,46**	78,46
Expected dividend yield	**5,09**	5,09
Risk-free interest rate	**7,38**	7,38
Option life	**5 years**	5 years
	R	R
Reserve and expense		
Opening balance of reserve	**392 883**	–
Movement for the year	**395 042**	392 883
Closing balance of reserve	**787 925**	392 883

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.

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

The expected volatility is based on a historical period equal to the remaining contractual life of the options.

(continued)

	GROUP 2012 R	GROUP 2011 R
14. INTEREST-BEARING LIABILITIES		
SECURED LOCAL LOANS		
Investec Bank Limited	**5 021 572**	5 306 162
The loan bears interest at prime less 2%. The loan has been secured by the residential property of a director, MJ van Straaten.		
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
The loans bore interest at the prime rate and were repayable over approximately 24 months (2011: 24 months). The loans were secured by the financed media assets (refer to note 3).		
Wesbank, a division of FirstRand Bank Limited	**4 005 265**	6 076 182
The loans bear interest at the prime rate and are repayable over approximately 36 months (2011: 37 months). The loans are secured by the financed motor vehicles, media assets and retail equipment (refer to note 3).		
Van Straaten Family Trust	**307 240**	286 470
The loan bears interest at a variable rate of 78% of the prime interest rate. The loan was repayable on 17 March 2010 (refer to note 15).		
Balance at end of year	**9 334 077**	11 688 224
Less: Current portion	**(3 688 770)**	(3 783 089)
– Investec Bank Limited	**(312 285)**	(330 718)
– ABSA Bank Limited	**–**	(19 410)
– Wesbank, a division of FirstRand Bank Limited	**(3 069 245)**	(3 146 491)
– Van Straaten Family Trust	**(307 240)**	(286 470)
Long-term portion included in non-current liabilities	**5 645 307**	7 905 135

	GROUP 2012 R	2011 R
15. PREFERENCE SHARE LIABILITY		
Balance at beginning of year	**15 370 883**	14 490 625
Interest for the year	**1 086 459**	1 120 258
Repayment (dividend)	**(600 000)**	(240 000)
Balance at end of year	**15 857 342**	15 370 883
Less: Short-term portion included in current liabilities	**(15 857 342)**	(15 370 883)
Long-term portion included in non-current liabilities	**–**	–

The rights of redeemable preference shares are discussed below. Interest is calculated cumulatively at a variable rate of 78% of the prime interest rate. The preference shares were fully repayable by the first business day, following 17 March 2010. As a result the preference share liability is classified as short-term.

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

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

(continued)

		COMPANY	
		2012 R	2011 R
16.	**AMOUNTS OWING TO SUBSIDIARY COMPANY AND OTHER RELATED PARTY**		
	Verimark Proprietary Limited	11 484 832	10 486 694
	Selcovest 35 Proprietary Limited	149 713	149 713
		11 634 545	10 636 407
	The loans are unsecured, interest-free and repayable on demand.		
17.	**TRADE AND OTHER PAYABLES**		
	Trade payables	19 098 801	40 091 065
	Accruals	4 318 103	3 884 461
	Payroll accruals (refer to note 23.1)	3 836 900	12 164 876
	Commissions	1 438 199	1 392 647
	Royalties and licence fees	908 544	1 304 827
	Store opening and space rentals	801 257	1 210 249
	Straight-lining provision	622 152	1 051 264
	Closing balance	31 023 956	61 099 389
18.	**REVENUE**		
	Sale of merchandise	451 149 634	461 654 112
19.	**OTHER INCOME**		
	Other income (refer to note 1.3.2)	1 741 801	1 282 241
	(Loss)/profit on disposal of plant and equipment and intangible assets	(41 845)	29 380
		1 699 956	1 311 621

	GROUP	
	2012 R	2011 R

20. OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME AND FINANCE EXPENSE

Operating profit/(loss) before finance income and finance expense is arrived at after charging/(crediting):

	2012 R	2011 R
Amortisation of computer software (intangible assets)	**219 413**	169 677
Amortisation of trademark (intangible assets)	**–**	6 667
Auditor's remuneration	**1 391 961**	1 135 000
– current year	**779 000**	700 000
– prior year under–provision	**547 961**	257 442
– other services		
– PWC	**40 000**	30 000
– KPMG	**25 000**	147 558
Bad debts expensed	**161 908**	3 390 635
Depreciation on plant and equipment	**7 190 286**	6 278 547
Directors' emoluments for services as directors	**10 078 538**	7 853 714
Employee costs	**58 799 987**	65 116 109
Reversal of impairment of trade receivables	**(1 575 781)**	(1 163 900)
Impairment of inventory	**9 849 400**	7 459 409
– inventory losses	**2 754 374**	1 379 980
– inventory scrapped	**7 983 332**	3 794 153
– impairment (reversed)/charged	**(888 306)**	2 285 276
Operating lease charges:	**19 940 326**	16 655 407
– property	**18 920 599**	15 437 061
– motor vehicles	**866 729**	764 936
– other office equipment	**582 111**	868 395
– lease straight-lining	**(429 113)**	(414 985)
Retirement benefits contributions	**3 696 160**	3 271 218
Share based payment expense (refer to note 13)	**395 042**	392 883

(continued)

		GROUP	
		2012 R	2011 R
21.	**FINANCE (INCOME)/EXPENSE**		
	Finance income		
	Foreign exchange gains – realised	**(8 085 659)**	(2 905 128)
	Interest income from financial assets	**(54 975)**	(61 151)
		(8 140 634)	(2 966 279)
	Finance expense		
	Foreign exchange losses – realised	**12 098 814**	7 232 743
	Foreign exchange losses – unrealised	**559 246**	276 090
	Interest expense from financial liabilities	**1 485 973**	2 737 198
	Interest on preference shares – unrealised	**1 086 459**	1 120 258
	Interest on loan (VSFT) – unrealised	**20 770**	20 734
		15 251 262	11 387 023
	Net finance expense/(income)	**7 110 628**	8 420 744
22.	**INCOME TAXATION**		
	South African normal taxation		
	Current taxation	**13 098 290**	15 409 209
	– current year expense	**12 120 921**	14 828 870
	– prior year under-provision	**977 369**	580 339
	Secondary tax on companies	**1 618 372**	685 133
	Deferred taxation	**347 746**	(260 158)
	– current year charge/(credit)	**347 746**	(260 158)
	Total income taxation	**15 064 408**	15 834 184

	GROUP	
Reconciliation of tax rate	%	%
Current year's charge as a percentage of profit before taxation	**36,0**	32,1
Non-deductible expenditure	**–**	(1,1)
Assessed tax losses	**(1,8)**	(0,4)
Prior year under-provision	**(2,3)**	(1,2)
Secondary tax on companies	**(3,9)**	(1,4)
Standard taxation rate	**28,0**	28,0

Provision for taxation for the Company has not been made as no taxable income was earned during the current year. This is consistent with prior year.

23. RELATED PARTY TRANSACTIONS

23.1 IDENTITY OF RELATED PARTIES

Details of subsidiary companies and controlled entities are disclosed in the directors' report.

Details of shareholders are included in note 33.

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 20 and 32.

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

Refer to the Directors' report for further information on BBBEE purchase of shares.

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

An accrual for short-term benefits of Rnil (2011: R6 206 000) is included in note 17.

		GROUP		COMPANY	
		2012 R	2011 R	**2012 R**	2011 R
23.2	**RELATED PARTY TRANSACTIONS**				
23.2.1	Loans to/(from) 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 to note 5).				
	Verimark Proprietary Limited				
	Opening balance			**(10 486 694)**	(9 660 862)
	Advances from subsidiary			**(998 138)**	(825 832)
	Closing balance			**(11 484 832)**	(10 486 694)
	Refer to note 16.				
23.2.2	Loans receivable – Motor Vision Proprietary Limited				
	HW Bonsma (retired non-executive director)				
	Opening balance	**233 773**	465 773	**233 773**	465 773
	Payment received	**(232 000)**	(232 000)	**(232 000)**	(230 000)
	Amount written off	**(1 773)**	–	**(1 773)**	–
	Long-term portion of loan receivable	**–**	233 773	**–**	233 773

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

(continued)

		GROUP		COMPANY	
		2012 R	2011 R	**2012 R**	2012 R
23.	**RELATED PARTY TRANSACTIONS** (continued)				
23.2	**RELATED PARTY TRANSACTIONS** (continued)				
23.2.3	**Other related party loans**				
	Selcovest 35 Proprietary Limited				
	Closing balance			**(149 713)**	(149 713)
	Refer to note 16.				
	Verimark Employee Empowerment Trust				
	Closing balance			**158 898**	158 898
	The loans is unsecured, interest-free and repayable on demand.				
	Refer to note 9.				
	Van Straaten Family Trust				
	Opening balance	**286 470**	265 736		
	Interest	**20 770**	20 734		
	Closing balance	**307 240**	286 470		
	Refer to note 14.				
23.2.4	**Directors and key management purchases of goods**				
	M Adam	**–**	750		
	Z Adam	**–**	432		
	SR Beecroft	**1 223**	–		
	TP Bezuidenhout	**4 161**	712		
	N du Plessis	**375**	375		
	R du Plessis	**739**	–		
	C Hoadley	**2 638**	2 349		
	H Lourens	**–**	–		
	D Rabie	**–**	–		
	JE Thomas (resigned)	**–**	14 978		
	MJ van Straaten	**56 436**	44 796		
		65 572	64 392		

Sale of goods to directors is at a discount of 67% and sale of goods to key management is at a discount of 25% for goods with a selling price below R1 000 and 20% for goods with a selling price above R1 000.

23. RELATED PARTY TRANSACTIONS (continued)

23.2 RELATED PARTY TRANSACTIONS (continued)

23.2.5 The following employees participate in the share incentive scheme referred to in note 13:

	2012 Number of shares	2011 Number of shares
M Adam	**150 000**	150 000
Z Adam	**150 000**	150 000
T Bezuidenhout	**150 000**	150 000
N du Plessis	**150 000**	150 000
R du Plessis	**2 000 000**	2 000 000
C Hoadley	**150 000**	150 000
H Lourens	**150 000**	150 000
D Rabie	**150 000**	150 000
	3 050 000	3 050 000

	GROUP		COMPANY	
	2012 R	2011 R	2012 R	2011 R
23.2.6 Directors and key management personnel compensation				
Directors				
Short-term employee benefits	**10 078 538**	7 853 714	**273 651**	243 230
Post-employment benefits	**–**	–	**–**	–
Other long-term benefits	**–**	–	**–**	–
Termination benefits	**–**	–	**–**	–
Share based payment benefits	**–**	–	**–**	–
	10 078 538	7 853 714	**273 651**	243 230
Key management				
Short-term employee benefits	**4 718 855**	4 186 845	**–**	–
Post-employment benefits	**–**	–	**–**	–
Other long-term benefits	**–**	–	**–**	–
Termination benefits	**–**	–	**–**	–
Share based payment benefits	**–**	–	**–**	–
	4 718 855	4 186 845	**–**	–
	14 797 393	12 040 559	**273 651**	243 230

(continued)

		GROUP	
		2012 R	2011 R
24.	**NOTES TO THE CASH FLOW STATEMENT**		
24.1	**CASH GENERATED FROM/(UTILISED) BY OPERATIONS**		
	Profit before taxation	**41 872 250**	49 316 790
	Adjustment for:		
	– amortisation of computer software	**219 413**	169 677
	– amortisation of trademark	**–**	6 667
	– depreciation on plant and equipment	**7 190 286**	6 278 547
	– loss/(profit) on disposal of plant and equipment and intangible assets	**41 845**	(29 380)
	– finance income	**(8 140 634)**	(2 966 279)
	– finance expense	**15 251 262**	11 387 023
	– unrealised foreign exchange (loss)/gain	**(559 246)**	(276 090)
	– share based payment expense	**395 042**	392 883
	– loan receivable written off	**1 773**	–
		56 271 991	64 279 838
	Increase in inventories	**(2 367 219)**	(15 071 626)
	Decrease/(increase) in trade and other receivables	**13 355 261**	(10 577 495)
	Decrease/(increase) in prepayments	**56 758**	(77 008)
	(Decrease)/increase in trade and other payables	**(30 075 433)**	10 961 642
		37 241 358	49 515 351
24.2	**TAXATION PAID**		
	Amount owing at beginning of year	**(2 387 760)**	(7 560 951)
	Current year charges	**(14 716 662)**	(16 094 342)
	Amounts owing at end of year	**2 651 296**	2 387 760
		(14 453 126)	(21 267 533)

	GROUP		COMPANY	
	2012 R	2011 R	**2012 R**	2011 R

24. NOTES TO THE CASH FLOW STATEMENT (continued)

24.3 DIVIDEND PAID

	2012 R	2011 R	**2012 R**	2011 R
Amount owing at beginning of year	**–**	(42 457)	**–**	(42 457)
Current year charge	**(15 582 772)**	(6 412 340)	**(17 140 849)**	(6 856 340)
Amount owing at end of year	**–**	–	**–**	–
	(15 582 772)	(6 454 797)	**(17 140 849)**	(6 898 797)

24.4 CASH AND CASH EQUIVALENTS

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

	2012 R	2011 R	**2012 R**	2011 R
Bank balances	**12 084 683**	16 600 004	**356 247**	340 341
Bank overdraft	**(4 329 577)**	–	**–**	–
Cash on hand	**62 020**	68 693	**–**	–
	7 817 126	16 668 967	**356 247**	340 341

25. RETIREMENT BENEFITS

	2012 R	2011 R	**2012 R**	2011 R
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	**3 696 160**	3 271 218		

(continued)

	GROUP 2012 R	GROUP 2011 R
26. COMMITMENTS		
26.1 FUTURE OPERATING LEASE COMMITMENTS ENTERED INTO BY THE GROUP		
Motor vehicles and office equipment		
– payable within one year	**630 350**	1 066 984
– payable between year 2 and 5	**1 620 164**	783 498
	2 250 514	1 850 482
Property		
– payable within one year	**12 644 217**	8 408 143
– payable between year 2 and 5	**32 740 379**	5 397 198
	45 384 596	13 805 341

The Group leases various motor vehicles under operating leases which expire after 24 to 36 months. Office equipment under operating leases is leased for a period of 60 months 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 will expire on 1 September 2012 when Verimark will relocate to its new premises. The period of the new lease is from 1 September 2012 to 31 August 2022 with a 7% escalation in the rental payment for the first five years and 6% in the last five years.

	GROUP 2012 R	GROUP 2011 R
26.2 FUTURE FINANCE LEASE COMMITMENTS ENTERED INTO BY THE GROUP		
Motor vehicles and office equipment		
– payable within one year	**3 069 245**	1 265 261
– payable between year 2 and 5	**936 020**	1 319 888
	4 005 265	2 585 149

	Future minimum lease payments 2012 R	**Interest 2012 R**	**Present value of minimum lease payments 2012 R**	Future minimum lease payments 2011 R	Interest 2011 R	Present value of minimum lease payments 2011 R
Finance lease liabilities						
Less than one year	**3 069 245**	**188 664**	**2 880 581**	1 265 261	176 620	1 088 641
Between one and five years	**936 020**	**33 375**	**902 645**	1 319 888	68 753	1 251 135
Total	**4 005 265**	**222 039**	**3 783 226**	2 585 149	245 373	2 339 776

The Group leases motor vehicles and certain media equipment under finance leases which expire after 24 and 36 months. Refer to note 14.

	GROUP 2012 R	GROUP 2011 R
26. COMMITMENTS (continued)		
26.3 FUTURE OPERATING LEASE COMMITMENTS ENTERED INTO FOR PROPERTY OCCUPIED BY FRANCHISEES		
Property		
– payable within one year	**719 811**	408 433
– payable between year 2 and 5	**704 211**	60 872
	1 424 022	469 305

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.

26.4 ADVERTISING COMMITMENTS

The Group has an advertising commitment with their biggest customer for the period 1 April 2011 to 31 March 2012. The amount still to be expensed after the financial year end amounts to R471 852 (2011: R1 991 632).

26.5 CAPITAL COMMITMENTS

Capital expenditure authorised but not yet contracted for amounts to R21 006 776 (2011: R14 648 345) in respect of assets to be acquired to expand operations of the Company. Included in the amount is R2 490 000 (2011: R230 000) in respect of intangible assets. These acquisitions will be financed through finance received from instalment sale agreements (finance leases) and cash generated from operations.

26.6 GUARANTEES

- ABSA Bank Limited issued R1 000 000 (2011: 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 135 119 (2011: R1 461 281) in respect of operating lease rentals
- Import letters of credit – Rnil (2011: R1 246 958).

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.

27. FINANCIAL INSTRUMENTS

27.1 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).

The Company's exposure to financial instruments is limited to the related party loan reflected in note 9. The Company does not consider there to be any related credit 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.

27. FINANCIAL INSTRUMENTS (continued)

27.1 OVERVIEW (continued)

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.

27.2 CREDIT RISK

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a significant customer which represents approximately 71% (2011: 83%) of the trade receivables balance at year end. Refer to note 27.7.

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.

27.3 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:

Facilities

- FEC facility – R60 000 000
- General banking facility – R40 000 000
- AVAF facility – R4 441 000 (operating lease facility)
- ABSA Vehicle Management Solutions – R916 000 (finance lease facility)
- Fuel card facility – R73 000
- Client foreign currency facility – R21 000 000
- Commercial asset finance facility – R3 000 000
- AVAF ISA facility – R400 000

27. FINANCIAL INSTRUMENTS (continued)

27.3 LIQUIDITY RISK (continued)

Date of review for all banking facilities is 1 September 2012.

The Group is currently in a cash positive position of R7,8 million (2011: R16,7 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.

27.4 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.

27.4.1 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 limit exposure to foreign currency transactions.

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

27.4.2 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.

27.5 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% (2011: 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.

(continued)

27. FINANCIAL INSTRUMENTS (continued)

27.6 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:

	29 February 2012 R	28 February 2011 R
GROUP		
Trade and other receivables	**44 033 777**	62 543 037
Loans receivable	**–**	233 773
Bank and cash balances	**12 146 703**	16 668 967
Interest-bearing liabilities	**(5 645 307)**	(7 905 135)
Preference share liability	**(15 587 342)**	(15 370 883)
Trade and other payables	**(30 149 465)**	(60 048 125)
Short-term portion of interest-bearing liabilities	**(3 688 770)**	(3 783 089)
Bank overdraft	**(4 329 577)**	–
COMPANY		
Loans receivable	**158 898**	392 671
Bank and cash balances	**356 247**	340 341
Amounts owing to subsidiary company and other related party	**(11 634 545)**	(10 636 407)
Trade and other payables	**(168 176)**	(154 979)

	GROUP		COMPANY	
	2012 R	2011 R	**2012 R**	2011 R

27. FINANCIAL INSTRUMENTS (continued)

27.7 CREDIT RISK

Exposure to credit risk

	GROUP 2012 R	GROUP 2011 R	COMPANY 2012 R	COMPANY 2011 R
The carrying amount of financial assets represents the maximum credit exposure and was:				
Loans receivable	**–**	233 773	**158 898**	392 671
Trade and other receivables	**44 033 777**	62 543 037	**–**	–
Cash and cash equivalents	**7 817 126**	16 668 967	**356 247**	340 341
	51 850 903	79 445 777	**515 145**	733 012
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	**44 226 502**	62 814 126		
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	**41 579 439**	59 511 754		
Franchisee customer	**2 647 063**	3 302 372		
	44 226 502	62 814 126		

The Group's most significant customer, a domestic retailer, accounts for R31 375 381 (2011: R51 849 536) of the trade receivables' carrying amount at 29 February 2012. Normal trading terms are 30 to 60 days, depending on the type of customer. No trade terms have been renegotiated during the year.

The directors do not consider there to be any associated credit risk with sundry debtors or franchise loans receivable.

	2012		2011	
	Gross R	**Impairment R**	Gross R	Impairment R
GROUP				
Impairment losses				
The ageing of trade receivables at the reporting date was:				
Not past due	**40 635 032**	**–**	45 669 938	–
Past due 30 to 120 days	**3 491 186**	**(516 247)**	15 523 846	(571 970)
More than 120 days	**100 284**	**(100 284)**	1 620 342	(1 620 342)
Total	**44 226 502**	**(616 531)**	62 814 126	(2 192 312)

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 is in the process of resolving. This balance includes the Group's most significant customers and relates to customers that have good trade records.

(continued)

27. FINANCIAL INSTRUMENTS (continued)

27.7 CREDIT RISK (continued)

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

	GROUP 2012 R	GROUP 2011 R
Balance at beginning of year	**(2 192 312)**	(3 356 212)
Impairment loss raised	**(391 917)**	(2 266 705)
Impairment loss reversed	**1 967 698**	3 430 605
Balance at end of year	**(616 531)**	(2 192 312)

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 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.

27.8 LIQUIDITY RISK

Profile of loans and borrowings

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

				29 February 2012		28 February 2011	
	Currency	Nominal interest rate*	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
GROUP							
Secured bank loans – Investec	ZAR	Prime – 2%	2023	**5 021 572**	**5 021 572**	5 306 162	5 306 162
Secured bank loans – ABSA	ZAR	Prime	2011	**–**	**–**	19 410	19 410
Secured bank loans – Wesbank	ZAR	Prime	2012/13	**4 005 265**	**4 005 265**	6 076 182	6 076 182
Interest-bearing loan – VSFT	ZAR	78% of Prime	2010	**307 240**	**307 240**	286 470	286 470
Redeemable preference shares	ZAR	78% of Prime	2010	**15 857 342**	**15 857 342**	15 370 883	15 370 883
Total liabilities				**25 191 419**	**25 191 419**	27 059 107	27 059 107

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.

27. FINANCIAL INSTRUMENTS (continued)

27.8 LIQUIDITY RISK (continued)

Profile of loans and borrowings (continued)

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					
29 February 2012					
Non-derivative financial liabilities					
Redeemable preference shares	**15 857 342**	*	*	*	*
Secured loans	**9 334 077**	**14 755 974**	**2 380 152**	**1 830 560**	**10 545 262**
Trade and other payables	**30 149 465**	**30 149 465**	**30 149 465**	**–**	**–**
Derivative financial liabilities					
Other forward exchange contracts:					
Outflow	**–**	**22 925 800**	**22 925 800**	**–**	**–**
	55 071 084	**67 831 239**	**55 455 417**	**1 830 560**	**10 545 262**
28 February 2011					
Non-derivative financial liabilities					
Redeemable preference shares	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	85 879 588	72 855 801	2 254 467	10 769 320

* Contractual cash flows for the redeemable preference share liability cannot be determined with certainty as the holders receive a dividend at the discretion of Selcovest 35 Proprietary Limited, resulting from dividends received on its investment in Verimark Holdings Limited. The preference shares were repayable on 17 March 2010, and have not been recalled for payment by the Van Straaten Family Trust. It is uncertain when cash flows will take place. The liability is reduced by dividends as and when they are received. These however cannot be projected.

27. FINANCIAL INSTRUMENTS (continued)

27.8 LIQUIDITY RISK (continued)

Profile of loans and borrowings (continued)

	Carrying amount R	Contractual cash flows R	6 months or less R	6 to 12 months R	>1 year R
COMPANY					
29 February 2012					
Non-derivative financial liabilities					
Trade and other payables	**168 177**	**168 177**	**168 177**	**–**	**–**
Amounts owing to subsidiary companies and other related party loans	**11 634 545**	**11 634 545**	**–**	**11 634 545**	**–**
	11 802 722	**11 802 722**	**168 177**	**11 634 545**	**–**
28 February 2011					
Non-derivative financial liabilities					
Trade and other payables	154 979	154 979	154 979	–	–
Amounts owing to subsidiary companies and other related party loans	10 636 407	10 636 407	–	10 636 407	–
	10 791 386	10 791 386	154 979	10 636 407	–

Fair value hierarchy

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

Level 1 – quoted prices in active markets for identified assets or liabilities

	GROUP		COMPANY	
	2012 R	2011 R	**2012 R**	2011 R
Level 1				
Forward exchange contracts	**548 649**	10 597	**–**	–

27. FINANCIAL INSTRUMENTS (continued)

27.9 MARKET RISK

27.9.1 Currency risk

Exposure to currency risk

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

	GROUP		COMPANY	
	2012 R	2011 R	2012 R	2011 R
Bank and cash balances	11 686 870	3 685 161	–	340 341
Gross exposure at year end	11 686 870	3 685 161	–	340 341
Forward exchange contracts for future purchases	22 925 800	10 542 999	–	–

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2012 R	2011 R	2012 R	2011 R
GROUP				
US Dollar	7,35	7,28	7,53	6,97

Sensitivity analysis

A 10 percent strengthening/weakening of the South African Rand (ZAR) against the following currencies at 29 February 2012 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 2011.

	Profit or loss and equity
GROUP	
29 February 2012	
Rand effect	928 141
28 February 2011	
Rand effect	171 771

(continued)

27. FINANCIAL INSTRUMENTS (continued)

27.9 MARKET RISK (continued)

27.9.2 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	
	2012 R	2011 R	**2012 R**	2011 R
Variable rate instruments				
Financial assets	**12 084 683**	16 600 004	**356 247**	340 341
Financial liabilities	**(29 520 996)**	(27 059 107)	**–**	–
	(17 436 313)	(10 459 103)	**356 247**	340 341

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 2011.

	Profit or loss		Equity	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
GROUP				
29 February 2012				
Variable rate instruments	**(174 363)**	**174 363**	**(3 562)**	**3 562**
Cash flow sensitivity (net)	**(174 363)**	**174 363**	**(3 562)**	**3 562**
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

27.10 CAPITAL MANAGEMENT

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

	GROUP		COMPANY	
	2012 R	2011 R	**2012 R**	2011 R
Total liabilities	**63 196 248**	90 546 256	**11 802 721**	10 791 386
Less: Cash and cash equivalents	**(7 817 126)**	(16 668 967)	**(356 247)**	(340 341)
	55 379 122	73 877 289	**11 446 474**	10 451 045
Total equity	**92 246 445**	80 626 333	**108 736 488**	161 427 092
Adjusted debt to capital ratio	**0,60**	0,92	**0,11**	0,06

Refer to note 27.5 for details on how the entity manages its capital.

28. 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.

29. 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 71% (2010: 83%) is the only major customer due to the amount of revenue received and the amount of expenses included in profit or loss. External revenue is categorised per similar group of products as follows:

- Cookware and kitchenware – Bauer, Bastille, Twista, Shogun
- Home cleaning – Genesis, Floorwiz, Microwiz, Big Green Extreme, Shark
- Health and fitness – Maxxus, Orbitrek, V-ssage, Iron Gym
- DIY and automotive – Diamond Guard, Prolong, Durablade, Pool Gobbler
- Educational and fun toys – i-Play
- Beauty – Pentagon, Cami Secret, Genie Bra

These products are distributed countrywide to all customers with no geographical differentiation. Refer to note 27.7 for further details and information on the Group's major customers.

(continued)

30. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after tax of R26 807 842 (2011: R33 482 606) attributable to the ordinary shareholders and a weighted average of 103 891 458 (2011: 106 208 024) ordinary shares in issue during the year.

The calculation of headline earnings is based on the net profit attributable to ordinary shareholders of R26 837 970 (2011: R33 461 452) and a weighted average of 103 891 458 (2011: 106 208 024) ordinary shares in issue during the year.

	GROUP	
	2012 R	2011 R
Profit per statement of comprehensive income	**26 807 842**	33 482 606
Adjustments:		
Loss/(profit) on sale of assets	**41 845**	(29 380)
Tax effect	**(11 717)**	8 226
Headline earnings	**26 837 970**	33 461 452
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 period	**(6 380 870)**	(4 064 304)
Weighted average number of shares held externally at end of year	**103 891 458**	106 208 024
Share options dilution	**1 924 393**	611 983
Diluted weighted average shares	**105 815 851**	106 820 007
Basic earnings per share	**25,8**	31,5
Headline earnings per share	**25,8**	31,5
Diluted basic earnings per share	**25,3**	31,3
Diluted headline earnings per share	**25,4**	31,3

31. INTERNATIONAL FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of the financial statements of Verimark Holdings Limited for the year ended 29 February 2012, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	Effective date
IFRS 7 amendment	*Disclosures – Transfers of Financial Assets*	Annual periods beginning on or after 1 July 2011
IFRS 1 amendment	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	Annual periods beginning on or after 1 July 2011
IAS 12 amendment	*Deferred Tax: Recovery of Underlying Assets*	Annual periods beginning on or after 1 January 2012
IAS 1 amendment	*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*	Annual periods beginning on or after 1 July 2012
IFRS 10	*Consolidated Financial Statements*	Annual periods beginning on or after 1 January 2013
IFRS 11	*Joint Arrangements*	Annual periods beginning on or after 1 January 2013
IFRS 12	*Disclosure of Interests in Other Entities*	Annual periods beginning on or after 1 January 2013
IFRS 13	*Fair Value Measurement*	Annual periods beginning on or after 1 January 2013
IAS 19 amendments	*Employee Benefits: Defined Benefit Plans*	Annual periods beginning on or after 1 January 2013
IAS 27	*Separate Financial Statements (2011)*	Annual periods beginning on or after 1 January 2013
IAS 28	*Investments in Associates and Joint Ventures (2011)*	Annual periods beginning on or after 1 January 2013
IFRS 1 amendment	*Government Loans*	Annual periods beginning on or after 1 January 2013
IFRS 7 amendment	*Disclosures – Offsetting Financial Assets and Financial Liabilities*	Annual periods beginning on or after 1 January 2013
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*	Annual periods beginning on or after 1 January 2013
IAS 32	*Offsetting Financial Assets and Financial Liabilities*	Annual periods beginning on or after 1 January 2014
IFRS 9 (2009)	*Financial Instruments*	Annual periods beginning on or after 1 January 2015
IFRS 9 (2010)	*Financial Instruments*	Annual periods beginning on or after 1 January 2015

All Standards and Interpretations will be adopted at their effective date except for IFRS 1 amendment *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*, IAS 12 amendment *Deferred Tax: Recovery of Underlying Assets*, IFRS 11 *Joint Arrangements*, IAS 19 amendments *Employee Benefits: Defined Benefit Plans*, IAS 28 *Investments in Associates and Joint Ventures* (2011), IFRS 1 amendment *Government Loans*, IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, IFRS 11 *Joint Arrangements*, IAS 27 (2011) *Separate Financial Statements* and IAS 1 amendments *Presentation of Financial Statements*, *Presentation of Items of Other Comprehensive Income* which are not applicable to the business of the entity and will therefore have no impact on future financial statements.

(continued)

31. INTERNATIONAL FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

(continued)

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

AMENDMENTS TO IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

The amendments to IFRS 7 will be adopted by Verimark Holdings Limited and its subsidiaries for the first time for its financial reporting period ending 28 February 2013.

In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are:

- Not derecognised in their entirety; and
- Derecognised in their entirety but for which the Company retains continuing involvement.

The impact on the financial statements for Verimark Holdings Limited and its subsidiaries cannot be reasonably estimated as at 29 February 2012.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 will be adopted by Verimark Holdings Limited and its subsidiaries for the first time for its financial reporting period ending 28 February 2014. The standard will be applied retrospectively if there is a change in the control conclusion between IAS 27/SIC 12 and IFRS 10.

IFRS 10 introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists:

- Identify how decisions about the relevant activities are made
- Assess whether the entity has power over the relevant activities by considering only the entity's substantive rights
- Assess whether the entity is exposed to variability in returns
- Assess whether the entity is able to use its power over the investee to effect returns for its own benefit.

Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change.

The impact on the financial statements for Verimark Holdings Limited and its subsidiaries cannot be reasonably estimated as at 29 February 2012.

IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 12 will be adopted by Verimark Holdings Limited and its subsidiaries for the first time for its financial reporting period ending 28 February 2014.

IFRS 12 combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities.

The required disclosures aim to provide information to enable the user to evaluate:

- The nature of, and risks associated with, an entity's interests in other entities
- The effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries and other structured entities.

31. INTERNATIONAL FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 13 FAIR VALUE MEASUREMENT

IFRS 13 will be adopted by Verimark Holdings Limited and its subsidiaries for the first time for its financial reporting period ending 28 February 2014. The standard will be applied prospectively and comparatives will not be restated.

IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. The key principles in IFRS 13 are as follows:

- Fair value is an exit price
- Measurement considers characteristics of the asset or liability and not entity-specific characteristics
- Measurement assumes a transaction in the entity's principal (or most advantageous) market between market participants
- Price is not adjusted for transaction costs
- Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs
- The three-level fair value hierarchy is extended to all fair value measurements.

The impact on the financial statements for Verimark Holdings Limited and its subsidiaries cannot be reasonably estimated as at 29 February 2012.

AMENDMENTS TO IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES: OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to IFRS 7 will be adopted by Verimark Holdings Limited and its subsidiaries for the first time for its financial reporting period ending 28 February 2014.

The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position; or are subject to enforceable master netting arrangements or similar agreements.

The impact on the financial statements for Verimark Holdings Limited and its subsidiaries cannot be reasonably estimated as at 29 February 2012.

AMENDMENTS TO IAS 32 FINANCIAL INSTRUMENTS: PRESENTATION: OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to IAS 32 will be adopted by Verimark Holdings Limited and its subsidiaries for the first time for its financial reporting period ending 28 February 2015.

The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- Not contingent on a future event
- Enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The impact on the financial statements for Verimark Holdings Limited and its subsidiaries cannot be reasonably estimated as at 29 February 2012.

IFRS 9 (2009) FINANCIAL INSTRUMENTS

IFRS 9 will be adopted by Verimark Holdings Limited and its subsidiaries for the first time for its financial reporting period ending 29 February 2016. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for Verimark Holdings Limited and its subsidiaries cannot be reasonably estimated as at 29 February 2012.

31. INTERNATIONAL FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

(continued)

IFRS 9 (2010) FINANCIAL INSTRUMENTS

IFRS 9 (2010) will be adopted by Verimark Holdings Limited and its subsidiaries for the first time for its financial reporting period ending 29 February 2016. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 (2010) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability, will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 *Reassessment of Embedded Derivatives*.

The impact on the financial statements for Verimark Holdings Limited and its subsidiaries cannot be reasonably estimated as at 29 February 2012.

32. DIRECTORS' EMOLUMENTS

	Basic salary R	Allowances and other benefits R	Incentive bonuses R	Pension and medical aid contributions R	Total R
GROUP					
29 February 2012					
Executive directors paid by subsidiary					
MJ van Straaten+	3 482 281	176 436	4 600 000	394 879	8 653 596
SR Beecroft*	342 685	1 223	–	39 757	383 665
SJ Preller**	530 819	3 821	147 000	85 986	767 626
	4 355 785	181 480	4 747 000	520 622	9 804 887
Non-executive directors paid by Company					
JM Pieterse	128 841	–	–	–	128 841
JT Motlatsi	144 810	–	–	–	144 810
	273 651	–	–	–	273 651
Total	4 629 436	181 480	4 747 000	520 622	10 078 538
28 February 2011					
Executive directors paid by subsidiary					
MJ van Straaten+	3 386 896	120 000	2 500 000	441 625	6 488 521
JE Thomas+ ***	765 145	60 000	166 667	170 151	1 161 963
	4 152 041	180 000	2 666 667	611 776	7 610 484
Non-executive directors paid by Company					
JM Pieterse	126 102	–	–	–	126 102
JT Motlatsi	117 128	–	–	–	117 128
	243 230	180 000	2 666 667	611 776	243 230
Total	4 395 271	180 000	2 666 667	611 776	7 853 714

+ Director of the subsidiary Verimark Proprietary Limited and Verimark Holdings Limited
* Appointed on 6 December 2011 as Financial Director
** Appointed as Acting Financial Director on 1 March 2011 and resigned on 6 December 2011
*** Resigned on 28 February 2011

Refer to note 23.2.4 for additional disclosure on transactions with directors.

(continued)

33. SHAREHOLDER SPREAD

	Number of share holdings	% of share holding	Number of shares	% of shares in issue
Public shareholders				
Companies and other corporate	61	4,15	10 080 823	8,82
Individuals	1 333	90,74	21 138 507	18,50
Banks and nominees	9	0,62	3 728 000	3,27
Investment trusts and pension	62	4,22	6 652 603	5,82
	1 465	**99,72**	**41 599 933**	**36,41**
Non-public shareholders				
Directors	2	0,14	62 291 525	54,51
Companies	2	0,14	10 380 870	9,08
Total	**1 469**	**100,00**	**114 272 328**	**100,00**

SIZE OF SHAREHOLDING

	Number of share holdings	% of share holding	Number of shares	% of shares in issue
Public shareholders				
1 – 1 000	382	26,00	184 829	0,16
1 001 – 10 000	710	48,33	3 362 079	2,94
10 001 – 100 000	333	22,68	9 865 071	8,63
100 001 – 1 000 000	33	2,25	7 970 901	6,98
1 000 001 and over	7	0,54	20 217 053	17,69
Non-public shareholders				
1 – 1 000	0	0,00	0	0,00
1 001 – 10 000	0	0,00	0	0,00
10 001 – 100 000	0	0,00	0	0,00
100 001 – 1 000 000	0	0,00	0	0,00
1 000 001 and over	4	0,20	72 672 395	63,60
Total	**1 469**	**100,00**	**114 272 328**	**100,00**

GEOGRAPHICAL HOLDINGS BY OWNER

	Number of share holdings	% of share holding	Number of shares	% of shares in issue
South Africa	1 450	98,70	109 794 593	96,08
Mauritius	1	0,07	3 699 124	3,24
Namibia	10	0,68	600 689	0,53
Greece	1	0,07	59 250	0,05
United Kingdom	2	0,14	88 672	0,08
Lesotho	1	0,07	15 000	0,01
Botswana	3	0,20	14 000	0,01
Zimbabwe	1	0,07	1 000	0,00
Total	**1 469**	**100,00**	**114 272 328**	**100,00**

33. 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.

	% of issued shares	Number of shares
Beneficial shareholders holding 5% or more of the issued share capital		
The Van Straaten Family Trust and Prime Rentals cc	52,94	60 500 000
Mirror Ball Investments 49 Proprietary Limited	6,56	7 500 000
Verimark Proprietary Limited	5,58	6 380 870
Total number of shareholders		**1 469**
Total number of shares in issue		**114 272 328**
Volume traded during the period		**19 434 149**
Ratio of volume traded to shares issued (%)		**17,01**
Share price performance		
Opening price 1 March 2011		R1,49
Closing price 29 February 2012		R1,05
Closing high for the period		R2,04
Closing low for the period		R1,05

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Verimark members will be held in the boardroom at the offices of Verimark, 67 CR Swart Drive, Cnr Freda Road, Bromhof Extension 48, Randburg 2194 on Thursday, 4 October 2012 at 14:00.

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 14:00 on Monday, 1 October 2012 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

In terms of section 59(1)(a) and (b) of the Companies Act 71 of 2008, as amended (the Act), the Board of Directors (Board) has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the annual general meeting, ie the notice record date (being the date on which a shareholder must be registered in the Company's share register in order to receive notice of the annual general meeting) as Friday, 24 August 2012; and
- participate in and vote at the annual general meeting, ie the meeting record date (being the date on which a shareholder must be registered in the Company's share register in order to participate in and vote at the annual general meeting) as Friday, 20 September 2012.

If you are a registered shareholder as at the meeting record date, you may attend the annual general meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the Company) to represent you at the annual general 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 meeting record date:

- and wish to attend the annual general meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your Central Securities Depositary Participant (CSDP) or broker;
- and do not wish to attend the annual general meeting, but would like your vote to be recorded at the annual general 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.

Please note that all participants at the annual general meeting will be required to provide reasonably satisfactory identification to the chairman of the annual general meeting, before being entitled to participate in or vote at the annual general meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passport.

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 29 February 2012;
- present the Audit and Risk Committee Report;
- consider any matters raised by shareholders; and
- consider and if deemed fit, pass, with or without modification, the resolutions set out below:

In order for a proposed ordinary resolution to be approved by shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting.

In order for a proposed special resolution to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting.

In addition, the purpose of this annual general meeting is to further consider any matters raised by shareholders to 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

That the annual financial statements for the Company and the Group for the year ended 29 February 2012, including the Directors' Report and the Auditors' Report therein, be adopted.

ORDINARY RESOLUTION NUMBER 2 – RE-APPOINTMENT OF AUDITORS

To re-appoint KPMG Inc. (KPMG) upon the recommendation of the Audit and Risk Committee as the independent registered auditors of the Group and to note Mr J Wessels as the individual determined by KPMG to be responsible for performing the functions of the auditor and who will undertake the audit of the Company for the ensuing financial year.

ORDINARY RESOLUTION NUMBER 3 – RE-ELECTION OF DIRECTORS

To re-elect Dr J Motlatsi and Mr S Beecroft, as directors by way of separate resolutions, who retire in accordance with the provisions of the Articles of Association (Articles) at this annual general meeting, and being eligible, offer themselves for election.

ORDINARY RESOLUTION NUMBER 4 – CONFIRMATION OF DIRECTOR'S APPOINTMENT

To confirm the appointment of Mr M Patel who was appointed as an independent non-executive director by the Board of Directors on 28 May 2012.

ORDINARY RESOLUTION NUMBER 5 – ELECTION OF THE AUDIT AND RISK COMMITTEE MEMBERS

To elect, by way of separate resolutions, Mr J Pieterse (Chairman), Dr J Motlatsi and Mr M Patel as members of the Audit and Risk Committee until the next annual general meeting.

The Board is satisfied that the above mentioned directors are suitably skilled and experienced independent non-executive directors and that they collectively have the appropriate experience and qualifications to fulfil their Audit and Risk Committee obligations as set out in section 94 of the Act.

A brief curriculum vitae of the directors set out in ordinary resolutions numbers 3 to 5 reflecting their experience and qualifications, is provided on page 20 of the integrated annual report and forms an integral part of this notice of annual general meeting.

ORDINARY RESOLUTION NUMBER 6 – GENERAL AUTHORITY TO ISSUE SHARES, AND TO SELL TREASURY SHARES, FOR CASH

To authorise the directors of the Company and/or any of its subsidiaries from time to time, 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, 71 of 2008, as amended, the Articles of Association of the Company, the JSE Listings Requirements 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 JSE Listings Requirements 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 JSE Listings Requirements, 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 6 for it to be approved, excluding the Designated Adviser and the controlling shareholders together with their associates.

ORDINARY RESOLUTION NUMBER 7 – REMUNERATION POLICY

To consider and endorse, by way of a non-binding advisory vote, the Remuneration Policy of the Company (which excludes the fees payable to non-executive directors for their services as directors of the Company), set out in the Integrated Annual Report on pages 65 and 89, for the financial year ended 29 February 2012, in accordance with the provisions of the King III Report.

SPECIAL RESOLUTION NUMBER 1 – APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES

To approve the annual fees payable to the non-executive directors for their services as directors of the Company for the period 1 October 2012 until the next annual general meeting as follows:

Committee	Chairman attendance fees (R)	Members attendance fees (R)
Board	24 500	9 000
Audit and Risk Committee	18 500	6 550
Remuneration and Nomination Committee	18 500	6 550
Social and Ethics Committee	18 500	6 550
Annual general meeting	24 500	9 000

Fees per meeting.

SPECIAL RESOLUTION NUMBER 2: FINANCIAL ASSISTANCE IN TERMS OF SECTIONS 44 AND 45 OF THE ACT

That the Board may authorise the Company (for a period of two years from the date on which this resolution is passed), to the extent required in terms of sections 44 and/or 45 of the Act, subject to compliance with the requirements of the Act, the Memorandum of Incorporation and the JSE Listings Requirements, to provide any direct or indirect financial assistance to any of its present or future subsidiaries and/or any other company or entity that is or becomes a related or inter-related company to Verimark or the Group.

Reason for and effect of this special resolution

The reason for and effect of this special resolution is that, from time to time, the Company may be required to provide any direct or indirect financial assistance to any of its present or future subsidiaries and/or any other company or entity that is or becomes a related or inter-related company to Verimark or the Group.

SPECIAL RESOLUTION NUMBER 3: NEW MEMORANDUM OF INCORPORATION

To abrogate the existing Memorandum of Incorporation (formerly the Company's Memorandum and Articles) (MOI) in its entirety and replace with a new MOI which will be tabled at the annual general meeting and initialed by the Chair of the annual general meeting for purposes of identification, with effect from the date of filing thereof at the Companies Intellectual Property Commission.

The salient features of the Company's new MOI are set out on pages 96 to 100 of the Integrated Annual Report and form an integral part of this notice of annual general meeting.

Reason for and effect of this special resolution

The reason for and effect of this special resolution is to abrogate the existing Memorandum of Incorporation (formerly the Company's Memorandum and Articles) in its entirety and replace with a new MOI to ensure compliance with the Act.

SPECIAL RESOLUTION NUMBER 4 – ACQUISITION OF OWN SECURITIES

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 71 of 2008 (the Act) and the Listings Requirements of JSE Limited (JSE 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 counterparty;
- 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 JSE Listings Requirements 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.

ORDINARY RESOLUTION NUMBER 8: AUTHORITY TO IMPLEMENT RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

That any director or Company Secretary of the Company be authorised to do all such things, perform all acts and sign all such documentation as may be required to give effect to the ordinary and special resolutions adopted at this annual general meeting.

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;
- 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 20
Major shareholders	page 91
Directors' interests in securities	page 34
Share capital	page 60
Responsibility statement	page 31
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 repurchase its securities and the date on which such repurchase 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 6.

SJ Preller
Company Secretary

24 May 2012

The numbering of the salient features of the memorandum of incorporation set out in the document below is consistent with the numbering of the full Memorandum of Incorporation.

4. POWERS OF THE COMPANY AND RESTRICTIVE CONDITIONS

The Company has all the legal powers and capacity contemplated in the Companies Act, 71 of 2008, as amended, (the Act) and no provision contained in the Memorandum of Incorporation should be interpreted or construed as negating, limiting, or restricting those powers in any way whatsoever.

6. ISSUE OF SHARES AND VARIATION OF RIGHTS

6.1 The Company is authorised to issue:

6.1.1 200 000 000 (two hundred million) no par value ordinary shares, of the same class, each of which ranks pari passu in respect of all rights and entitles the holder to:

6.1.1.1 vote on any matter to be decided by the shareholders of the Company and to 1 (one) vote in the case of a vote by means of a poll;

6.1.1.2 participate proportionally in any distribution made by the Company; and

6.1.1.3 receive proportionally the net assets of the Company upon its liquidation;

6.1.2 such number of each of such further classes of shares, if any, as set out in schedule 1 to the Memorandum of Incorporation hereto. The shares in each such further class shall rank pari passu in respect of all rights and be subject to the preferences, rights, limitations and other terms associated with each such class set out in the applicable schedule to the Memorandum of Incorporation.

6.2 The Board shall have all of the powers afforded to it in terms of the Memorandum of Incorporation and under and in terms of the Act, except for the power to:

6.2.1 increase or decrease the number of authorised shares of any class of shares; or

6.2.2 consolidate and reduce the number of the Company's issued and authorised shares of any class; or

6.2.3 subdivide its shares of any class by increasing the number of its issued and authorised shares of that class without an increase of its capital; or

6.2.4 cancel shares not taken up by anyone or undertaken to be taken up

6.2.5 reclassify any classified shares that have been authorised but not issued; or

6.2.6 classify any unclassified shares that have been authorised but not issued, or

6.2.7 determine the preferences, rights, limitations or other terms of any shares,

6.3 create any class of shares;

6.3 convert one class of shares into one or more other classes; or which powers shall only be capable of being exercised by the shareholders by way of a special resolution of the shareholders.

13. DEBT INSTRUMENTS

The granting of special privileges to holders of debt instruments, such as attending and voting at general meetings and the appointment of directors, is prohibited.

16. FINANCIAL ASSISTANCE

The Board may authorise the Company:

- as contemplated in section 44 of the Act, to provide financial assistance by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any such securities of the Company or a related or inter-related company; and as contemplated in section 45 of the Act, to provide direct or indirect financial assistance to a related or inter-related company or corporation, or
- to a member of a related or inter-related corporation, and the authority of the Board in this regard is not limited or restricted by the Memorandum of Incorporation.

17. ACQUISITION BY THE COMPANY OF ITS OWN SHARES

Subject to the JSE Limited (JSE) Listings Requirements, the provisions of section 48 of the Act and the further provisions of this clause:

17.1 the Board may determine that the Company acquire a number of its own shares; and

17.2 the Board of any subsidiary of the Company may determine that such subsidiary acquire shares of the Company.

20. SHAREHOLDERS' MEETINGS

20.1.1 The Board, or any prescribed officer or Company secretary of the Company, authorised by the Board, is entitled to call a shareholders' meeting at any time.

20.1.2 Subject to the provisions of section 60 of the Act dealing with the passing of resolutions of shareholders other than at a meeting of shareholders, the Company shall hold a shareholders' meeting:

20.1.2.1 at any time that the Board is required by the Act, the JSE Listings Requirements or the Memorandum of Incorporation to refer a matter to shareholders for decision; or

20.1.2.2 whenever required in terms of the Act to fill a vacancy on the Board; or

20.1.2.3 by any other provision of the Memorandum of Incorporation.

20.1.3 The Board shall call a meeting of shareholders if 1 (one) or more written and signed demands by shareholders calling for such a meeting are delivered to the Company and:

20.1.3.1 each such demand describes the specific purpose for which the meeting is proposed; and

20.1.3.2 in aggregate, demands for substantially the same purpose are made and signed by the holders, as of the earliest time specified in any of those demands, of at least 10% (ten percent) of the voting rights entitled to be exercised in relation to the matter proposed to be considered at the meeting.

20.2.1 In addition to other meetings of the Company that may be convened from time to time, the Company shall convene an annual general meeting of its shareholders once in each calendar year, but no more than 15 (fifteen) months after the date of the previous annual general meeting.

21. SHAREHOLDERS' MEETINGS BY ELECTRONIC COMMUNICATION

Subject to the provisions of the JSE Listings Requirements, the Company may conduct a shareholders' meeting by electronic communication, as set out in section 63 of the Act, and the power of the Company to do so is not limited or restricted by the Memorandum of Incorporation.

Subject to what the Board may determine in terms of any notice of any meeting of shareholders at which it will be possible for shareholders to participate by way of electronic communication, participation by way of electronic communication at a meeting of shareholders shall exclude the right to vote on any matter put to the vote of the shareholders at that meeting.

22. VOTES OF SHAREHOLDERS

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Memorandum of Incorporation, at a meeting of the Company:

22.1.1 every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;

22.2.2 on a poll any person who is present at the meeting, whether as a shareholder or as proxy of a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder; and

22.2.3 the holders of securities other than ordinary shares shall not be entitled to vote on any resolution at a meeting of shareholders.

24. SHAREHOLDERS' RESOLUTIONS

24.1 For an ordinary resolution to be approved it must be supported by more than 50% (fifty percent) of the voting rights of shareholders exercised on the resolution, as provided in section 65(7) of the Act. Notwithstanding anything to the contrary contained in the Memorandum of Incorporation, to the extent that the JSE Listings Requirements require a higher percentage in respect of any particular ordinary resolution, the Company shall not implement such ordinary resolution unless the Company has obtained the support of the applicable percentage prescribed in terms of the JSE Listings Requirements.

24.2 For a special resolution to be approved it must be supported by the holders of at least 75% (seventy five percent) of the voting rights exercised on the resolution, as provided in section 65(9) of the Act.

25. SHAREHOLDERS ACTING OTHER THAN AT A MEETING

25.1 In accordance with the provisions of section 60 of the Act, a resolution that could be voted on at a shareholders' meeting (other than in respect of the election of directors) may instead be:

25.1.1 submitted by the Board for consideration by the shareholders entitled to exercise the voting rights in relation to the resolution; and

25.1.2 voted on in writing by such shareholders within a period of 20 (twenty) business days after the resolution was submitted to them.

25.2 The provisions of this clause 25.1 shall not apply to any shareholder meetings that are called for in terms of the JSE Listings Requirements or the passing of any resolution in terms of clause 26.1.2 or to any annual general meeting of the Company.

26. COMPOSITION OF THE BOARD OF DIRECTORS

26.1.1 In addition to the minimum number of directors, if any, that the Company must satisfy any requirement in terms of the Act to appoint an audit committee and a social and ethics committee, the Board must comprise not less than 4 (four) directors and the shareholders shall be entitled to determine such maximum number as they consider appropriate.

26.1.2 All directors shall be elected by an ordinary resolution of the shareholders at a general or annual general meeting of the Company and no appointment of a director in accordance with a resolution passed in terms of section 60 of the Act shall be competent.

(continued)

26.4 POWERS OF DIRECTORS

The management of the Company shall be vested in the directors who, in addition to the powers and authorities expressly conferred upon them by the Memorandum of Incorporation, may exercise all such powers, and do all such acts and things, as may be exercised or done by the Company and are not hereby or by the Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to such management and control not being inconsistent with the Memorandum of Incorporation or with any resolution passed at any general meeting of the shareholders in accordance therewith, but no resolution passed by the Company in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed. The general powers given by this clause shall not be limited or restricted by any special authority or power given to the directors by any other provision of the Memorandum of Incorporation.

27. DIRECTORS' MEETINGS

27.1 Save as may be provided otherwise herein, the directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

27.2 The directors may elect a chairperson and a deputy chairperson and determine the period for which each is to hold office. The chairperson, or in his absence the deputy chairperson, shall be entitled to preside over all meetings of directors. If no chairperson or deputy chairperson is elected, or if at any meeting neither is present or willing to act as chairperson thereof within 10 (ten) minutes of the time appointed for holding the meeting, the directors present shall choose 1 (one) of their number to be chairperson of such meeting.

27.3 In addition to the provisions of section 73(1), any director shall at any time be entitled to call a meeting of the directors.

28. DIRECTORS' COMPENSATION

The Company may pay remuneration to the directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous 2 (two) years, as set out in sections 66(8) and (9) of the Act and the power of the Company in this regard is not limited or restricted by the Memorandum of Incorporation.

29. EXECUTIVE DIRECTORS

The directors may from time to time appoint 1 (one) or more of their body to the office of executive director for such term and at such remuneration as they may think fit (subject only to the requirements of sections 66(8) and (9) of the Act) and may revoke such appointment subject to the terms of any agreement entered into in any particular case, provided that the period of office of an executive director appointed in terms of an agreement shall not exceed the terms of his employment with the Company. A director so appointed shall be subject to retirement in the same manner as the other directors except during the period of his agreement, and his appointment shall terminate if he ceases for any reason to be a director.

30. INDEMNIFICATION OF DIRECTORS

The Company may:

30.1.1 advance expenses to a director or directly or indirectly indemnify a director in respect of the defence of legal proceedings, as set out in section 78(4) of the Act;

30.1.2 indemnify a director in respect of liability as set out in section 78(5) of the Act; and/or

30.1.3 purchase insurance to protect the Company or a director as set out in section 78(7) of the Act, and the power of the Company in this regard is not limited, restricted or extended by the Memorandum of Incorporation.

31. BORROWING POWERS

31.1 Subject to the provisions of clause 31.2 and the other provisions of the Memorandum of Incorporation, the directors may from time to time

31.1.1 borrow for the purposes of the Company such sums as they think fit; and

31.1.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of securities, mortgage or charge upon all or any of the property or assets of the Company.

31.2 The directors shall procure (but as regards subsidiaries of the Company only in terms of the exercised voting and other rights or powers of control exercisable by the Company they may so procure) that the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by:

31.2.1 the Company; and

31.2.2 all the subsidiaries for the time being of the Company (excluding moneys borrowed or raised by any of such companies from any other of such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the Company or any of its subsidiaries for the time being for the indebtedness of any other Company or companies whatsoever and not already included in the aggregate amount of the moneys so borrowed or raised), shall not exceed the aggregate amount at that time authorised to be borrowed or secured by the Company or the subsidiaries for the time being of the Company (as the case may be).

33. ANNUAL FINANCIAL STATEMENTS

33.1 The Company shall keep all such accurate and complete accounting records, in English, as are necessary to enable the Company to satisfy its obligations in terms of:

33.1.1 the Act;

33.1.2 any other law with respect to the preparation of financial statements to which the Company may be subject; and

33.1.3 the Memorandum of Incorporation.

33.2 The Company shall each year prepare annual financial statements within the period prescribed by the Act, or such shorter period as may be appropriate to provide the required notice of an annual general meeting in terms of section 61(7) of the Act.

33.3 The Company shall appoint an auditor each year at its annual general meeting. If the Company appoints a firm as its auditor, any change in the composition of the members of that firm shall not by itself create a vacancy in the office of auditor.

33.4 The annual financial statements of the Company must be prepared and audited in accordance with the provisions of section 30 of the Act.

33.5 A copy of the annual financial statements must be sent to shareholders at least 15 (fifteen) business days before the date of the annual general meeting of the Company, where such annual financial statements will be considered.

33.6 In accordance with section 62(3)(d) of the Act, a summary of the annual financial statements shall be prepared on a basis that is not inconsistent with any unalterable or non-elective provision of the Act.

36. DISTRIBUTIONS

36.1 Subject to the provisions of the Act, and particularly section 46, the Company may make a proposed distribution if such distribution:

36.1.1 is pursuant to an existing legal obligation of the Company, or a court order; or

36.1.2 is authorised by resolution of the Board, in compliance with the JSE Listings Requirements.

36.2 No distribution shall bear interest against the Company, except as otherwise provided under the conditions of issue of the shares in respect of which such distribution is payable.

36.3 Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be liable.

36.4 The directors may from time to time declare and pay to the shareholders such interim distributions as the directors consider to be appropriate.

36.5 The Company in general meeting or the directors may declare dividends, provided that the Company in general meeting will not be able to declare a larger dividend than that declared by the directors.

36.6 All unclaimed distributions may be invested or otherwise made use of by the directors for the benefit of the Company until claimed, provided that distributions unclaimed for a period of 3 (three) years from the date on which they were declared may be declared forfeited by the directors for the benefit of the Company. The directors may at any time annul such forfeiture upon such conditions (if any) as they think fit. All unclaimed monies, other than distributions, that are due to any shareholder(s) shall be held by the Company in trust for an indefinite period until lawfully claimed by such shareholder(s).

36.7 Any distribution, interest or other sum payable in cash to the holder of a share may be paid in any way determined by the directors, including by way of cash, electronic funds transfer or by cheque or warrant sent by post.

38. ACCESS TO COMPANY RECORDS

Each person who holds or has a beneficial interest in any securities issued by the Company is entitled to inspect and copy, without any charge for any such inspection or upon payment of no more than the prescribed maximum charge for any such copy, the information contained in the records of the Company referred to in section 26(1) of the Act, being:

38.1.1 the Memorandum of Incorporation, and any amendments or alterations thereof;

38.1.2 a record of the directors, including the details of any person who has served as a director, for the period as prescribed by the Act after that person has ceased to serve as a director, and any information relating to such persons referred to in section 24(5) of the Act;

38.1.3 all:

38.1.3.1 reports presented at an annual general meeting of the Company for a period as prescribed by the Act after the date of any such meeting; and

38.1.3.2 annual financial statements required by the Act for a period as prescribed by the Act after the date on which each such particular statements were issued;

38.1.4 notice and minutes of all shareholders' meetings, including:

38.1.4.1 all resolutions adopted by them, for the period as prescribed by the Act after the date each such resolution was adopted; and

38.1.4.2 any document that was made available by the Company to the holders of securities in relation to each such resolution;

38.1.5 any written communications sent generally by the Company to all holders of any class of the Company's securities, for a period as prescribed by the Act after the date on which each of such communications was issued; and

38.1.6 the Securities Register of the Company, as established in terms of section 50(1) of the Act.

39. PAYMENT OF COMMISSION

The Company may pay a commission at a rate not exceeding 10% (ten percent) of the issue price of a share to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares of the Company or for procuring or agreeing to procure, whether absolutely or conditionally, subscriptions for any shares of the Company.

40. NOTICES

40.1 All notices shall be given by the Company to each shareholder of the Company and simultaneously to the Issuer Services Division of the JSE, and shall be given in writing in any manner authorised by the JSE Listings Requirements and/or the Act as may be applicable. All notices shall, in addition to the above, be released through SENS provided that, in the event that the shares or other securities of the Company are not listed on the JSE, all the provisions of the Memorandum of Incorporation relating to the publication of notices via SENS shall no longer apply and such notices shall thereafter only be published in accordance with the provisions of the Act.

40.8 Any notice or document delivered or sent by electronic mail, by post or delivered to the registered address of any shareholder in pursuance of the Memorandum of Incorporation shall, notwithstanding that such shareholder was then deceased, and whether or not the Company has notice of his death, be deemed to have been duly served in respect of any shares, whether held solely or jointly with other persons by such shareholder, until some other person be registered in his stead as the sole or joint holder thereof, and such service shall for all purposes of the Memorandum of Incorporation be deemed a sufficient service of such notice or document on his heirs, executors or administrators, and all persons (if any) jointly interested with him in any such shares.

41. WINDING UP

If the Company shall be wound up, whether voluntarily or otherwise, the liquidator may with the sanction of a special resolution divide among the shareholders in specie any part of the assets of the Company, and may with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the shareholders as the liquidator with the like sanction shall think fit, and if thought expedient any such division so sanctioned may be otherwise than in accordance with the legal rights of the shareholders of the Company, and in particular any class may be given preferential or special rights or may be excluded altogether or in part.

43. AMENDMENT OF MEMORANDUM OF INCORPORATION

The Memorandum of Incorporation may only be altered or amended by way of a special resolution of the ordinary shareholders in accordance with section 16(1)(c) of the Act, except if such amendment is in compliance with a court order as contemplated in section 16(1)(a) of the Act.

44. COMPANY RULES

The Board is prohibited from making any rules as contemplated in section 15(3) of the Act and the Board's capacity to make such rules is hereby excluded.

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

For use in respect of the annual general meeting of the Company to be held at 67 CR Swart Drive, Cnr Freda Road, Bromhof Extension 48, Randburg 2194 on Thursday, 4 October 2012 at 14:00. Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full name in block letters) ______________________________

of (address) ______________________________

Telephone (work) ______________________________ (home) ______________________________

being the registered owner/s of ______________________________ ordinary shares in the Company hereby appoint

______________________________ or failing him/her

______________________________ or failing him/her,

the chairperson of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

* Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast; unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

	Number of votes		
	For	Against	Abstain
Ordinary resolution number 1 – Adoption of the annual financial statements			
Ordinary resolution number 2 – Re-appointment of auditors			
Ordinary resolution number 3 – Re-election of directors			
3.1 Dr J Motlatsi			
3.2 Mr S Beecroft			
Ordinary resolution number 4 – Confirmation of director's appointment			
Ordinary resolution number 5 – Election of Audit and Risk Committee members			
5.1 Mr J Pieterse (Chair)			
5.2 Dr J Motlatsi			
5.2 Mr M Patel			

FORM OF PROXY
(continued)

	Number of votes		
	For	Against	Abstain
Ordinary resolution number 6 – General authority to issue shares and to sell treasury shares for cash			
Ordinary resolution number 7 – Remuneration policy			
Special resolution number 1 – Approval of non-executive directors' attendance fees			
1.1 Board Chairman			
1.2 Board member			
1.3 Audit and Risk Committee Chairman			
1.4 Audit and Risk Committee member			
1.5 Remuneration Committee Chairman			
1.6 Remuneration Committee member			
1.7 Social and Ethics Committee Chairman			
1.8 Social and Ethics Committee member			
1.9 Annual general meeting Chairman			
1.10 Annual general meeting member			
Special resolution number 2 – Financial assistance			
Special resolution number 3 – New Memorandum of Incorporation			
Special resolution number 4 – Acquisition of own shares			
Ordinary resolution number 8 – Authority to implement resolutions			

Signed this ______________________________ day of ______________________ 2012

Signature ____

Assisted by (if applicable) ______________________________________

NOTES TO THE FORM OF PROXY

SUMMARY OF HOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS SET OUT IN SECTIONS 56 AND 58 OF THE ACT INCLUDING INSTRUCTIONS AND NOTES TO THE PROXY FORM

1. Section 56 grants voting rights to holders of beneficial interests in certain circumstances, namely if the beneficial interest includes the right to vote on the matter, and the person's name is on the Company's register of disclosures as the holder of a beneficial interest. A person who has a beneficial interest in any securities that are entitled to be voted on by him/her, may demand a proxy appointment from the registered holder of those securities, to the extent of that person's beneficial interest, by delivering such a demand to the registered holder, in writing, or as required by the applicable requirements of a CSDP.

2. A proxy appointment must be in writing, dated and signed by the person appointing a proxy.

3. This proxy form will not be effective at the meeting unless received at the Company's transfer office, Computershare Investor Services Proprietary Limited (Computershare) by no later than 14:00 on Tuesday, 2 October 2012. 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, PO Box 61051, Marshalltown 2107).

4. 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.

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

6. 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.

7. 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.

8. If:

   8.1 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

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

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

   8.4 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.

9. 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 –

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

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

10. 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.

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

NOTES TO THE FORM OF PROXY

(continued)

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

    12.1 gives written notice of such revocation to the Company, so that it is received by the Company by not later than 14:00 on Tuesday, 2 October 2012; or

    12.2 subsequently appoints another proxy for the meeting; or

    12.3 attends the meeting himself in person.

13. 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.

14. 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, at the address provided below by no later than 14:00 on Tuesday, 2 October 2012. 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, PO Box 61051, Marshalltown 2107.

15. 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.

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

TRANSFER SECRETARIES' OFFICE

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

SHAREHOLDERS' DIARY

Financial year-end	28 February
Announcement of annual results	28 May 2012
Annual general meeting	26 July 2012
Announcement of interim results	October 2012
Interim dividend declaration	October 2012
Final dividend board approval	May 2013

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)
S Beecroft (Financial Director)
JM Pieterse*
M Patel*
*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

TRANSFER SECRETARIES

Computershare Investor Services
Proprietary Limited

AUDITORS

KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown 2193

Private Bag 9, Parkview 2122

SPONSOR

Grindrod Bank Limited
Building Three, 1st Floor
Commerce Square
39 Rivonia Road
Sandhurst

PO Box 78011, Sandton 2146

purple.frog

VERIMARK HOLDINGS LIMITED
67 CR Swart Drive, Cnr Freda Road
Bromhof Ext 48, Randburg 2194

www.verimark.co.za