

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 11 of this Circular apply, unless the context clearly indicates otherwise, throughout this Circular, including this cover page.

### Action required:

1. This entire Circular is important and should be read with particular attention to the section entitled "Action required by Verimark Shareholders in relation to the Scheme", which commences on page 4, and the section entitled "Action required by Verimark Shareholders in relation to the Substitute Offer", which commences on page 7.
2. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
3. If you have disposed of all your Verimark Shares, please forward this Circular incorporating the Form of Proxy (*yellow*) and Form of Surrender, Transfer and Acceptance (*blue*) to the purchaser of such Verimark Shares, or the Broker, CSDP, banker or other agent through whom the disposal was effected.

**Verimark does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Verimark Shares to notify such beneficial owner of the matters set out in this Circular.**



### VERIMARK HOLDINGS LIMITED

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

### K2018535347 (SOUTH AFRICA) PROPRIETARY LIMITED

(Incorporated in the Republic of South Africa)  
Registration Number: 2018/535347/07  
("the Offeror")

## JOINT CIRCULAR TO VERIMARK SHAREHOLDERS

### Relating, amongst other things to:

- a scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the Verimark Board between Verimark and Verimark Shareholders, in terms of which, if implemented, the Offeror will acquire all of the Scheme Shares from the Scheme Participants for the Scheme Consideration of R1,50 for each Scheme Share disposed of in terms of the Scheme which, if successfully implemented, will result in the delisting of all Verimark Shares from the main board of the JSE;
- the Substitute Offer if a Substitute Offer Trigger Event occurs; and
- the delisting of all Verimark Shares from the main board of the JSE in the event that the Substitute Offer becomes unconditional,

### and incorporating, amongst other things:

- a report prepared by the Independent Expert in terms of Companies Regulations 90 and 110 and section 114(3) of the Companies Act;
- a statement of Appraisal Rights in terms of section 164(2) of the Companies Act;
- extracts of section 115 of the Companies Act dealing with the approval requirements for the Scheme and section 164 of the Companies Act dealing with Appraisal Rights;
- the Notice of General Meeting of Verimark Shareholders;
- the Form of Proxy (*yellow*) in respect of the General Meeting of Verimark Shareholders for use by Certificated Verimark Shareholders and Own-Name Dematerialised Verimark Shareholders only; and
- a Form of Surrender, Transfer and Acceptance (*blue*) in respect of the Scheme and Substitute Offer for use by Certificated Verimark Shareholders only.

Joint Transactional Advisor and Transactional Sponsor to Verimark



PSG CAPITAL

Joint Transactional Advisor to Verimark



KHANDA  
CAPITAL

Transaction Advisor to the Offeror and Corporate Sponsor to Verimark



Independent Expert to Verimark



*This Circular is available in English only. Copies of this Circular may be obtained during normal business hours from the registered office of Verimark, Verimark Office Complex, cnr Witkoppen and Riverbend Roads, Randburg 2194 and the offices of PSG Capital and Khanda Capital at their respective addresses set out in the "Corporate Information and Advisors" section of this Circular, and on the websites <https://verimark.co.za>, from the date of issue hereof until the date of the General Meeting.*

**Date of issue: 18 December 2018**



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## IMPORTANT LEGAL NOTES

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The definitions and interpretations commencing on page 11 of this Circular apply, unless the context clearly indicates otherwise, to this section on Important Legal Notes.

### FORWARD-LOOKING STATEMENTS

This Circular contains statements about Verimark and the Offeror that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Verimark and the Offeror caution that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which Verimark and the Offeror operate may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions, as regards Verimark, made by Verimark or, as regards the Offeror, made by the Offeror, as communicated in publicly available documents by the respective companies, all of which estimates and assumptions, although Verimark and the Offeror believe them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Verimark or the Offeror or not currently considered material by Verimark or the Offeror.

Verimark Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of either Verimark or the Offeror not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Verimark and the Offeror have no duty to, and do not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

### FOREIGN VERIMARK SHAREHOLDERS

This Circular has been prepared for the purposes of complying with the laws of South Africa and is subject to applicable laws and regulations, including but not limited to the Companies Act, the Companies Regulations and the JSE Listings Requirements, and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa, or the requirements of any exchange other than the JSE.

The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than South Africa should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction.

This Circular does not constitute a prospectus or a prospectus equivalent document. Verimark Shareholders are advised to read this Circular, which contains the full terms and conditions of the Scheme and the Substitute Offer, with care. Any decision to approve the Scheme or to accept the Substitute Offer or any other response to the proposals should be made only on the basis of the information in this Circular.

This Circular and any accompanying documentation are not intended to, and do not constitute, or form part of, an offer to sell or a solicitation of any vote or approval in any jurisdiction in which it is unlawful to make such an offer or solicitation, or such offer or solicitation would require Verimark or the Offeror to comply with disproportionately onerous filing and/or other disproportionately onerous regulatory obligations. In those circumstances or otherwise if the distribution of this Circular and any accompanying documentation in jurisdictions outside of South Africa are restricted or prohibited by the laws of such jurisdiction, this Circular and any accompanying documentation are deemed to have been sent for information purposes only and should not be copied or redistributed.



Verimark Shareholders who are not resident in South Africa must satisfy themselves as to the full observance of the laws of any applicable jurisdiction concerning their election to receive the Scheme Consideration or the Substitute Offer Consideration, including any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes due in such other jurisdictions and are required to advise Verimark of all such filing or regulatory obligations as Verimark or the Offeror may be required to comply with in such jurisdictions in relation to the Transaction. Verimark, the Offeror and their respective boards of directors and trustees accept no responsibility for the failure by a Verimark Shareholder to inform itself about, or to observe, any applicable legal requirements in any relevant jurisdiction, nor for any failure by Verimark or the Offeror to observe the requirements of any jurisdiction.

The Scheme is governed by the laws of South Africa (excluding the conflicts of laws rules of that jurisdiction to the extent such rules indicate the application of the laws of any other country) and is subject to applicable South African laws and regulations, including the Companies Act, the Takeover Regulations and the JSE Listings Requirements.

You should be aware that the Offeror may purchase Verimark Shares otherwise than under the Scheme, such as in open market or privately negotiated purchases.

Any Verimark Shareholder who is in doubt as to his position, including, without limitation, his tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.



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## CORPORATE INFORMATION AND ADVISORS

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The definitions and interpretations commencing on page 11 of this Circular apply, unless the context clearly indicates otherwise, to this Corporate Information and Advisors section.

### **Directors of Verimark**

NP Gosa (*Chairperson*)\*

JM Pieterse\*

AT Nzimande\*

M Kabi\*

MJ van Straaten (*Chief Executive Officer*)

BM Groome (*Financial Director*)

S van Straaten (*Alternate Director*)

*\*Independent non-executive*

### **Date and place of incorporation of Verimark**

9 April 1998

South Africa

### **Registered office of Verimark**

50 Clairwood Avenue

Hoogland Ext 55

Randburg 2154

PO Box 78260, Sandton 2146

### **Verimark company secretary**

PremCorp Consulting Services

Proprietary Limited

33 Kingfisher Drive

Fourways 2188, South Africa

PO Box 2424, Fourways 2055

### **Joint Transactional Advisor and Transactional Sponsor to Verimark**

PSG Capital Proprietary Limited

(Registration number 2006/015817/07)

1st Floor, Ou Kollege

35 Kerk Street

Stellenbosch 7599

South Africa

(PO Box 7403, Stellenbosch 7599)

and at

2nd Floor, Building 3

11 Alice Lane

Sandton 2196

(PO Box 650957, Benmore 2010)

### **Transactional Advisor to the Offeror and Corporate Sponsor to Verimark**

Grindrod Bank Limited

4th Floor, Grindrod Tower

8A Protea Place, Sandton 2196

PO Box 78011, Sandton 2146

### **Directors of the Offeror**

MJ van Straaten

S van Straaten

### **Date and place of registration of the Offeror**

15 October 2018

South Africa

### **Registered office of the Offeror**

Verimark Office Complex

cnr Witkoppen and Riverbend Roads

Randburg 2194

### **Joint Transactional Advisor to Verimark**

Khanda Capital Proprietary Limited

(Registration number 2018/082102/07)

2nd Floor, Building 3

11 Alice Lane

Sandton 2196

(PO Box 650957, Benmore 2010)

### **Transfer Secretaries to Verimark**

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

Rosebank Towers

15 Biermann Avenue

Rosebank 2196

PO Box 61763, Marshalltown 2107

### **Independent Expert to Verimark**

Mazars Corporate Finance Proprietary Limited

Mazars House, 54 Glenhove Road

Melrose Estate

Johannesburg 2196

South Africa



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## ACTION REQUIRED BY VERIMARK SHAREHOLDERS IN RELATION TO THE SCHEME

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The definitions and interpretations commencing on page 11 of this Circular apply, unless the context clearly indicates otherwise, to this section on the action required by Verimark Shareholders in relation to the Scheme.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of all of your Verimark Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

**A General Meeting of Verimark Shareholders is scheduled to be held at 09h00 on Thursday, 17 January 2019 at Verimark, 50 Clairwood Avenue, Hoogland, Ext 55, Randburg, South Africa 2154 to consider and, if deemed fit, to pass the Scheme Resolution required to approve the Scheme. A notice convening such General Meeting is attached to, and forms part of, this Circular.**

### **ACTION REQUIRED BY VERIMARK SHAREHOLDERS IN RELATION TO THE SCHEME**

#### **1. IF YOU HAVE DEMATERIALISED YOUR VERIMARK SHARES AND DO NOT HAVE OWN-NAME REGISTRATION**

##### **1.1 Voting at the General Meeting**

- 1.1.1 If you do not wish to, or are unable to, attend (or appoint a proxy to represent you) at the General Meeting and you have not been contacted by your CSDP or Broker, it is advisable for you to contact your CSDP or Broker immediately and furnish your CSDP or Broker with your voting instructions in the manner and by the cut-off time stipulated by your CSDP or Broker in terms of the Custody Agreement between you and your CSDP or Broker.
- 1.1.2 If your CSDP or Broker does not obtain voting instructions from you, your CSDP or Broker will be obliged to act in accordance with the instructions contained in the Custody Agreement between you and your CSDP or Broker.
- 1.1.3 You must not complete the attached Form of Proxy (*yellow*).

##### **1.2 Attendance and representation at the General Meeting**

- 1.2.1 In accordance with the Custody Agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:
  - 1.2.1.1 attend, speak and vote at the General Meeting; or
  - 1.2.1.2 appoint a proxy to represent you at the General Meeting.
- 1.2.2 Your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to attend, speak and vote at the General Meeting. You will not be permitted to attend, speak or vote at the General Meeting, or send a proxy to represent you at the General Meeting, without the necessary letter of representation being issued to you.

##### **1.3 Surrender of Documents of Title**

You must not complete the Form of Surrender, Transfer and Acceptance (*blue*).

##### **1.4 Settlement of Scheme Consideration**

If the Scheme becomes operative, you will have your account held at your CSDP or Broker credited with the Scheme Consideration and debited with the Scheme Shares you are transferring to the Offeror on the Scheme Implementation Date or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1.2 of this Circular, on the date set out in paragraph 4.7.1.2 of this Circular.



## **2. IF YOU HAVE NOT DEMATERIALISED YOUR VERIMARK SHARES OR IF YOU HAVE DEMATERIALISED YOUR VERIMARK SHARES WITH OWN-NAME REGISTRATION**

### **2.1 Voting, attendance and representation at the General Meeting**

You may attend, speak and vote at the General Meeting in person (or, if you are a company or other body corporate, be represented by a duly authorised natural person). Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (*yellow*) in accordance with its instructions and returning it to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61763, Marshalltown 2107) or email to proxy@computershare.co.za, to be received by them no later than 09h00 on, Thursday, 15 January 2019. The chairperson of the General Meeting may, in his discretion, accept Forms of Proxy that have been delivered after the expiry of the above deadline up until the time of commencement of the General Meeting or any adjournment thereof.

### **2.2 Surrender of Documents of Title (this applies only to Certificated Verimark Shareholders and not to Own-Name Dematerialised Verimark Shareholders)**

2.2.1 You are required to complete the attached Form of Surrender, Transfer and Acceptance (*blue*) in accordance with its instructions and return it, together with the Documents of Title representing all your Certificated Verimark Shares, to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61763, Marshalltown 2107), to be received by them by no later than 12:00 on the Scheme Consideration Record Date.

2.2.2 **Documents of Title held by Certificated Verimark Shareholders in respect of their Verimark Shares will cease to be of any value, and shall not be good for delivery, from the Scheme Implementation Date, other than for surrender in terms of the Scheme and/or the Appraisal Rights.**

2.2.3 If you wish to surrender your Documents of Title in anticipation of the Scheme becoming operative:

2.2.3.1 you should complete the Form of Surrender, Transfer and Acceptance (*blue*) in accordance with its instructions and return it, together with your Documents of Title, to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61763, Marshalltown 2107); and

2.2.3.2 it should be noted that you will not be able to Dematerialise or deal in your Verimark Shares between the date of surrender of your Documents of Title and the Scheme Implementation Date or, if the Scheme does not become operative, the date on which your Documents of Title are returned to you pursuant to paragraph 2.3.1.4 of this section of the Circular below.

### **2.3 Settlement of Scheme Consideration**

#### **2.3.1 Certificated Verimark Shareholders**

2.3.1.1 If the Scheme becomes operative and you have surrendered your Documents of Title to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61763, Marshalltown 2107), on or before 12:00 on the Scheme Consideration Record Date, the Scheme Consideration will be posted to you, at your risk, within 5 Business Days of the Scheme Implementation Date.

2.3.1.2 If the Scheme becomes operative and you surrender your Documents of Title after 12:00 on the Scheme Consideration Record Date, the Transfer Secretaries will only post the Scheme Consideration to you, at your risk, within 5 Business Days of receipt of your Documents of Title and Form of Surrender, Transfer and Acceptance (*blue*), provided that should you:

2.3.1.2.1 be a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1 of this Circular, you will still need to surrender your Documents of Title, together with a completed Form of Surrender, Transfer and Acceptance (*blue*), to the Transfer Secretaries and the Scheme Consideration will only be posted to you on the date set out in paragraph 4.7.1.2 of this Circular; and



2.3.1.2.2 fail to surrender your Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to the Transfer Secretaries within three years after the Scheme Implementation Date or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1 of this Circular, within three years after the date on which you subsequently became a Scheme Participant pursuant to paragraph 4.7.1 of this Circular, the Scheme Consideration due to you will be paid to the benefit of the Guardian's Fund of the Master of the High Court. In this regard such Scheme Participants irrevocably authorise and appoint Verimark and/or the Offeror, in *rem suam*, with full power of substitution, to act as agent in the name, place and stead of such Scheme Participants to pay the Scheme Consideration to the benefit of the Guardian's Fund in the aforesaid manner. For the avoidance of doubt, no interest will accrue for the benefit of Scheme Participants on the Scheme Consideration.

2.3.1.3 Documents of Title surrendered prior to 12:00 on the Scheme Consideration Record Date in anticipation of the Scheme becoming operative will be held in trust by the Transfer Secretaries, at the risk of the Certificated Verimark Shareholders, pending the Scheme becoming operative.

2.3.1.4 Should the Scheme not become operative, any Documents of Title surrendered and held by the Transfer Secretaries will, unless they have also been surrendered for purposes of the Substitute Offer, be returned to you by the Transfer Secretaries, at your own risk, by registered post within 5 Business Days from the date of receipt of the Documents of Title or the date on which it becomes known that the Scheme will not become operative, whichever is the later.

## 2.3.2 Own-Name Dematerialised Verimark Shareholders

2.3.2.1 If you are an Own-Name Dematerialised Verimark Shareholder who is, or is deemed (pursuant to paragraph 4.7.1 of this Circular) to be, a Scheme Participant, you will have your account held at your CSDP or Broker credited with the Scheme Consideration and debited with the Verimark Shares you are transferring to the Offeror pursuant to the Scheme on the Scheme Implementation Date or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1 of this Circular, on the date contemplated in paragraph 4.7.1 of this Circular.

2.3.2.2 You must not complete the attached Form of Surrender, Transfer and Acceptance (*blue*).

**If you wish to Dematerialise your Verimark Shares, please contact your CSDP or Broker. Verimark Shareholders should note that it will take between 1 and 10 Business Days to Dematerialise their Verimark Shares through their CSDP or Broker. Verimark Shareholders that do not have a CSDP or Broker can contact the Transfer Secretaries directly to Dematerialise their Verimark Shares on 0861 100 634 (+27 11 370 5000 if phoning from outside South Africa) on every Business Day between 8:30 and 16:00.**

**No Dematerialisation or re-materialisation of Verimark Shares may take place from the Business Day following the Scheme LDT. You do not need to Dematerialise your Verimark Shares to receive the Scheme Consideration.**

**Verimark Shareholders are advised to consult their professional advisors about their personal tax positions regarding the Scheme.**

## TAKEOVER REGULATION PANEL APPROVALS

**Verimark Shareholders should take note that the TRP does not consider commercial advantages or disadvantages of affected transactions when it approves such transactions.**



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## **ACTION REQUIRED BY VERIMARK SHAREHOLDERS IN RELATION TO THE SUBSTITUTE OFFER**

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The definitions and interpretations commencing on page 11 and contained in Annexure 8 to this Circular apply, unless the context clearly indicates otherwise, to this section on the action required by Verimark Shareholders in relation to the Substitute Offer.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of all of your Verimark Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

### **ACTION REQUIRED BY VERIMARK SHAREHOLDERS IN RELATION TO THE SUBSTITUTE OFFER**

Should a Substitute Offer Trigger Event occur, the Scheme will fail but the Offeror will be deemed to have made the Substitute Offer in accordance with the provisions of Annexure 8 to this Circular. In such event, Verimark will issue an announcement on SENS, confirming that the Scheme will not proceed and that the Substitute Offer has become effective, and advising Verimark Shareholders of the salient dates applicable to the Substitute Offer.

#### **1. IF YOU HAVE DEMATERIALISED YOUR VERIMARK SHARES**

##### **1.1 Acceptance of the Substitute Offer**

- 1.1.1 You must not complete the Form of Surrender, Transfer and Acceptance (*blue*).
- 1.1.2 If you wish to accept the Substitute Offer you should instruct your duly appointed CSDP or Broker, in accordance with the Custody Agreement concluded with your CSDP or Broker.
- 1.1.3 The instruction to accept the Substitute Offer must be provided to your CSDP or Broker by the cut-off time stipulated for such instruction in order for such CSDP or Broker to take the necessary action to accept the Substitute Offer prior to the Substitute Offer Closing Date. You are accordingly advised to confirm with your CSDP or Broker as to what the cut-off time will be. This must be done in accordance with the Custody Agreement between you and your CSDP or Broker.

##### **1.2 Surrender of Documents of Title**

You must not complete the Form of Surrender, Transfer and Acceptance (*blue*).

##### **1.3 Settlement of Substitute Offer Consideration**

If the Substitute Offer becomes operative, you will have your account held at your CSDP or Broker credited with the Substitute Offer Consideration and debited with the Verimark Shares you are transferring to the Offeror on the Substitute Offer Settlement Date.

#### **2. IF YOU HAVE NOT DEMATERIALISED YOUR VERIMARK SHARES**

##### **2.1 Acceptance of the Substitute Offer**

You must complete the Form of Surrender, Transfer and Acceptance (*blue*) attached to this Circular, in accordance with the instructions therein, and forward it, together with the relevant Documents of Title, by hand or by mail to the Transfer Secretaries.

##### **2.2 Surrender of Documents of Title**

- 2.2.1 You are required to complete the attached Form of Surrender, Transfer and Acceptance (*blue*) in accordance with its instructions and return it, together with the Documents of Title representing all your Certificated Verimark Shares, to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61763, Marshalltown 2107), to be received by them by no later than 12:00 on the Substitute Offer Closing Date.
- 2.2.2 Documents of Title held by Certificated Verimark Shareholders in respect of their Verimark Shares that accept the Substitute Offer will cease to be of any value, and shall not be good for delivery, from the Substitute Offer Closing Date, other than for surrender in terms of the Substitute Offer.



- 2.2.3 If you wish to surrender your Documents of Title in anticipation of the Substitute Offer becoming operative you should complete the Form (*blue*) in accordance with its instructions and return it, together with your Documents of Title, to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61763, Marshalltown 2107); and it should be noted that you will not be able to Dematerialise or deal in your Verimark Shares between the date of surrender of your Documents of Title and the Substitute Offer Settlement Date.

### **2.3 Settlement of Substitute Offer Consideration**

- 2.3.1 If the Substitute Offer becomes operative and you have surrendered your Documents of Title to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61763, Marshalltown 2107) on or before 12:00 on the Substitute Offer Closing Date, the Substitute Offer Consideration will be posted to you, at your risk, on the Substitute Offer Settlement Date.
- 2.3.2. If the Substitute Offer becomes operative and you surrender your Documents of Title after 12:00 on the Substitute Offer Closing Date, the Transfer Secretaries will only post the Substitute Offer Consideration to you, at your risk, within 5 Business Days of receipt of your Documents of Title and Form of Surrender, Transfer and Acceptance (*blue*).
- 2.3.3. Documents of Title surrendered prior to 12:00 on the Substitute Offer Closing Date in anticipation of the Substitute Offer becoming operative will be held in trust by the Transfer Secretaries, at the risk of the Certificated Verimark Shareholders, pending the Substitute Offer becoming operative.

**If you wish to Dematerialise your Verimark Shares, please contact your CSDP or Broker. Verimark Shareholders should note that it will take between 1 and 10 Business Days to Dematerialise their Verimark Shares through their CSDP or Broker. Verimark Shareholders that do not have a CSDP or Broker can contact the Transfer Secretaries directly to Dematerialise their Verimark Shares on 086 1100 634 (or +27 11 370 5000 if phoning from outside South Africa) on every Business Day between 8:30 and 16:00.**

**No Dematerialisation or re-materialisation of Verimark Shares may take place from the Business Day following the Substitute Offer LDT. You do not need to Dematerialise your Verimark Shares to receive the Substitute Offer Consideration.**

**If documents of title relating to any Scheme Shares to be surrendered are lost or destroyed, certificated Scheme Participants should nevertheless return the attached Form of Surrender, Transfer and Acceptance (*blue*) duly signed and completed to the Transfer Secretaries by hand to Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, or by post to PO Box 61763, Marshalltown 2107, together with an indemnity form, which is obtainable from the Transfer Secretaries.**

**Verimark may dispense with the surrender of documents of title upon production of evidence satisfactory to Verimark and the Offeror that the documents of title relating to the Scheme Shares in question have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to Verimark and the Offeror. Indemnity forms are obtainable from the Transfer Secretaries.**

**Verimark Shareholders are advised to consult their professional advisors about their personal tax positions regarding the Substitute Offer.**



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## IMPORTANT DATES AND TIMES RELATING TO THE SCHEME

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The definitions and interpretations commencing on page 11 of this Circular shall, unless the context clearly indicates otherwise, apply to this section.

**2018/2019**

Record date to determine which Verimark Shareholders are entitled to receive this Circular	Friday, 7 December
Circular posted to Verimark Shareholders and notice convening the General Meeting released on SENS on	Tuesday, 18 December
Notice of General Meeting published in the South African press on	Wednesday, 19 December
Last day to trade in order to be recorded in the Register on the Scheme Voting Record Date in order to be eligible to vote at the General Meeting	Tuesday, 8 January
Scheme Voting Record Date being 17:00 on	Friday, 11 January
Forms of Proxy to be lodged at the Transfer Secretaries by 10:00 on	Tuesday, 15 January
Last date and time for Verimark Shareholders to give notice to Verimark objecting, in terms of section 164(3) of the Companies Act, to the Scheme Resolution to be able to invoke Appraisal Rights by 09:00 on	Thursday, 17 January
Forms of Proxy not lodged with the Transfer Secretaries may be accepted, in the discretion of the chairperson of the General Meeting, if handed in before commencement of the General Meeting 09:00	Thursday, 17 January
General Meeting of Verimark Shareholders to be held at 09:00 on	Thursday, 17 January
Results of General Meeting released on SENS on	Thursday, 17 January
Results of General Meeting published in the South African press on	Friday, 18 January

### **If the Scheme is approved by Verimark Shareholders at the General Meeting:**

Last date for Verimark Shareholders who voted against the Scheme to require Verimark to seek court approval for the Scheme in terms of section 115(3)(a) of the Companies Act (where applicable) on	Thursday, 24 January
Last date for Verimark Shareholders who voted against the Scheme to apply to court for leave to apply for a review of the Scheme in terms of section 115(3)(b) of the Companies Act on	Thursday, 31 January
Last date for Verimark to send objecting Verimark Shareholders notices of the adoption of the Scheme Resolution, in accordance with section 164(4) of the Companies Act, on	Thursday, 31 January

### **Action**

***The following dates assume that the Scheme becomes unconditional and that neither court approvals nor the review of the Scheme is required and will be confirmed in the finalisation announcement if the Scheme becomes unconditional:***

Scheme Finalisation Date expected to be on or about	Tuesday, 5 February
Scheme Finalisation Date announcement expected to be released on SENS on or about	Tuesday, 5 February
Scheme Finalisation Date announcement expected to be published in the South African press on or about	Wednesday, 6 February
Scheme LDT expected to be on or about	Tuesday, 12 February
Trading in Verimark Shares on the JSE suspended from commencement of trade on or about	Wednesday, 13 February
Scheme Consideration Record Date to be recorded in the Register in order to receive the Scheme Consideration expected to be on or about	Friday, 15 February
Scheme Implementation Date expected to be on or about	Monday, 18 February
Scheme Consideration payment expected to take place on or about	Monday, 18 February
Termination of listing of Verimark Shares from the JSE at commencement of trade on or about	Tuesday, 19 February

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**Notes:**

1. The above dates and times are subject to such changes as may be agreed to by Verimark and the Offeror and approved by the Takeover Panel and/or the JSE, if required. If the Conditions are not fulfilled or waived by Thursday, 28 February 2019, an updated timetable will be released on SENS and published in the South African press.
2. Verimark Shareholders should note that, as trade in Verimark Shares on the JSE is settled in the electronic settlement system used by Strate, settlement of trades takes place 3 Business Days after the date of such trades. Therefore, Verimark Shareholders who acquire Verimark Shares on the JSE after Tuesday, 8 January 2019, being the last day to trade in Verimark Shares so as to be recorded in the Register on the Scheme Voting Record Date, will not be entitled to vote at the General Meeting.
3. Verimark Shareholders who wish to exercise their Appraisal Rights are referred to Annexure 5 to this Circular for purposes of determining the relevant timing for the exercise of their Appraisal Rights.
4. The exercise of Appraisal Rights may result in changes to the above salient dates and times and Verimark Shareholders will be notified separately of the applicable dates and times resulting from any such changes.
5. Verimark Shareholders who wish to exercise their right in terms of section 115(3) of the Companies Act, to require the approval of a court for the Scheme, should refer to Annexure 5 to this Circular which includes an extract of section 115 of the Companies Act. Should Verimark Shareholders exercise their rights in terms of section 115(3) of the Companies Act, the dates and times set out above will not be relevant. Verimark Shareholders will be notified separately of the applicable dates and times under this process.
6. Dematerialised Verimark Shareholders, other than those with Own-Name Registration, must provide their CSDP or Broker with their instructions for voting at the General Meeting by the cut-off time and date stipulated by their CSDP or Broker in terms of their respective Custody Agreements between them and their CSDP or Broker.
7. No dematerialisation or rematerialisation of Verimark Shares may take place from the commencement of business on the Business Day following the Scheme LDT. The Scheme LDT is expected to be on Tuesday, 12 February 2019.
8. If the General Meeting is adjourned or postponed, the above dates and times will change, but the Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.
9. Although the salient dates and times are stated to be subject to change, such statement may not be regarded as consent or dispensation for any change to time periods which may be required in terms of the Companies Act, the Companies Regulations and the JSE Listings Requirements, where applicable, and any such consents or dispensations must be specifically applied for and granted.
10. All times referred to in this Circular are references to South African Standard Time.

**ACTION REQUIRED BY VERIMARK SHAREHOLDERS IN RELATION TO THE SUBSTITUTE OFFER**

Should a Substitute Offer Trigger Event occur, the Scheme will fail but the Offeror will be deemed to have made the Substitute Offer in accordance with the provisions of Annexure 8 to this Circular. In such event, Verimark will issue an announcement on SENS, confirming that the Scheme will not proceed and that the Substitute Offer has become effective, and advising Verimark Shareholders of the salient dates applicable to the Substitute Offer.



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## DEFINITIONS AND INTERPRETATIONS

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In this Circular, unless the context clearly indicates a contrary intention, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the following words and expressions bear the meanings assigned to them below:

“Alternative Proposal”	an expression of interest, enquiry, proposal or offer regarding certain alternative proposals in respect of the Scheme Shares and/or the Group;
“Appraisal Rights”	the rights afforded to Verimark Shareholders in terms of section 164 of the Companies Act as set out in Annexure 5 to this Circular;
“Broker”	any person registered as a “ <i>broking member (equities)</i> ” in terms of the Rules of the JSE and in accordance with the provisions of the Financial Markets Act;
“Business Day”	a day which is not a Saturday, Sunday or official public holiday in South Africa;
“Cautionary Announcement”	the cautionary announcement published by Verimark on SENS dated 22 October 2018;
“Certificated Verimark Shareholders”	holders of Certificated Verimark Shares;
“Certificated Verimark Shares”	Verimark Shares being “certificated securities” as defined in the Financial Markets Act and having accordingly not yet been Dematerialised, title to which is evidenced by Documents of Title;
“Circular”	this joint circular to Verimark Shareholders, dated Tuesday, 18 December 2018, together with the annexures hereto, and including the Notice of General Meeting, the terms of the Substitute Offer, the Form of Proxy ( <i>yellow</i> ), and the Form of Surrender, Transfer and Acceptance ( <i>blue</i> );
“Clearances”	all approvals, clearances and permissions that are required to be obtained, from or under the laws, regulations or practices applied by any relevant regulatory authority (whether inside or outside of South Africa) in connection with the implementation of the Transaction, as set out in paragraph 4 of this Circular;
“Common Monetary Area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Companies Act”	the Companies Act, No. 71 of 2008, as amended from time to time;
“Companies Regulations”	the Companies Regulations, 2011, published in terms of section 223, and Item 14 of Schedule 5, of the Companies Act, as amended from time to time;
“Conditions”	the suspensive conditions to the implementation of the Scheme set out in paragraph 4.4 of this Circular, and “Condition” means any one of them, as the context may require;
“CSDP”	Central Securities Depository Participant as defined in the Financial Markets Act;
“Custody Agreement”	a custody mandate agreement between a Dematerialised Verimark Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Verimark Shares held on Verimark’s uncertificated securities register administered by a CSDP or Broker on behalf of such Verimark Shareholder;
“Dematerialise” or “Dematerialised” or “Dematerialisation”	the process by which Certificated shares are converted into an electronic format as dematerialised shares and recorded in a company’s uncertificated securities register administered by a CSDP;
“Dematerialised Verimark Shareholders”	holders of Dematerialised Verimark Shares;
“Dissenting Shareholders”	Verimark Shareholders who validly exercise their Appraisal Rights by, among other things, objecting in advance to, and voting against, the Scheme Resolution at the General Meeting and by demanding, in terms of sections 164(5) and 164(8) of the Companies Act, that Verimark pay to them the fair value of their Verimark Shares;
“Document of Title”	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Verimark Shares in question acceptable to the Verimark Board;
“Eligible Shareholders”	Verimark Shareholders other than those holding Ineligible Shares;



“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended from time to time, issued in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended from time to time;
“Financial Markets Act”	the Financial Markets Act, No. 19 of 2012, as amended from time to time;
“Firm Intention Announcement”	the joint firm intention announcement published by Verimark and the Offeror on SENS dated Friday, 23 November 2018;
“Firm Intention Letter”	the firm intention letter entered into between Verimark and the Offeror on the Signature Date in respect of the Scheme and the Substitute Offer, setting out the terms upon which the Offeror will propose the Scheme to Verimark Shareholders and upon which the Offeror will make the Substitute Offer, if applicable, a copy of which is available for inspection by Verimark Shareholders, as indicated in paragraph 26 of this Circular;
“Foreign Verimark Shareholder”	a Verimark Shareholder who is a non-resident of South Africa, as contemplated in the Exchange Control Regulations;
“Form of Proxy”	for purposes of the General Meeting, the form of proxy ( <i>yellow</i> ) for use by Certificated Verimark Shareholders and Dematerialised Verimark Shareholders with Own-Name Registration only, enclosed herewith;
“Form of Surrender, Transfer and Acceptance”	a form of surrender, transfer and acceptance ( <i>blue</i> ) in respect of the Scheme and Substitute Offer for use by Certificated Verimark Shareholders only, enclosed herewith;
“General Meeting”	the general meeting of Verimark Shareholders scheduled to be held at 09h00 on Thursday, 17 January 2019 at Verimark, 50 Clairwood Avenue, Hoogland, Ext 55, Randburg, South Africa 2154, to consider and, if deemed fit, approve the Scheme Resolution, as same may be postponed or adjourned;
“the Group”	Verimark and its subsidiaries;
“IFRS”	the International Financial Reporting Standards, as adopted from time to time by the Board of the International Accounting Standards Committee, or its successor body, and approved for use in South Africa from time to time by the Financial Reporting Standards Council established in terms of section 203 of the Companies Act;
“Independent Board”	collectively, NP Gosa, T Nzimande and M Kabi, being the Verimark Directors who are independent directors in relation to the Scheme for purposes of the Companies Regulations;
“Independent Expert”	Mazars Corporate Finance Proprietary Limited (registration number 2003/029561/07), a private company incorporated under the laws of South Africa, whose details appear in the “Corporate Information and Advisors” section of this Circular;
“Ineligible Shares”	in aggregate 82 741 599 Verimark Shares, being the Treasury Shares and 72 000 000 Verimark Shares collectively held by VFT and Prime Rentals;
“Investec Bank”	Investec Bank Limited (registration number 1969/004763/07), a private company incorporated under the laws of South Africa;
“Irrevocable Undertakings”	the irrevocable undertakings to vote in favour of the Scheme Resolution and all resolutions relating to the Scheme and to accept the Substitute Offer, if it is made, which were provided by the Verimark Shareholders listed in Annexure 6 to this Circular as at the Last Practicable Date;
“JSE”	the exchange, licensed under the Financial Markets Act, operated by JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa;
“JSE Listings Requirements”	the Listings Requirements of the JSE in force as at the Last Practicable Date;
“Khanda Capital”	Khanda Capital Proprietary Limited (registration number 2018/082102/07), a private company incorporated under the laws of South Africa, whose details appear in the “Corporate Information and Advisors” section of this Circular;
“Last Practicable Date”	the last practicable date prior to the finalisation of this Circular, being Thursday, 6 December 2018;
“MOI”	the memorandum of incorporation of Verimark;
“Notice of General Meeting”	the notice of the General Meeting of Verimark Shareholders forming part of this Circular;
“Offeror” or “K2018535347”	K2018535347 (South Africa) Proprietary Limited (registration number 2018/535347/07), a private company incorporated under the laws of South Africa, a special purpose vehicle of which all the shares are owned by VFT;



“Own-Name Registration” or “Own-Name Dematerialised Verimark Shareholders”	Verimark Shareholders who hold Verimark Shares that have been Dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Verimark Shareholder;
“Prime Rentals”	Prime Rentals CC (registration number: 1990/009016/23) a close corporation incorporated under the laws of South Africa, a party acting in concert with the Offeror and VFT as defined in section 117(1)b of the Companies Act, and in respect of which Michael Johannes van Straaten is the sole member;
“PSG Capital”	PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company incorporated under the laws of South Africa, whose details appear in the “Corporate Information and Advisors” section of this Circular;
“Register”	Verimark’s securities register, including the relevant sub-registers of the CSDP(s) administering the sub-registers of Verimark, and the register of disclosures in relation to Verimark;
“Scheme”	the scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the Verimark Board between Verimark and the Verimark Shareholders, as more fully described in paragraph 4 of this Circular, in terms of which the Offeror will, if the Scheme becomes operative, acquire all Scheme Shares held by Scheme Participants for the Scheme Consideration, subject to any modification or amendment to the scheme of arrangement agreed to in writing by the Offeror and Verimark and, if necessary, the Takeover Panel;
“Scheme Conditions”	the conditions precedent to which the Scheme is subject as set out in paragraph 4.4 of the Circular;
“Scheme Consideration”	the consideration of R1,50 (one Rand and fifty cents) per Scheme Share to be paid to the Scheme Participants in terms of the Scheme;
“Scheme Consideration Record Date”	the latest time and date for holders of Verimark Shares to be registered as such in the Register in order to be eligible to receive the Scheme Consideration, which is expected to be at 17:00 on Friday, 15 February 2019;
“Scheme Finalisation Date”	the date on which the “finalisation date announcement” (as contemplated by the JSE Listings Requirements) is released on SENS, which date shall fall on the Business Day following the date on which all the Conditions are fulfilled or waived, as the case may be, which is expected to be Tuesday, 5 February 2019;
“Scheme Implementation Date”	the date on which the Scheme is implemented, intended to fall on the Monday immediately following the Scheme Record Date (or such other date as the JSE may direct) which is expected to be Monday, 18 February 2019;
“Scheme LDT”	the last day to trade Verimark Shares in order to be registered in the Register on the Scheme Consideration Record Date, which is expected to be at 17:00 on Tuesday, 12 February 2019;
“Scheme Members”	as the context requires, those persons recorded in the Register at the close of business on the Scheme Voting Record Date, excluding the holders of the Ineligible Shares, who are in terms of the Companies Act and the MOI (and subject to any relevant provision of the JSE Listings Requirements) entitled to vote in respect of the Scheme Resolution at the General Meeting (it being recorded that, if, in respect of any Verimark Share, a person is the registered holder of such Verimark Share, and one or more persons has/have a beneficial interest in such Verimark Share in terms of the register of disclosures of Verimark, only one of those persons shall be entitled to vote in respect of that Verimark Share);
“Scheme Participants”	all persons who are recorded in the Register on the Scheme Consideration Record Date, excluding the holders of the Ineligible Shares and Dissenting Shareholders who have not, whether voluntarily or pursuant to a final order of the Court, withdrawn their demands made in terms of sections 164(5) to (8) of the Companies Act before the Scheme Consideration Record Date, or allowed any offers made to them in terms of section 164(11) of the Companies Act to lapse before the Scheme Consideration Record Date, being persons who are entitled to receive the Scheme Consideration (it being recorded that, if, in respect of any Verimark Share, a person is the registered holder of such share, and one or more persons has/have a beneficial interest in such share in terms of the register of disclosures of the Company, only one of those persons shall be entitled to receive the Scheme Consideration for that share);



“Scheme Resolution”	the special resolution by Verimark Shareholders, as contemplated in section 115(2)(a) of the Companies Act to approve the Scheme, which is proposed to be passed at the General Meeting;
“Scheme Shares”	Verimark Shares held by a Scheme Participant on the Scheme Consideration Record Date being in aggregate 29 508 033 Verimark Shares;
“Scheme Voting Record Date”	the last time and date for Verimark Shareholders to be recorded in the Register in order to be eligible to attend, speak and vote at the General Meeting (or any adjournment thereof), being 17:00 on Friday, 11 January 2019;
“SENS”	the Stock Exchange News Service of the JSE;
“Signature Date”	the date on which the Firm Intention Letter was signed by the Offeror and Verimark, being 22 November 2018;
“South Africa”	the Republic of South Africa;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated under the laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
“Substitute Offer”	the automatic substitute general offer by the Offeror to Verimark Shareholders, in the event that the Scheme is not approved in accordance with its terms, the full details of which are set out in Annexure 8 to this Circular, and as the context requires, the sale and purchase of Verimark Shares arising from the acceptance of such offer;
“Substitute Offer Consideration”	the Substitute Offer Consideration, as defined in Annexure 8 to this Circular;
“Substitute Offer Trigger Event”	the Substitute Offer Trigger Event, as defined in Annexure 8 to this Circular;
“Takeover Panel” or “TRP”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
“Takeover Regulations”	takeover regulations prescribed by the Minister of Trade and Industry in terms of section 120 of the Companies Act;
“Transaction”	the Scheme and (if applicable) the Substitute Offer;
“Transaction Resolutions”	collectively, the special resolutions and ordinary resolution by Verimark Shareholders, which are proposed to be passed at the General Meeting;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated under the laws of South Africa;
“Treasury Shares”	10 741 599 Verimark Shares held by Verimark Proprietary Limited (Registration number: 1989/006800/07) a subsidiary of Verimark;
“VFT”	Van Straaten Family Trust (registration number: IT3054/1996) a trust incorporated under the laws of South Africa, which owns 100% of the shares of the Offeror;
“VFT Beneficiaries”	collectively, Michael Johannes van Straaten, Emily Elizabeth van Straaten and Simone van Straaten;
“VFT Trustees”	collectively, Michael Johannes van Straaten, Emily Elizabeth van Straaten and Johannes Jacobus van Straaten;
“Verimark” or “the Company”	Verimark Holdings Limited (registration number 1998/006957/06), a public company incorporated under the laws of South Africa, which is listed on the main board of the JSE;
“Verimark Board” or “Verimark Directors”	the directors of Verimark as at the Last Practicable Date, whose names are set out in the “Corporate Information and Advisors” section of this Circular;
“Verimark Shareholders” or “Shareholders”	the holders of Verimark Shares;
“Verimark Shares”	ordinary shares in the issued share capital of Verimark, having a par value of R0,003333 each; and
“VWAP”	the volume weighted average price.



The following shall apply throughout this Circular, unless the context clearly provides otherwise:

1. references to one gender include all genders and references to the singular include the plural and *vice versa*;
2. any reference to a time of day is a reference to South African Standard Time, unless a contrary indication appears;
3. a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified, replaced or re-enacted;
4. a reference to any agreement or document referred to in this Circular is a reference to that agreement or document as amended, revised, varied, novated or supplemented at any time;
5. should any provision in a definition be a substantive provision conferring rights or imposing obligations on any person, effect shall be given to that provision as if it were a substantive provision in the body of this Circular;
6. where any number of days is prescribed, those days shall be reckoned exclusively of the first and inclusively of the last day unless the last day falls on a day which is not a Business Day, in which event the last day shall be the next succeeding Business Day;
7. the use of the word including, include/s, in particular or any similar such word followed by a specific example/s shall not be construed as limiting the meaning of the general wording preceding it and the *eiusdem generis* rule shall not be applied in the interpretation of such general wording or such specific example/s;
8. references to law and regulation or any similar such word shall be deemed to include the JSE Listings Requirements;
9. no rule of construction shall be applied to the disadvantage of a party because that party was responsible for or participated in the preparation of this Circular or any part of it; and
10. all references to "Rand", "R" or "ZAR" or "cents" are references to the lawful currency of South Africa.



**VERIMARK HOLDINGS LIMITED**

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

**K2018535347 (SOUTH AFRICA) PROPRIETARY LIMITED**

(Incorporated in the Republic of South Africa)  
Registration Number: 2018/535347/07  
("the Offeror")

**Directors of Verimark**

NP Gosa (*Chairperson*)\*  
JM Pieterse\*  
AT Nzimande\*  
M Kabi\*  
MJ van Straaten (*Chief Executive Officer*)  
BM Groome (*Financial Director*)  
S van Straaten (*Alternate Director*)

\* *Independent non-executive*

**Directors of the Offeror**

MJ van Straaten  
S van Straaten

**JOINT CIRCULAR TO VERIMARK SHAREHOLDERS****1. INTRODUCTION**

- 1.1** Shareholders are referred to the Firm Intention Announcement, in terms of which Verimark Shareholders were notified of the firm intention to make an offer by the Offeror to acquire all Ordinary Shares other than any Ineligible Shares. It is proposed that the firm intention be implemented by way of a scheme of arrangement in terms of section 114 of the Companies Act, or failing that, followed by the Substitute Offer, with Scheme Shares to be so acquired.
- 1.2** Should the Scheme become operative, as set out more fully in paragraph 4 below, the Offeror will pay the Scheme Consideration of R1,50 per Scheme Share. Should the Scheme not be passed by the required majority of Eligible Shareholders, the Substitute Offer will be made for the same amount. However, the Substitute Offer will be subject to the passing of an ordinary resolution by Eligible Shareholders of Verimark to approve the delisting of Verimark from the JSE.
- 1.3** The Board has convened an Independent Board as required by the Companies Regulations, which comprises of Mss Mahlatse Kabi, Noluthando Gosa, and Tandi Nzimande for purposes of evaluating the terms and conditions of the Scheme and advising the shareholders of the Scheme Shares thereon.
- 1.4** Should the Scheme be implemented:
- 1.4.1** The Offeror and its concert parties will become the registered and beneficial owner of all the Scheme Shares;
  - 1.4.2** Scheme Participants will receive the Scheme Consideration of R1,50 for every one Scheme Share held by them; and
  - 1.4.3** Verimark Shares will be delisted from the JSE. The JSE has approved the suspension of the listing of the Verimark Shares on the JSE with effect from the commencement of trading on the JSE on the Business Day following the Scheme LDT and, subject to the Scheme becoming operative, the termination of the listing of Verimark on the JSE from the commencement of trading on the Business Day following the Scheme Implementation Date.

Should a Substitute Offer Trigger Event occur, the Scheme will fail but the Offeror will be deemed to have made the Substitute Offer in accordance with the provisions of Annexure 8 to this Circular.



## 2. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

- 2.1 provide Verimark Shareholders with information regarding the Scheme and the Substitute Offer;
- 2.2 provide Verimark Shareholders with the Independent Expert's report in respect of the Scheme and the Substitute Offer, prepared in terms of Companies Regulations 90 and 110 and section 114(3) of the Companies Act and the JSE Listing Requirements;
- 2.3 advise Verimark Shareholders of the Independent Board's opinion in respect of the Scheme and the Substitute Offer (as supported by the Independent Expert's report);
- 2.4 convene the General Meeting to consider and, if deemed fit, approve the Scheme Resolution; and
- 2.5 inform Verimark Shareholders of their Appraisal Rights.

## 3. RATIONALE FOR THE SCHEME AND INFORMATION ON THE OFFEROR AND VFT

### 3.1 Background in respect of the Offeror and VFT

The Offeror is a special purpose vehicle established for the sole purpose of satisfying the requirements of the Transaction. It was founded in 2018 and is wholly owned by VFT.

VFT was registered in 1996 and was founded by the Van Straaten family. VFT owns 64 000 000 Verimark Shares and Prime Rentals, a party acting in concert with the Offeror and VFT, owns 8 000 000 Verimark Shares. VFT, through the guidance of the Van Straaten family, has been instrumental in growing Verimark into an international multi-channel direct marketing retailer and wholesaler.

### 3.2 Rationale for the Offeror

The Offeror believes that the shareholders of Verimark are not deriving the benefits associated with a public listed company due to:

- 3.2.1 Verimark's volatile earnings history which, due to its dependence on imports, is hugely affected by exchange rate fluctuations. During the last 5 years earnings fluctuated between 31,9 cents per share and 8 cents per share. This followed a similar cyclical pattern of the prior 5 years of a high of 31,5 cents per share and a low of -3,4 cents per share.
- 3.2.2 Verimark's disappointing share price performance, which since listing in 2005 at a price of R2,50 per share, has fallen to a low of R0,33 per share. Prior to the Cautionary Announcement, the shares were trading at R1,00 per share with the 30 day VWAP of R1,04 on the date prior to the day of the Firm Intention Announcement.
- 3.2.3 Verimark's low market capitalisation, lack of analyst coverage and institutional support. At a market capitalisation of approximately R101 million prior to the Cautionary Announcement, Verimark falls below the radar of the institutional investors and gets virtually no analyst coverage. It is unlikely that this situation will improve in future.
- 3.2.4 The Company's lack of liquidity over the last 5 years, which has averaged only 9% of issued shares traded per annum and over the last year only 4% (excluding share buy backs).
- 3.2.5 Verimark's reliance on organic growth and inability to use its scrip to fund acquisitive growth. The lack of inorganic strategy and the use of highly rated scrip to finance acquisitions, negate an important rationale to remain listed.

As a result, the Offeror believes that disadvantages of a continued listing outweigh the advantages and that the delisting of Verimark from the JSE will positively impact the business both from a cost saving and operational focus perspective. It is also VFT's opinion that Verimark's current operations are adequately capitalised and are in no need of an equity capital raise in the foreseeable future.

Furthermore, considering that the Offeror and its concert parties already own a 71% interest in Verimark (excluding Treasury Shares), the Scheme will provide a mechanism through which the holders of Scheme Shares are able to realise their investment in a historically illiquid share at an attractive premium to historical market prices.

### 3.3 Rationale for Verimark

- 3.3.1 The Scheme Consideration of R1,50 per Scheme Share represents a premium of 50% to the 30-day volume weighted average traded price of Verimark of R1,00 per Ordinary Share as at the date of the Cautionary Announcement and a premium of 44% to the 30-day volume weighted average traded price of Verimark of R1,04 per Ordinary Share as at the date prior to the date of the Firm Intention Announcement.
- 3.3.2 The Transaction will provide Shareholders with an opportunity to dispose of their Scheme Shares at a substantial premium, accordingly the Independent Board believes that it is in the interest of Verimark and the Shareholders that they be given an opportunity to consider the Transaction.



## 4. THE SCHEME

### Overview and Mechanics of the Scheme

- 4.1 In terms of section 114(1) of the Companies Act, the Verimark Board proposes the Scheme as set out in this paragraph 4 between Verimark and the Verimark Shareholders (other than the holders of the Ineligible Shares). The Scheme will constitute an “affected transaction” as defined in section 117(1)(c) of the Companies Act. It will be implemented in accordance with the Companies Act and the Companies Regulations and will be regulated by the Takeover Panel.
- 4.1.1 The Scheme will be implemented by way of a scheme of arrangement in terms of sections 114 and 115 of the Companies Act to be proposed by the Verimark Board between Verimark and the Verimark Shareholders (other than the holders of the Ineligible Shares).
- 4.1.2 In accordance with section 115(4) of the Companies Act, neither the Offeror nor parties acting in concert with it, being K2018535347, VFT and Prime Rentals, will be included in calculating the percentage votes required in determining whether the quorum requirements have been met at the General Meeting. In addition, the Offeror and parties acting in concert with it will be precluded from voting at the General Meeting.
- 4.1.3 In terms of the Scheme, the Offeror will acquire the Scheme Shares from the Scheme Participants for the Scheme Consideration.
- 4.1.4 Subject to the Scheme becoming unconditional, with effect from the Scheme Implementation Date:
- 4.1.4.1 the Scheme Participants (whether they voted in favour of the Scheme or not, or abstained or refrained from voting) shall be deemed to have disposed of (and shall be deemed to have undertaken to transfer) their Scheme Shares (including all rights interests and benefits attaching thereto), free of encumbrances, to the Offeror on the Scheme Implementation Date in exchange for the Scheme Consideration and the Offeror shall be deemed to have acquired registered and beneficial ownership, free of encumbrances, of all the Scheme Shares as of the Scheme Implementation Date;
- 4.1.4.2 the disposal and transfer by each Scheme Participant of the Scheme Shares held by such Scheme Participant to the Offeror and the acquisition of ownership of these Scheme Shares by pursuant to the provisions of the Scheme, shall be effected on the Scheme Implementation Date;
- 4.1.4.3 each Scheme Participant shall be deemed to have transferred to the Offeror, on the Scheme Implementation Date, all of the Scheme Shares held by such Scheme Participant, without any further act or instrument being required; and
- 4.1.4.4 Scheme Participants shall be entitled to receive the Scheme Consideration, subject to the remaining provisions of this Circular.
- 4.1.5 Each Scheme Participant irrevocably, unconditionally and in *rem suam* authorises and empowers Verimark, as principal, with power of substitution, to cause the Scheme Shares disposed of by the Scheme Participants in terms of the Scheme to be transferred to, and registered in the name of, the Offeror on or at any time after the Scheme Implementation Date, and to do all such things and take all such steps (including the signing of any transfer form) as Verimark in its discretion considers necessary in order to effect that transfer and registration.
- 4.1.6 The Offeror will, on or before the Scheme Implementation Date, deliver or cause such delivery (or have caused such delivery) to Strate and the Transfer Secretaries, each as agent for and on behalf of Verimark, a cash amount equal to the total Scheme Consideration to which Scheme Participants are entitled and each such agent for and on behalf of Verimark will, once it has received same, discharge the Scheme Consideration due to Scheme Participants in terms of the Scheme. Scheme Participants will be entitled to receive the Cash Consideration from Verimark only.
- 4.1.7 The Scheme Consideration shall be settled, in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any Scheme Participant.
- 4.1.8 Verimark as principal, shall procure that the Offeror complies with its obligations under the Scheme, and Verimark alone shall have the right to enforce those obligations (if necessary) against the Offeror.
- 4.1.9 The rights of the Scheme Participants to receive the Scheme Consideration will be rights enforceable by Scheme Participants against Verimark only. Scheme Participants will be entitled to require Verimark to enforce its rights in terms of the Scheme against the Offeror.
- 4.1.10 The effect of the Scheme, *inter alia*, will be that the Offeror will, with effect from the Scheme Implementation Date, become the registered and beneficial owner of all the Scheme Shares (including all rights interests and benefits attaching thereto), free of encumbrances.



- 4.2 the Offeror and Verimark agree that, upon the Scheme becoming unconditional, they will give effect to the terms and conditions of the Scheme and will take all actions and sign all necessary documents to give effect to the Scheme.

#### 4.3 Scheme Consideration

The Offer will be made on the basis that:

- 4.3.1 the Offeror will acquire all of the Scheme Shares, being 29 508 033 Ordinary Shares;
- 4.3.2 following the implementation of the Scheme, Verimark will be delisted from the JSE and will be wholly owned by the Offeror and its concert parties; and
- 4.3.3 upon implementation of the Scheme, holders of Scheme Shares will receive the Scheme consideration of R1,50 (one rand and fifty cents) for every 1 (one) Scheme Share disposed of in terms of the Scheme.
- 4.3.4 The Scheme Consideration of R1,50 per Scheme Share represents a premium of 50% to the 30 day VWAP of R1,00 per Share, as, being the date of the publication of the Cautionary Announcement.

#### 4.4 Scheme Conditions

The Scheme will be subject to (and will become operative on the relevant operative date upon) the fulfilment of the following outstanding conditions precedent ("Scheme Conditions"):

- 4.4.1 that the Scheme be approved by the requisite majority of holders of Scheme Shares by no later than 28 February 2019 (being presently the "**Long Stop Date**"), as contemplated in section 115(2)(a) of the Companies Act, and, in the event of the provisions of section 115(2)(c) becoming applicable:
  - 4.4.1.1 by no later than Long Stop Date the High Court of South Africa approves the implementation of such resolution; and
  - 4.4.1.2 if applicable, Verimark not treating the aforesaid resolution as a nullity as contemplated in section 115(5)(b) of the Companies Act;
- 4.4.2 to the extent that Verimark Shareholders exercise their Appraisal Rights, either:
  - 4.4.2.1 Shareholders holding no more than 10% of all of the Scheme Shares give such notice objecting to the Scheme as contemplated in section 164(3) of the Companies Act and vote against the Transaction Resolution at the Scheme Meeting; or
  - 4.4.2.2 if Shareholders do give notice objecting to the Scheme as contemplated in section 164(3) of the Companies Act and vote against the Transaction Resolution at the Scheme Meeting in respect of more than 10% of all the Scheme Shares, such Shareholders have not exercised appraisal rights, by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act, in respect of more than 10% of all the Scheme Shares within the time periods permitted in terms of the Companies Act;
- 4.4.3 subject to paragraph 4.4.4, in the event that the Scheme Conditions are not fulfilled or waived in a timely manner and the Scheme is terminated as contemplated in paragraph 4.12, then the Scheme will not become operative and shall be of no force or effect.
- 4.4.4 The Scheme Condition in paragraph 4.4.2 may be waived by the Offeror upon written notice to Verimark, prior to the date for fulfilment of the relevant Scheme Condition.
- 4.4.5 The Scheme Condition in paragraph 4.4.1 above may be waived by the Offeror and Verimark upon written agreement, prior to the date for fulfilment of the relevant Scheme Condition.
- 4.4.6 The dates and times for the fulfilment of the relevant Scheme Conditions may be extended by written agreement between the Offeror and Verimark.

#### 4.5 Settlement of the Scheme Consideration

Verimark Shareholders are referred to the section entitled "Action to be taken by Verimark Shareholders in relation to the Scheme", commencing on page 4 of the Circular, for further information regarding the steps to be taken by Verimark Shareholders in relation to the settlement of the Scheme Consideration.

- 4.5.1 Scheme Participants who hold Dematerialised Verimark Shares will have their accounts held at their CSDP or Broker credited with the Scheme Consideration and debited with the Verimark Shares they are transferring to the Offeror pursuant to the Scheme on the Scheme Implementation Date or, in the case of Dissenting Shareholders who subsequently become Scheme Participants pursuant to paragraph 4.7.1 of this Circular, on the date contemplated in paragraph 4.7.1.2 of this Circular; and



#### 4.5.2 Scheme Participants who hold Certificated Verimark Shares:

- 4.5.2.1 who have surrendered their Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to the Transfer Secretaries on or before 12:00 on the Scheme Consideration Record Date, will have the Scheme Consideration posted to them, at their risk, within 5 Business Days of the Scheme Implementation Date; or
- 4.5.2.2 who surrender their Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to the Transfer Secretaries after 12:00 on the Scheme Consideration Record Date, will have the Scheme Consideration posted to them, at their risk, within 5 Business Days of the Transfer Secretaries receiving their Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*), unless such Scheme Participants were Dissenting Shareholders who have subsequently become Scheme Participants pursuant to paragraph 4.7.1 of this Circular, in which case such Scheme Participants will still need to surrender their Documents of Title, together with completed Forms of Surrender, Transfer and Acceptance (*blue*), to the Transfer Secretaries and payment of the Scheme Consideration will only be posted to such Scheme Participants, at their risk, on the date set out in paragraph 4.7.1.2 of this Circular.

4.5.3 In the event that a Scheme Participant who holds Certificated Verimark Shares fails to surrender its Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to the Transfer Secretaries within three years of the Scheme Implementation Date or, in respect of a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.7.1.2 of this Circular, within three years of the date on which such Dissenting Shareholder became a Scheme Participant, the Scheme Consideration due to such Scheme Participants will be paid to the benefit of the Guardian's Fund of the Master of the High Court. In this regard such Scheme Participants irrevocably authorise and appoint Verimark and/or the Offeror, in *rem suam*, with full power of substitution, to act as agent in the name, place and stead of such Scheme Participants to pay the Scheme Consideration to the benefit of the Guardian's Fund in the aforesaid manner. For the avoidance of doubt, no interest will accrue for the benefit of Scheme Participants on the Scheme Consideration.

#### 4.6 No encumbrance

Each Scheme Participant is deemed, on the Scheme Implementation Date, to have warranted and undertaken in favour of the Offeror that the relevant Scheme Shares are not subject to a pledge or otherwise encumbered, or if subject to any such pledge or encumbrance, that such Scheme Shares shall be released from such pledge or other encumbrance immediately following payment and discharge of the Scheme Consideration.

#### 4.7 Dissenting Shareholders

4.7.1 Any Dissenting Shareholder that withdraws its demand made in terms of sections 164(5) to 164(8) of the Companies Act, either voluntarily or pursuant to an order of Court, or that allows an offer by Verimark in terms of section 164(11) of the Companies Act to lapse without exercising its rights in terms of section 164(14) of the Companies Act, shall, if that Dissenting Shareholder withdrew its demand or allowed the Substitute Offer to lapse:

- 4.7.1.1 on or prior to the Scheme Record Date, be deemed to be a Scheme Participant and be subject to the provisions of the Scheme; and
- 4.7.1.2 after the Scheme Record Date, be deemed to have been a Scheme Participant as at the Scheme Implementation Date, provided that settlement of the Scheme Consideration due to such Dissenting Shareholder, and the transfer of such Dissenting Shareholder's Verimark Shares to the Offeror, shall take place on the later of (i) the Scheme Implementation Date, (ii) the date which is 5 Business Days after that Dissenting Shareholder withdrew its demand or allowed Verimark's offer to lapse, as the case may be, and (iii) if that Verimark Shareholder is a Certificated Verimark Shareholder, the date which is 5 Business Days after that Dissenting Shareholder shall have surrendered its Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to the Transfer Secretaries.

4.7.2 The wording of section 164 of the Companies Act (which sets out the Appraisal Rights) is included in Annexure 5 to this Circular.

#### 4.8 Foreign Verimark Shareholders and Exchange Control Regulations

Annexure 4 to this Circular contains a summary of the Exchange Control Regulations as they apply to Scheme Participants. Scheme Participants who are not resident in, or who have a registered address outside of South Africa, must satisfy themselves as to the full observance of the laws of any relevant territory concerning the receipt of the Scheme Consideration, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.



#### 4.9 Cash Confirmation

In compliance with regulations 111(4) and 111(5) of the Companies Regulations, the Offeror has provided the TRP with an irrevocable, unconditional guarantee issued by Investec Bank for the maximum amount of the Scheme Consideration which is an amount of ZAR 44 262 049,50, which guarantee confirms that in the event that the Scheme Consideration is not paid within the relevant time period, Investec Bank agrees to make payment of the Scheme Consideration to the Transfer Secretaries in respect of the Scheme or such other designated payment agent as the TRP may direct in writing, for the benefit of the Scheme Participants and, as applicable, Verimark. The guarantee expires on 21 May 2019.

#### 4.10 Restricted jurisdictions

4.10.1 To the extent that the distribution of this Circular in certain jurisdictions outside of South Africa may be restricted or prohibited by the laws of such foreign jurisdiction then this Circular is deemed to have been provided for information purposes only and neither the Verimark Board nor the Offeror accepts any responsibility for any failure by Verimark Shareholders to inform themselves about, and to observe, any applicable legal requirements in any relevant foreign jurisdiction.

4.10.2 Verimark Shareholders who are in doubt as to their position should consult their professional advisors.

#### 4.11 Undertakings

4.11.1 Without prejudice to the undertakings given by the parties to the Firm Intention Letter, including those referred to in paragraphs 12 and 13 of this Circular below, the Offeror and Verimark agreed that, upon the Scheme becoming unconditional, they will give effect to the terms and conditions of the Scheme and will take all actions and sign all necessary documents to give effect to the Scheme.

4.11.2 In terms of the Firm Intention Letter, Verimark may not (and it shall procure that each director and officer of Verimark and each member of the executive committee of the Group will not):

4.11.2.1 solicit or initiate any expression of interest, enquiry, proposal or offer regarding certain alternative proposals in respect of the Scheme Shares and/or the Group ("**Solicited Alternative Proposals**");

4.11.2.2 participate in any discussions or negotiations regarding any Solicited Alternative Proposal;

4.11.2.3 agree to, approve or recommend a Solicited Alternative Proposal; or

4.11.2.4 enter into a Solicited Alternative Proposal.

4.11.3 The Offeror acknowledges that Verimark is obliged to consider an unsolicited superior proposal. A "Superior Proposal" is, in summary, a proposal from a third party received by Verimark for the acquisition of all the Scheme Shares in issue (excluding Treasury Shares and Scheme Shares held by the third party and/or persons acting in concert with it), and which is at a consideration per Scheme Share of greater than the Scheme Consideration and is considered by the Board, acting in good faith and after having consulted its advisors, to be *bona fide*.

#### 4.12 Termination Events

The Scheme will terminate forthwith:

4.12.1 upon written notice by the Offeror to Verimark if the Independent Board recommends a Solicited Alternative Proposal;

4.12.2 upon written notice by Verimark to the Offeror if Verimark has received an unsolicited Alternative Proposal which the Independent Board reasonably determines to be a Superior Proposal, and the Offeror has not, within 5 business days from the date on which the terms of the Alternative Proposal is communicated to it, made a matching (or superior) offer;

4.12.3 upon written notice from either Verimark to the Offeror, or the Offeror to Verimark, if the Scheme is not approved by the requisite majority of Shareholders at the Scheme Meeting;

4.12.4 if any Scheme Condition which may be waived by the Offeror becomes incapable of fulfilment, and the Offeror notifies Verimark in writing that the Offeror will not waive that Scheme Condition;

4.12.5 upon written notice from either Verimark to the Offeror, or the Offeror to Verimark, if all the Scheme Conditions have not been fulfilled or waived (to the extent permitted), on or before the relevant date/s for fulfilment or waiver (to the extent permitted);

4.12.6 subject to paragraph 4.12.7 below, upon written notice by the Offeror to Verimark or Verimark to the Offeror "**Defaulting Party**", given on or before the last day to trade Scheme Shares on the JSE in order to be recorded in Verimark's securities register at the close of business on the record date for the Scheme, if the Defaulting Party commits a material breach of any provision of the Firm Intention Letter or the Scheme and fails to remedy such breach within 10 business days of receipt of a written notice by the Defaulting Party from another party requesting such remedy. A material breach shall mean any breach by:



- 4.12.6.1 the Company of the provisions of paragraph 4.11 above relating to a Solicited Alternative Proposal, if a Solicited Alternative Proposal is made which was a proximate and material consequence of a breach of paragraph 4.11.2.1 above;
- 4.12.6.2 any Defaulting Party which would either (i) be such as to preclude the due fulfilment of any Scheme Condition or implementation of the Scheme; and/or (ii) result or is reasonably likely to result in the Offeror, the Company or the Scheme Participants incurring or suffering losses, damages, liabilities, costs, claims or expenses in excess of an amount of R5 000 000.
- 4.12.7 No party may terminate the Scheme prior to the last day to trade Scheme Shares on the JSE in order to be recorded in Verimark's securities register at the close of business on the record date for the Scheme.

## **5. DELISTING OF VERIMARK**

Should the Scheme be implemented, or failing the Scheme, the passing of the requisite resolution, the listing of all Verimark Shares on the main board of the JSE will be terminated.

## **6. INTENTIONS REGARDING THE CONTINUATION OF VERIMARKS'S BUSINESS**

Should the Scheme be implemented, Verimark will continue its business being wholly owned by the Offeror and its concert parties.

Going forward, it remains the belief of VFT that the management and employees of Verimark are critical to the success of the business and it is therefore the intention of VFT that all existing staff members will retain their current roles in the organisation and continue to deliver in line with the broader Verimark strategy.

## **7. INTERESTS OF THE OFFEROR AND ITS DIRECTORS IN VERIMARK SHARES**

The Offeror was registered on 15 October 2018 and is a special purpose vehicle established for the sole purpose of satisfying the requirements of the Transaction. It is wholly owned by VFT and its directors are Mr MJ van Straaten and Ms S van Straaten. The interests of VFT's trustees and the Offeror's directors in Verimark Shares are set out below.

The Offeror does not own any Verimark shares and has not held any Verimark Shares since incorporation.

## **8. INTERESTS OF VFT, VFT TRUSTEES AND PRIME RENTALS IN VERIMARK SHARES**

As at the Last Practicable Date, VFT and Prime Rentals held 64 000 000 and 8 000 000 Verimark Shares respectively.

### **8.1 VFT Interests**

- 8.1.1 VFT had no change to its beneficial interest in Verimark Shares during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.
- 8.1.2 As at the Last Practicable Date, no VFT Trustee had any beneficial interest in Verimark Shares, other than Mr MJ van Straaten and Mrs EE van Straaten who have an indirect interest via the 64 000 000 Verimark shares held by VFT.
- 8.1.3 No VFT Trustee had any dealings in Verimark Shares during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date.

### **8.2 Prime Rentals Interest**

- 8.2.1 Prime Rentals had no dealings in Verimark Shares during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.
- 8.2.2 As at the Last Practicable Date, the only member of Prime Rentals, Mr MJ van Straaten held an indirect interest in 8 000 000 Verimark Shares held via Prime Rentals.

## **9. INTERESTS OF VFT TRUSTEES AND MEMBERS OF PRIME RENTALS AS BENEFICIARIES OF VFT**

### **9.1 VFT Interests**

- 9.1.1 As at the Last Practicable Date, no VFT Trustee had any beneficial interest in VFT, other than Mr MJ van Straaten and Mrs EE van Straaten.
- 9.1.2 The VFT Trustees made no changes in their beneficial interests in VFT during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date.



## 9.2 Prime Rentals

- 9.2.1 As at the Last Practicable Date Mr MJ van Straaten was the sole member of Prime Rentals.
- 9.2.2 Mr MJ van Straaten did not change his members interests in Prime Rentals during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date.

## 10. INTERESTS OF VERIMARK AND VERIMARK DIRECTORS IN VFT AND PRIME RENTALS

- 10.1 As at the Last Practicable Date, Verimark held no beneficial interests in VFT or Prime Rentals.
- 10.2 Verimark had no beneficial interests in VFT or Prime Rentals during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.
- 10.3 As at the Last Practicable Date, no Verimark Director held any beneficial interest in VFT other than Mr MJ van Straaten and Ms S van Straaten.
- 10.4 As at the Last Practicable Date, no Verimark Director held any beneficial interest in Prime Rentals other than Mr MJ van Straaten.
- 10.5 No Verimark Director had any dealings in VFT or Prime Rentals during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date.

## 11. INTERESTS OF VERIMARK DIRECTORS IN VERIMARK SHARES

- 11.1 As at the Last Practicable Date, no Verimark Director had any beneficial interest in Verimark Shares, other than as set out below:

Verimark Director	Direct	Indirect	% of Verimark issued share capital
MJ van Straaten and S van Straaten	–	72 000 000	64,14%
JM Pieterse	–	1 791 525	1,60%

- 11.2 No Verimark Director had any dealings in Verimark Shares during the six-month period prior to the Signature Date and the period from the Signature Date up to the Last Practicable Date.

## 12. IRREVOCABLE UNDERTAKINGS

As at the Last Practicable Date, the Verimark Shareholders listed in Annexure 6 to this Circular have provided Irrevocable Undertakings to vote in favour of the Scheme Resolution (to approve and implement the Scheme) and to accept the Substitute Offer, if made.

## 13. DEALINGS BY PROVIDERS OF IRREVOCABLE UNDERTAKINGS

Details regarding dealings by the Verimark Shareholders referred to in paragraph 12 of this Circular above, during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date, are set out in Annexure 7 to this Circular.

## 14. AGREEMENTS

- 14.1 Save for the Irrevocable Undertakings and in-principle letters of support as set out in Annexure 6 to this Circular, no agreements have been entered into between the Offeror, VFT Trustees (or persons who were VFT Trustees in the past 12 months) and/or beneficiaries of VFT (or persons who were beneficiaries of VFT in the past 12 months) and any shareholders of Verimark, the Verimark Directors (or persons who were Verimark Directors in the past 12 months) or Verimark Shareholders (or persons who were Verimark Shareholders in the past 12 months).
- 14.2 The material terms of the Irrevocable Undertakings are, *inter alia*, that the providers of the Irrevocable Undertakings, irrevocably undertake in favour of the Offeror to vote in favour of all resolutions proposed at the General Meeting and to accept the Substitute Offer, if made pursuant to the terms set out in this Circular.

## 15. FINANCIAL INFORMATION OF VERIMARK

- 15.1 The audited historical financial information of Verimark for the last four financial years ended 28 February 2018, 2017, 2016, 2015 is annexed hereto as Annexure 2.
- 15.2 The interim financial information of Verimark for the six-month period ended 31 August 2018 is annexed hereto as Annexure 3.



## **16. REPORT OF THE INDEPENDENT EXPERT**

- 16.1** The report of the Independent Expert prepared in accordance with section 114(3) of the Companies Act and regulations 90 and 110 of the Companies Regulations and a fairness opinion as required in terms of the JSE Listings Requirements is provided in Annexure 1 to this Circular and has not been withdrawn prior to publication of this Circular.
- 16.2** Having considered the terms and conditions of the Scheme and based on the conditions set out in its report, the Independent Expert has concluded that the terms and conditions of the Scheme are both fair and reasonable to Verimark Shareholders, as each of these terms is contemplated in the Companies Regulations.

## **17. THE VIEWS OF THE INDEPENDENT BOARD ON THE SCHEME**

- 17.1** The Independent Board has appointed the Independent Expert to compile a report on the Scheme.
- 17.2** The Independent Board, after due consideration of the report of the Independent Expert, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the Scheme and the Scheme Consideration as contemplated in Companies Regulation 110(3)(b). The Independent Board has formed a view of value of Verimark Shares, which accords with the value of Verimark Shares contained in the Independent Expert's report, in considering its opinion and recommendation. The Independent Board is aware of those factors which are difficult to quantify or are unquantifiable (as contemplated in Companies Regulation 110(6)) which were considered by the Independent Expert and referred to in its report, and has taken such factors into account in forming its opinion.
- 17.3** The Independent Board, taking into account the report of the Independent Expert, has considered the terms and conditions of the Scheme and the members of the Independent Board are unanimously of the opinion that the terms and conditions thereof are fair and reasonable to Verimark Shareholders and, accordingly, recommend that Verimark Shareholders vote in favour of the Scheme at the General Meeting.
- 17.4** As at the Last Practicable Date, the Verimark Board has not received any firm intention offers, other than the Firm Intention Letter by the Offeror set out in this Circular.

## **18. INTENDED ACTION OF VERIMARK DIRECTORS**

All the Verimark Directors who beneficially own Verimark Shares and are entitled to vote at the General Meeting, intend to vote in favour of the Scheme at the General Meeting and to accept the Substitute Offer, if made.

## **19. VERIMARK DIRECTORS' SERVICE CONTRACTS**

- 19.1** No service contracts have been concluded between Verimark and the Verimark Directors.
- 19.2** All Verimark Directors, other than the executive Verimark Directors, are subject to retirement by rotation and re-election in terms of the MOI.

## **20. OTHER SERVICE CONTRACTS**

No service contracts have been entered into or amended within the six-month period prior to the Last Practicable Date.

## **21. REMUNERATION OF VERIMARK DIRECTORS**

To the extent that either the Scheme or the Substitute Offer is successfully implemented, the remuneration of the Verimark Directors will not be affected by the Scheme or the Substitute Offer.

## **22. TAX IMPLICATIONS FOR VERIMARK SHAREHOLDERS**

The tax position of a Verimark Shareholder under the Scheme is dependent on such Verimark's Shareholder's individual circumstances, including but not limited to whether it holds the Verimark Shares as capital assets or as trading stock, whether the Verimark Shares are held by a Collective Investment Scheme or Pension Fund and on the tax jurisdiction in which the Verimark Shareholder is resident. It is recommended that the Scheme Participants seek appropriate advice in this regard.

## **23. INDEPENDENT BOARD RESPONSIBILITY STATEMENT**

The Independent Board accepts responsibility for the information contained in this Circular which relates to Verimark and confirms that, to the best of its knowledge and belief, such information which relates to Verimark is true and the Circular does not omit anything likely to affect the importance of such information.

## **24. THE OFFEROR DIRECTOR'S RESPONSIBILITY STATEMENT**

The Offeror's directors accept responsibility for the information contained in this Circular which relates to the Offeror and VFT and confirms that, to the best of their knowledge and belief, such information which relates to the Offeror and VFT is true and the Circular does not omit anything likely to affect the importance of such information.



## 25. ADVISORS' CONSENTS

The parties referred to in the "Corporate Information and Advisors" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, reports, in this Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Circular.

## 26. COSTS AND EXPENSES

Each of Verimark and the Offeror shall bear its own costs and those of its advisors/experts/ consultants/sponsors in connection with the Transaction and including where the Transaction is unsuccessful due to a failed implementation of both the Scheme and Substitute offer mechanisms.

Verimark's estimated costs of preparing and distributing this Circular and, convening the General Meeting, including the fees payable to professional advisors, are approximately R1,5 million, excluding VAT, are payable in cash and include the following:

Description	Recipient	Amount (Rand)
Transactional Sponsor	PSG Capital	100 000
Joint Corporate Advisors	PSG Capital and Khanda Capital	800 000
Documentation fee	JSE	14 714
Documentation Fee	TRP	100 000
Printing costs, publication, distribution and advertising	Purple Frog	143 000
Transfer secretarial fees	Computershare Investor Services	41 500
Independent Expert	Mazars	180 000
Contingency		120 786
<b>Total</b>		<b>1 500 000</b>

## 27. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by the Verimark Shareholders at the registered office of Verimark and at the offices of PSG Capital and Khanda Capital at their respective addresses as set out in the "Corporate Information and Advisors" section of this Circular from the date of posting of this Circular until the end of the Scheme Implementation Date:

- 27.1 the audited annual financial statements of Verimark for the four financial years ended 28 February 2018, 2017, 2016, 2015 as reproduced in Annexure 2 to this Circular;
- 27.2 the financial statements of Verimark for the interim financial period ended 31 August 2018 as reproduced in Annexure 3 to this Circular;
- 27.3 the consent letter of the Independent Expert and all other consent letters referred to in paragraph 25 of this Circular;
- 27.4 the Irrevocable Undertakings and in-principle letters of support as set out in Annexure 6 to this Circular;
- 27.5 a signed copy of this Circular;
- 27.6 the signed report of the Independent Expert;
- 27.7 the letter confirming approval of this Circular, by the Takeover Panel;
- 27.8 the MOI; and
- 27.9 Firm Intention Letter.

**SIGNED AT JOHANNESBURG ON 18 DECEMBER 2018 ON BEHALF OF THE VERIMARK BOARD**

**M Kabi**

*Chairperson of the Independent Board*

**SIGNED AT JOHANNESBURG ON 18 DECEMBER 2018 ON BEHALF OF K2018535347 (SOUTH AFRICA)**

**MJ van Straaten**

*Chief Executive Officer*



# REPORT OF THE INDEPENDENT EXPERT REGARDING THE SCHEME AND THE SUBSTITUTE OFFER



18 December 2018

The Independent Committee of the board of directors of Verimark Holdings Limited

74 Witkoppen Road  
Noordhang  
Randburg  
Johannesburg  
Gauteng  
2188  
South Africa

Dear Sirs,

**INDEPENDENT OPINION TO THE INDEPENDENT COMMITTEE OF THE BOARD OF DIRECTORS OF VERIMARK HOLDINGS LIMITED ("VERIMARK") IN TERMS OF SECTION 114(3) OF THE COMPANIES ACT 71 OF 2008 ("COMPANIES ACT"), REGULATION 90(6) OF THE REGULATIONS TO THE COMPANIES ACT ("TAKEOVER REGULATIONS") AND SCHEDULE 5.8 OF THE JSE LIMITED'S ("JSE") LISTING REQUIREMENTS IN RESPECT OF K2018535347 (SOUTH AFRICA) PROPRIETARY LIMITED ("THE OFFEROR") OFFER TO ACQUIRE 100% OF THE REMAINING ISSUED ORDINARY SHARES OF VERIMARK, EXCLUDING THE TREASURY SHARES HELD BY ITS SUBSIDIARY VERIMARK (PTY) LIMITED AND THE ORDINARY SHARES HELD BY THE VAN STRAATEN FAMILY TRUST ("VFT") AND ITS ASSOCIATE PRIME RENTALS CC ("OFFER SHARES") ("TRANSACTION").**

## INTRODUCTION

The Independent Committee of the Board of Directors of Verimark ("Verimark Independent Board") has appointed Mazars Corporate Finance (Pty) Ltd ("Mazars") as the independent expert in accordance with section 114(2) of the Companies Act, and Section 1.15 (d) of the JSE Listing Requirements to advise the shareholders of Verimark whether, in our opinion, the Scheme and the Substitute Offer described below is fair to the shareholders of Verimark.

The Transaction will be implemented by way of:

- a scheme of arrangement ("**Scheme**") in terms of section 114 of the Companies Act, and paragraph 1.17(b) of the JSE Listings Requirements; alternatively, if the Scheme fails,
- a general offer by the Offeror to the holders of the Verimark shares in terms of section 117(1)(c)(v) of the Companies Act and paragraph 1.15(c) of the JSE Listings Requirements ("**Substitute Offer**"),

in each case subject to the requirement that the listing of the issued ordinary shares on the JSE be terminated.

The consideration payable in terms of the Transaction is R1,50 per Offer Share.

On completion of either the Scheme or the Substitute Offer, the shares will be delisted from the JSE.

Full details of the acquisition of the Offer Shares and the subsequent delisting of Verimark, along with sections 115 and 164 of the Companies Act are contained in the circular to shareholders ("Circular") dated 18 December 2018, which will include a copy of this opinion.

The Scheme or Substitute Offer, if successful, will result in the removal of Verimark's securities from the JSE. Section 1.15(d) of the JSE Listing Requirements requires the Verimark Independent Board to obtain a fairness opinion from an independent expert, prepared in accordance with Schedule 5 of the JSE Listings Requirements.

## EXPLANATION OF THE TERM "FAIR" AND "REASONABLE"

The term "fairness" is defined in Schedule 5 of the JSE Listings Requirements as being primarily based on quantitative issues. Therefore, the consideration payable to Verimark shareholders would be considered fair if the consideration received by Verimark shareholders is equal or greater than the value of the ordinary shares given up.

The assessment of reasonableness is based on qualitative considerations. Therefore, when all the circumstances surrounding the transaction are taken into account, it may be reasonable for the shareholders to proceed with the transaction, even though the transaction may not be fair on a quantitative basis.



## SOURCES OF INFORMATION

In the course of our analysis, we relied upon financial and other information obtained from Verimark's management and from various public, financial and industry sources. Our conclusion is dependent on such information being accurate in all material respects. For the purpose of compiling this report and the opinion contained herein, we have considered all information relevant to the securities affected by the Transaction.

The principal sources of information used in formulating our opinion regarding the acquisition of the Offer Shares are as follows:

- Information and assumptions made available by the management of Verimark around the forecasted revenue, Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"), working capital and capital expenditure for the five year forecasted period;
- Audited annual financial statements of Verimark for the period ended 29 February 2016, 28 February 2017 and 28 February 2018 used for the comparison between historic and forecasted trends;
- Unaudited consolidated management accounts for the 7 month period ending 30 September 2018;
- The 2019 budget prepared by management;
- Reviewed the expression of interest letter;
- Publicly available information relating to Verimark and other comparable companies in the sector that we deemed to be relevant;
- The firm intention announcement; and
- The terms and conditions of the Transaction (as detailed in the Circular).

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, including publicly available information, whether in writing or obtained in discussions with management and the Verimark Independent Board.

## EFFECT OF THE TRANSACTION

The effect of the Scheme or the Substitute Offer will result in the Offeror acquiring 29 508 033 ordinary shares preceding the delisting.

The number of Verimark ordinary shares in issue preceding the delisting but subsequent to the acquisition will be equal to the number of Verimark ordinary shares in issue immediately prior to the implementation of the Transaction.

Having analysed the effects of the Transaction, we have concluded that the acquisition of the Offer Shares will not have a material adverse effect on the economic or voting rights and interests of the ordinary shareholders prior to the delisting. The minority shareholders will be compensated in cash in exchange for their rights and interests in Verimark.

Having analysed the effects of the Transaction, we have concluded that there will be no material adverse effects of the Transaction against the compensation received by the ordinary shareholders.

The implementation of the Transaction is not anticipated to have any material adverse effects on the business and prospects of Verimark, having considered the rationale of the transaction.

The direct and indirect beneficial interests of the directors (and their associates) in the ordinary share capital of Verimark as at the last practicable date were as follows:

### Ordinary

Name	Direct beneficial	Indirect beneficial	Total	Percentage of issued units
MJ van Straaten and associates	–	72 000 000	72 000 000	64,14%
JM Pieterse and associates	–	1 791 525	1 791 525	1,60%

The Transaction will affect the interests of the above directors. The Transaction will result in the directors collectively holding a beneficial interest of 101 508 033 securities in Verimark (90,43% of the issued ordinary shares).

## LIMITING CONDITIONS AND RELATED PARTY RELATIONSHIPS

Mazars is accredited to perform fair and reasonable opinions and JSE-related work. Mazars has a substantial internal resource base with extensive experience in providing independent expert opinions.

We have relied upon the accuracy of information provided to us or otherwise reviewed by us, for the purposes of this opinion, whether in writing or obtained through discussion with the management of Verimark. We express no opinion on this information.

There were no limiting conditions, or any restrictions of scope imposed by either the Offeror or Verimark whilst this opinion was being prepared.



Our opinion is based on current economic, regulatory, market as well as other conditions. Subsequent developments may affect this opinion, which we are under no obligation to update, review or re-affirm.

This opinion is provided to the Verimark Independent Board solely to assist the Verimark Independent Board in forming and expressing an opinion for the benefit of the shareholders of Verimark in connection with and for the purposes of their consideration in respect of the Transaction.

There is no relationship between Mazars and any other parties involved in the Transaction. Mazars has no shares in the Offeror or Verimark or any other party involved in the Transaction. Mazars' fee in respect of this opinion is **R180 000** excluding VAT and is not payable in the Offeror nor Verimark shares and is not contingent or related to the outcome of the Transaction.

Each shareholder's individual decision may be influenced by such shareholder's particular circumstances and accordingly each shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the Transaction.

Our procedures and enquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

## PROCEDURES

In order to assess the fairness of the terms and conditions relating to the Transaction, we have performed, amongst others, the following procedures:

- Reviewed the audited annual financial statements of Verimark for the year ended 29 February 2016, 28 February 2017 and 28 February 2018;
- Reviewed the unaudited interim financial statements of Verimark for the 6 months ended 31 August 2018;
- Reviewed the unaudited consolidated management accounts of Verimark for the 7 month period ended 30 September 2018;
- Considered information made available by and from discussions held with the management of Verimark;
- Reviewed the firm intention announcement;
- Reviewed general economic, market and related conditions in which Verimark operates in;
- Reviewed the methodologies available for performing valuations of businesses operating in this industry;
- Performed an indicative valuation of Verimark; and
- Conducted appropriate sensitivity analyses given a reasonable range of key assumptions on the valuations below.

In arriving at our opinion, we have considered, in addition to the procedures performed above, the following key qualitative considerations in assessing the reasonableness of the Transaction:

- Considered the rationale for the Transaction, from the perspective of Verimark;
- Considered the opportunity to exit Verimark's shareholders from shares that are tightly held with relatively poor liquidity and analyst coverage;
- Considered the ability to eliminate listing costs and general costs;
- Considered the prospects of Verimark and whether the Transaction will be beneficial to both Verimark and its shareholders;
- Assessed the reasonableness of the consideration against the 30-day volume weighted average price as at the date of the valuation;
- Considered the cash consideration premium offered to the closing share price of Verimark as at the date of the valuation;
- Considered the share price performance over the last 5 years, trading at a high of R1,20 per share and a low of R0,29 per share;
- Considered Verimark's strategic needs in terms of capital raising and weighed up the advantages versus the disadvantages of a continued listing; and
- The general state of the economy and the impact this will have on current and future industry and company specific performance.

## VALUATION

We have performed a valuation of Verimark to determine whether the acquisition of the Offer Shares represents fair value to the Verimark shareholders. We confirm that we have performed a valuation of Verimark utilising the discounted cash flow ("DCF") methodology as the primary basis. The net asset value method along with the market multiple approach were utilised for reasonability purposes.

### Assumptions:

We arrived at our opinion based on the following assumptions:

- That reliance can be placed on information and assumptions made available by Verimark's management;
- That reliance can be placed on audited annual financial statements of Verimark for the period ended 29 February 2016, 28 February 2017 and 28 February 2018;
- That reliance can be placed on the unaudited consolidated management accounts of Verimark for the 7 months ended 31 August 2018;
- That reliance can be placed on the presentations prepared by management;
- That reliance can be placed on trading and market data obtained from external data providers;
- That the terms and conditions of the Transaction (as detailed in the Circular) are correct; and
- That forecasted assumptions provided by Verimark's management are achievable.



The valuation was performed taking cognisance of Verimark's current and planned operations as well as other market factors affecting these operations. Using the value derived from the above valuation, a comparison was made between purchase consideration and the fair value of Verimark.

Key value drivers to the DCF valuation method are as follows:

#### **Internal**

- Revenue growth rates – forecasted revenue growth rates were considered against historic revenue growth rates achieved;
- Profit margins to be achieved through the forecast period – forecasted profit margins were considered against historic profit margins achieved;
- The discount rates applicable to Verimark – the weighted average cost of capital ("WACC") applicable to Verimark was used as a discount rate which is derived from the cost of equity and the after tax cost of debt in proportion to the long term target capital structure of the company;
- Forecast working capital assumptions – forecasted working capital days were considered against historic working capital days achieved; and
- Forecast capital expenditure requirements – forecasted capital expenditure requirements were considered against historic capital expenditure requirements.

#### **External**

- Stability of the economy and other macroeconomic factors. This included an analysis of publically available information in respect of macroeconomic outlook; and
- Sensitivity analyses on the long term inflation rate assumed and assessed the impact thereof on the valuation. A sustainable growth rate in line with inflation was assumed in determining the perpetuity value.

The following analyses were performed on the key value drivers:

- An analysis and review of the forecast revenue growth rates. This included sensitivity analyses performed on the forecast revenue and assessed the impact thereof on the valuation; and
- An analysis and review of the forecast profit margins. This included a sensitivity analysis performed on the forecast EBITDA margins and assessed the impact thereof on the valuation.

The indicative fair value of Verimark's ordinary shares ranges between R1,33 and R1,37 with a core fair value of R1,35. The consideration of R1,50 per Offer Share is greater than the fair value of Verimark's ordinary shares, thus the Transaction is considered fair to the shareholders of Verimark.

### **OPINION**

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated at the date of the share exchange. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

We have considered the terms and conditions of the Transaction, and based upon and subject to the foregoing, we are of the opinion that the Transaction is fair and reasonable to the ordinary shareholders of Verimark in terms of the Companies Act and Takeover Regulations and that the offer is fair to the shareholders of Verimark in terms of the JSE Listings Requirements.

### **CONSENT**

We hereby consent to the inclusion of this opinion and references hereto, in the form and context in which it appears in any required regulatory announcement or document.

Yours faithfully

**Anoop Ninan**  
*Director*

**Mazars Corporate Finance (Pty) Ltd**  
**54 Glenhove Road**  
**Melrose Estate, 2196**



## AUDITED HISTORICAL FINANCIAL INFORMATION OF VERIMARK FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2018 AND 28 FEBRUARY 2017

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flow and notes of Verimark for the financial years ended, 28 February 2018 and 2017, have been extracted and compiled from the audited consolidated annual financial statements of Verimark, which are available on Verimark's website (<https://verimark.co.za>).

The preparation of this Annexure 2: Part A is the responsibility of the Verimark Directors. The historical financial information of Verimark has previously been audited by KPMG and reported on without qualification for all of the aforementioned financial periods.

### GROUP STATEMENT OF FINANCIAL POSITION

at 28 February 2018

		GROUP		
		2018	Restated*	Restated*
	Note	R	2017	2016
		R	R	R
<b>ASSETS</b>				
<b>Non-current assets</b>		30 136 637	25 743 730	25 935 806
Plant and equipment	3	8 459 145	7 194 961	8 294 858
Intangible assets	4	15 749 938	14 156 514	14 335 640
Deferred taxation	6	5 927 554	4 392 255	3 305 308
<b>Current assets</b>		196 230 720	165 830 122	143 852 581
Inventories	7	84 484 860	83 622 543	65 580 906
Trade and other receivables	8	87 265 175	46 356 008	61 969 784
Prepayments		662 284	988 964	463 202
Prepaid taxation		—	790 258	23 549
Assets held for sale		—	—	163 694
Cash and cash equivalents	9	23 818 401	34 072 349	15 651 446
<b>Total assets</b>		<b>226 367 357</b>	<b>191 573 852</b>	<b>169 788 387</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the company</b>		167 546 139	150 337 008	128 645 846
Share capital	10	338 481	356 518	359 757
Share premium	11	27 421 877	31 810 000	32 268 689
Foreign currency translation deficit		—	—	(322 962)
Retained earnings		139 785 781	118 170 490	96 340 362
<b>Non-current liabilities</b>		8 939 015	8 557 843	6 586 926
Interest-bearing borrowings	12	3 237 394	3 774 244	3 367 248
Operating lease accrual*		5 701 621	4 783 599	3 219 678
<b>Current liabilities</b>		49 882 203	32 679 001	34 555 615
Trade and other payables*	14	40 881 475	30 624 663	22 050 944
Current portion of interest-bearing borrowings	12	2 160 545	1 039 040	701 904
Taxation payable		440 168	—	1 873 433
Bank overdraft	9	6 400 015	1 015 298	9 929 334
<b>Total liabilities</b>		<b>58 821 218</b>	<b>41 236 844</b>	<b>41 142 541</b>
<b>Total equity and liabilities</b>		<b>226 367 357</b>	<b>191 573 852</b>	<b>169 788 387</b>

\*Refer to note 31 for disclosure on prior period error.



## GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2018

		GROUP	
	Note	2018 R	2017 R
<b>Continuing operations</b>			
Revenue	15	508 137 088	439 118 603
Cost of sales		(277 238 335)	(242 798 821)
<b>Gross profit</b>		230 898 753	196 319 782
Other income	16	4 017 663	3 365 709
Selling expenses		(52 077 646)	(45 154 302)
Other operating expenses		(135 958 416)	(118 698 604)
<b>Operating profit before finance income and finance expense</b>	17	46 880 354	35 832 585
Finance income	18	2 363 187	3 636 990
Finance expense	18	(2 557 691)	(2 153 364)
<b>Profit before taxation</b>		46 685 850	37 316 211
Taxation	19	(12 988 386)	(11 003 654)
<b>Profit for the year from continuing operations</b>		<b>33 697 464</b>	<b>26 312 557</b>
<b>Discontinued operations</b>			
<b>Loss for the year from discontinued operations (after tax)</b>	20	–	(486 657)
<b>Profit for the year</b>		33 697 464	25 825 900
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation reserve movement		–	322 962
<b>Total comprehensive income for the year attributable to owners of the company</b>		<b>33 697 464</b>	<b>26 148 862</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)	28	31,9	24,0
Basic and diluted earnings per share (cents) – continuing operations		31,9	24,4
Basic and diluted loss per share from discontinued operations (cents)		–	(0,5)



## GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2018

	Share capital R	Share premium R	GROUP Foreign currency translation deficit R	Retained earnings R	Total R
<b>Balance at 1 March 2016</b>	359 757	32 268 689	(322 962)	96 340 362	128 645 846
<b>Total comprehensive income for the year</b>					
Profit/(loss) for the year					
– Continuing operations	–	–	–	26 312 557	26 312 557
– Discontinued operations	–	–	–	(486 657)	(486 657)
<b>Other comprehensive income</b>	–	–	–	–	–
Foreign currency translation reserve movement	–	–	322 962	–	322 962
Treasury shares	(3 239)	(458 689)	–	–	(461 928)
Dividend paid to shareholders	–	–	–	(3 995 772)	(3 995 772)
<b>Balance at 28 February 2017</b>	<b>356 518</b>	<b>31 810 000</b>	<b>–</b>	<b>118 170 490</b>	<b>150 337 008</b>
<b>Total comprehensive income for the year</b>					
Profit for the year					
– Continuing operations	–	–	–	33 697 464	33 697 464
Repurchase of shares	(6 742)	(1 654 499)	–	–	(1 661 241)
Treasury shares	(11 295)	(2 733 624)	–	–	(2 744 919)
Dividend paid to shareholders	–	–	–	(12 082 173)	(12 082 173)
<b>Balance at 28 February 2018</b>	<b>338 481</b>	<b>27 421 877</b>	<b>–</b>	<b>139 785 781</b>	<b>167 546 139</b>

## GROUP STATEMENT OF CASH FLOWS

for the year ended 28 February 2018

	Note	GROUP 2018 R	2017 R
<b>Cash flows from operating activities</b>			
Cash generated from operations	22.1	21 151 360	47 374 488
Finance income received	18	2 363 187	3 636 990
Finance expense paid	18	(2 557 691)	(2 153 364)
Taxation paid	22.2	(13 293 259)	(14 730 743)
Dividend paid	22.3	(12 082 173)	(3 995 772)
<b>Net cash (outflows)/inflows from operating activities</b>		(4 418 576)	30 131 599
<b>Cash outflows from investing activities</b>		(5 970 607)	(3 219 781)
Acquisitions of plant and equipment to expand operations		(3 997 089)	(3 241 765)
Acquisitions of intangible assets to maintain operations		(2 005 794)	(23 565)
Movement in or assets held for sale realised		–	22 777
Proceeds from disposal of plant and equipment		32 276	22 772
<b>Cash (outflows)/inflows from financing activities</b>		(5 249 482)	282 204
Advances in interest-bearing borrowings		274 351	744 132
Repayment of interest-bearing borrowings		(1 117 673)	–
Repurchase of own shares		(4 406 160)	(461 928)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(15 638 665)	27 194 022
Cash and cash equivalents at beginning of year		33 057 051	5 722 112
Cash and cash equivalents held for sale at beginning of year		–	140 917
<b>Cash and cash equivalents at end of year</b>	<b>22.4</b>	<b>17 418 386</b>	<b>33 057 051</b>



## COMPANY STATEMENT OF FINANCIAL POSITION

at 28 February 2018

		COMPANY	
	Note	2018 R	2017 R
<b>ASSETS</b>			
<b>Non-current assets</b>		87 554 713	69 706 120
Investment in subsidiary companies	5	87 554 713	69 706 120
<b>Current assets</b>		264 483	280 313
Trade and other receivables		101 243	–
Prepayments		13 680	–
Cash and cash equivalents	9	149 560	280 313
<b>Total assets</b>		<b>87 819 196</b>	<b>69 986 433</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the company</b>		63 604 963	49 298 420
Share capital	10	374 166	380 908
Share premium	11	315 047 620	316 702 119
Accumulated losses		(251 816 823)	(267 784 607)
<b>Current liabilities</b>		24 214 233	20 688 013
Trade and other payables	14	54 310	42 751
Amount owing to subsidiary company	13	24 159 923	20 645 262
<b>Total equity and liabilities</b>		<b>87 819 196</b>	<b>69 986 433</b>

## COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2018

		COMPANY	
	Note	2018 R	2017 R
<b>Dividend received from subsidiary</b>	15	12 912 956	4 232 084
Other operating expenses		(1 880 809)	(1 975 719)
Reversal of impairment of investment in subsidiary company	5	17 848 593	29 710 804
<b>Operating loss before taxation</b>		28 880 740	31 967 169
Taxation		–	–
<b>Profit for the year</b>		28 880 740	31 967 169
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		<b>28 880 740</b>	<b>31 967 169</b>



## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2018

	COMPANY			
	Share capital R	Share premium R	Accumulated losses R	Total R
<b>Balance at 1 March 2016</b>	380 908	316 702 119	(295 519 692)	21 563 335
<b>Total comprehensive income for the year</b>				
Profit for the year	–	–	31 967 169	31 967 169
<b>Contributions by and distributions to owners of the company</b>				
Dividend paid to shareholders	–	–	(4 232 084)	(4 232 084)
<b>Balance at 28 February 2017</b>	<b>380 908</b>	<b>316 702 119</b>	<b>(267 784 607)</b>	<b>49 298 420</b>
<b>Total comprehensive income for the year</b>				
Profit for the year	–	–	28 880 740	28 880 740
Repurchase of own shares	(6 742)	(1 654 499)	–	(1 661 241)
Dividend paid to shareholders	–	–	(12 912 956)	(12 912 956)
<b>Balance at 28 February 2018</b>	<b>374 166</b>	<b>315 047 620</b>	<b>(251 816 823)</b>	<b>63 604 963</b>

## COMPANY STATEMENT OF CASH FLOWS

for the year ended 28 February 2018

		COMPANY	
	Note	2018 R	2017 R
Profit before taxation		28 880 740	31 967 169
Reversal of impairment in subsidiary company	5	(17 848 593)	(29 710 804)
<b>Cash generated from operating activities</b>		<b>11 032 147</b>	<b>2 256 365</b>
Increase in trade and other payables		11 559	42 751
Increase in trade and other receivables		(101 243)	–
Increase in prepayments		(13 680)	–
<b>Cash inflows from operating activities</b>		<b>10 928 783</b>	<b>2 299 116</b>
Dividend paid	22.3	(12 912 956)	(4 232 084)
<b>Net cash outflows from operating activities</b>		<b>(1 984 173)</b>	<b>(1 932 968)</b>
<b>Cash inflows from financing activities</b>		<b>1 853 420</b>	<b>1 955 452</b>
Repurchase of shares		(1 661 241)	–
Loans received from subsidiary company		3 514 661	1 955 452
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(130 753)</b>	<b>22 484</b>
Cash and cash equivalents at beginning of year		280 313	257 829
<b>Cash and cash equivalents at end of year</b>	<b>22.4</b>	<b>149 560</b>	<b>280 313</b>



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2018

### 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 group 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 group financial statements are collectively referred to as the financial statements. Where reference is made to "the group" in the accounting policies, it should be interpreted as referring to the company where the context requires, and unless otherwise noted.

#### 1.2 Basis of preparation

##### 1.2.1 Statement of compliance

The group financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa and are consistently applied in the prior year.

The financial statements were authorised for issue by the Board of Directors on 18 May 2018.

##### 1.2.2 Basis of measurement

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

##### 1.2.3 Functional and presentation currency

The financial statements are presented in South African Rand (Rand), which is the 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.

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.3.18.

#### 1.3 Significant accounting policies

##### 1.3.1 Non-current assets held for sale and discontinued operations

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is designated as held for sale when its carrying amount will be recovered primarily through a sale transaction rather than through continuing use. The classification of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal group, an active divestiture programme has been initiated, the non-current asset or disposal group is marketed at a price reasonable to its fair value and the disposal will be completed within one year from classification.



Immediately before classification as held for sale, the assets (or components of a disposal group) are measured in accordance with the group's and company's accounting policies and applicable IFRS. On initial classification as assets held for sale, non-current assets are recognised at the lower of the carrying amount and fair value less costs to sell and recorded in current assets.

Impairment losses of the disposal group are allocated to goodwill first, and then to remaining assets and liabilities. Impairment losses on subsequent remeasurements are included in profit or loss.

Reversals of impairments are not recognised in excess of any cumulative impairment losses.

A discontinued operation results from the sale or abandonment of an operation that represents a separate major line of business or geographical area of operation and of which the assets and liabilities and activities can be distinguished physically, operationally and for financial reporting purposes. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement and cash flow statement is restated as if the operation had been discontinued from the start of the comparative period.

No depreciation is provided on non-current assets from the date they are classified as held for sale.

### **1.3.2 Basis of consolidation**

#### **Subsidiaries**

##### *Investment in subsidiaries*

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Investments in subsidiary companies are stated at cost less accumulated impairment losses in the company's separate financial statements.

##### *Loss of control*

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### **1.3.3 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 reported 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, benefits derived from the youth employment tax incentive, profit/loss or disposal of plant and equipment and ad hoc fees charged to franchisees which are recognised on receipt of funds.

### **1.3.4 Finance income/(expense)**

Finance income/(expense) comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, gains and losses on derivative instruments that are recognised in profit or loss. Interest income and interest expense is recognised in profit or loss as it accrues, using the effective interest method. Foreign exchange gains and losses are recognised when currency gains and losses occur. Foreign exchange gains and losses are reported on a gross basis.



### **1.3.5 Income tax**

Income tax 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.

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. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 and available tax losses 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.

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividend tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the company's tax charge, but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised as the gross amount with the related withholding tax recognised as part of the tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

### **1.3.6 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.

### **1.3.7 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.

### **1.3.8 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 the item of plant and equipment and is 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 shop fittings 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 major component 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. The useful lives for the current and comparative periods were:

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

The residual values, if significant, depreciation method and useful lives of plant and equipment are reviewed at each financial year end and adjusted if appropriate.

## **1.3.9 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 acquired and the liabilities and contingent liabilities assumed 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 significant, amortisation method and useful lives of intangible assets are reviewed at each financial year end and adjusted if appropriate.



### 1.3.10 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, 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 in profit and loss if the carrying amount of an asset or its CGU 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 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 event 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.

### 1.3.11 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.



### **1.3.12 Leases**

#### **Operating leases – lessee**

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against profit or loss on a straight-line basis over the period of the lease. The leased assets are not recognised on the statement of financial position.

#### **Finance leases – lessee**

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

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

### **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 group becomes a party to the contractual provisions of the instrument.

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 and cash and cash equivalents.

#### **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 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, which is on the date on 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.

#### **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.

#### **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 Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rand at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rand at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such an item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

### **1.3.17 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 is 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.

#### **1.3.18 Estimations and judgements applied by directors in applying the accounting policies**

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

##### **Impairment of investment in subsidiary company**

Management continuously considers the recoverability of the investment in and loans to the subsidiaries. The fair value of the investment is determined by reference to the quoted share price at the reporting date. If the value of any investment has decreased below the carrying amount of the investment, the carrying value is written down to the recoverable amount.

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

Management identifies impairment of trade receivables, including returns and credit notes, on an ongoing basis. The estimation of the requirement for impairment is based on the current collectability of the trade receivables, as well as management's experience of the collection history of trade receivables. The fair value of trade receivables is estimated at the present value of future cash flows discounted at the present market rate of interest at the reporting date. Management believes that the allowance for impairment is conservative and there are no significant trade receivables that are doubtful and have not been impaired.

##### **Impairment of goodwill**

Goodwill is assessed for impairment indicators at each reporting date. Impairment indicators include such events as a decline in the earnings of the underlying subsidiary, diminution in investment value, reduction of quoted share price, etc. Where such an indication of impairment exists the goodwill is assessed for impairment. Impairment losses on goodwill are not reversed.

##### **Impairment of inventory**

Obsolete or slow moving 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 and the scrap value recovered where possible.

Slow economic growth in South Africa and the resultant impact on consumer spending and consumer disposable income increases the risk that the group might not be able to sell all of its inventory.

#### **1.3.19 New standards and interpretations not yet adopted**

A number of standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2018, and have not been applied in preparing these financial statements. Refer to note 29 for further details.



## **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 the 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 repayment term 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**

When loans and borrowings are interest free and repayable on demand, the fair value approximates the carrying value as a market participant would demand repayment immediately in order to obtain a better return elsewhere.

### **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 repayment term of less than one year approximates the amortised cost.

### **2.5 Interest-bearing borrowings**

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 Derivative financial instruments**

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



### 3. PLANT AND EQUIPMENT

GROUP	Computer equipment R	Manufacturing structures and handling equipment R	Office furniture and equipment R	Motor vehicles R	Co-owned equipment stores R	Media equipment R	Shop fittings R	Capital work in progress R	Total R
<b>Cost</b>									
<b>Balance at 1 March 2017</b>	4 035 083	5 536 446	6 647 467	185 348	7 562 651	7 353 430	21 470 356	512 258	53 303 039
Additions	1 642 835	–	22 181	64 900	110 002	429 548	1 037 589	2 118 011	5 425 066
Disposals	(628 132)	–	(905 810)	(34 088)	(192 020)	(2 506 085)	(6 980 700)	–	(11 246 835)
Transfers	–	–	–	–	2 361 720	–	100 091	(2 461 811)	–
<b>Balance at 28 February 2018</b>	<b>5 049 786</b>	<b>5 536 446</b>	<b>5 763 838</b>	<b>216 160</b>	<b>9 842 353</b>	<b>5 276 893</b>	<b>15 627 336</b>	<b>168 458</b>	<b>47 481 270</b>
<b>Balance at 1 March 2016</b>	3 820 177	5 536 446	6 807 854	151 590	7 476 509	7 338 956	19 539 947	293 700	50 965 179
Additions	303 250	–	46 233	33 758	98 794	14 474	1 380 590	1 364 666	3 241 765
Disposals	(90 802)	–	(206 620)	–	(584 919)	–	(21 564)	–	(903 905)
Transfers	2 458	–	–	–	572 267	–	571 383	(1 146 108)	–
<b>Balance at 28 February 2017</b>	<b>4 035 083</b>	<b>5 536 446</b>	<b>6 647 467</b>	<b>185 348</b>	<b>7 562 651</b>	<b>7 353 430</b>	<b>21 470 356</b>	<b>512 258</b>	<b>53 303 039</b>
<b>Accumulated depreciation and impairment losses</b>									
<b>Balance at 1 March 2017</b>	3 588 063	4 856 691	5 346 551	142 629	6 092 236	7 339 676	18 742 232	–	46 108 078
Disposals	(628 132)	–	(905 810)	(25 915)	(192 020)	(2 506 085)	(6 980 700)	–	(11 238 662)
Depreciation for the year	345 339	638 806	579 008	31 476	1 244 178	57 765	1 256 137	–	4 152 709
<b>Balance at 28 February 2018</b>	<b>3 305 270</b>	<b>5 495 497</b>	<b>5 019 749</b>	<b>148 190</b>	<b>7 144 394</b>	<b>4 891 356</b>	<b>13 017 669</b>	<b>–</b>	<b>39 022 125</b>
<b>Balance at 1 March 2016</b>	3 413 301	3 884 704	4 936 176	113 764	5 438 956	7 250 804	17 632 616	–	42 670 321
Disposals	(89 064)	–	(202 153)	–	(528 163)	–	(21 241)	–	(840 621)
Depreciation for the year	263 826	971 987	612 528	28 865	1 181 443	88 872	1 130 857	–	4 278 378
<b>Balance at 28 February 2017</b>	<b>3 588 063</b>	<b>4 856 691</b>	<b>5 346 551</b>	<b>142 629</b>	<b>6 092 236</b>	<b>7 339 676</b>	<b>18 742 232</b>	<b>–</b>	<b>46 108 078</b>
<b>Carrying value</b>									
<b>At 28 February 2018</b>	<b>1 744 516</b>	<b>40 949</b>	<b>744 089</b>	<b>67 970</b>	<b>2 697 959</b>	<b>385 537</b>	<b>2 609 667</b>	<b>168 458</b>	<b>8 459 145</b>
<b>At 29 February 2017</b>	<b>447 020</b>	<b>679 755</b>	<b>1 300 916</b>	<b>42 719</b>	<b>1 470 415</b>	<b>13 754</b>	<b>2 728 124</b>	<b>512 258</b>	<b>7 194 961</b>



### 3. PLANT AND EQUIPMENT continued

#### Leased assets

The company leases shop fittings and computer equipment under instalment sale agreements from Wesbank, a division of FirstRand Bank Limited. The leased equipment is secured for the lease obligations (see note 12).

#### Carrying value

	2018 R	2017 R
<b>Leased</b>		
Shop fittings	1 147 238	1 083 595
Computer equipment	1 127 712	–
	<b>2 274 950</b>	<b>1 083 595</b>

#### Assessment of useful lives, residual value and depreciation methods

During the year ended 28 February 2018, the group conducted a review of the estimated useful lives, residual values and depreciation methods of plant and equipment. There were no changes required.

### 4. INTANGIBLE ASSETS

	Goodwill R	Trademarks R	Computer software R	Total R
<b>GROUP</b>				
<b>Cost</b>				
<b>2018</b>				
Balance at beginning of year	13 996 651	200 000	3 859 765	18 056 416
Additions	–	–	2 005 794	2 005 794
<b>Balance at end of year</b>	<b>13 996 651</b>	<b>200 000</b>	<b>5 865 559</b>	<b>20 062 210</b>
<b>2017</b>				
Balance at beginning of year	13 996 651	200 000	3 840 100	18 036 751
Additions	–	–	23 565	23 565
Disposals	–	–	(3 900)	(3 900)
<b>Balance at end of year</b>	<b>13 996 651</b>	<b>200 000</b>	<b>3 859 765</b>	<b>18 056 416</b>
<b>Accumulated amortisation and impairment losses</b>				
<b>2018</b>				
Balance at beginning of year	–	200 000	3 699 902	3 899 902
Amortisation for the year	–	–	412 370	412 370
<b>Balance at end of year</b>	<b>–</b>	<b>200 000</b>	<b>4 112 272</b>	<b>4 312 272</b>
<b>2017</b>				
Balance at beginning of year	–	200 000	3 501 111	3 701 111
Disposals	–	–	(3 900)	(3 900)
Amortisation for the year	–	–	202 691	202 691
<b>Balance at end of year</b>	<b>–</b>	<b>200 000</b>	<b>3 699 902</b>	<b>3 899 902</b>
<b>Carrying amounts</b>				
At 28 February 2018	13 996 651	–	1 753 287	15 749 938
At 28 February 2017	13 996 651	–	159 863	14 156 514



### 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 group financial statements. The goodwill arises on consolidation in terms of reverse listing principles. Refer to note 26 for further explanation.

For the purpose of impairment testing, the entire goodwill amount is allocated to the company's operating subsidiary, Verimark Proprietary Limited (Verimark) (CGU). The recoverable amount of Verimark was based on a value in use calculation performed by the directors based on a five-year forecast.

No impairment of goodwill has been identified in the current financial year.

The following key assumptions were made in the fair value determination:

- Revenue growth year 1 – 5, ranging between 10% and 15,6%;
- Terminal growth rate of 5%;
- Cost of equity 21,37%;
- After tax cost of debt 7,38%;
- Weighted average cost of capital (WACC) 20,87%; and
- Tax rate of 28%.

The value in use valuation reflected a CGU value of R220,8 million, which is greater than the carrying value of the investment and related goodwill.

A sensitivity analysis of the value in use calculation showed that no impairment was required at 28 February 2018 even if the WACC and terminal growth rates were adjusted.

#### Valuation sensitivity analysis

		WACC		
		19,87%	20,87%	21,87%
Terminal growth rate	4%	226 846 288	211 394 433	197 764 821
	5%	237 888 938	220 846 721	205 922 554
	6%	250 523 894	231 570 195	215 108 357

## 5. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2018	2017
<b>Number of shares held</b>		
– Verimark Proprietary Limited	116	116
<b>Percentage holding</b>	%	%
– Verimark Proprietary Limited	100	100

The group has no interests in unconsolidated structured entities.

The group has no contractual obligation or intention to provide support to its consolidated structured entities.

	R	R
<b>Verimark Proprietary Limited</b>		
– Opening balance	69 706 120	39 994 602
– Reversal of impairment	17 848 593	29 711 518
<b>Closing balance</b>	<b>87 554 713</b>	<b>69 706 120</b>
<b>Reconciliation of original cost</b>		
Original cost	283 229 623	283 229 623
Total impairment	(195 674 910)	(213 523 503)
<b>Carrying value</b>	<b>87 554 713</b>	<b>69 706 120</b>
<b>Net investment in subsidiary companies</b>	<b>87 554 713</b>	<b>69 706 120</b>

The annual impairment assessment of the investment in Verimark Proprietary Limited is based on the market price of Verimark Holdings Limited shares due to the application of reverse acquisition principles (see note 26).



## 6. DEFERRED TAXATION

	GROUP	
	2018 R	2017 R
Balance at beginning of year	4 392 255	3 305 308
Current year movement in profit or loss	1 535 299	1 086 947
<b>Balance at end of year</b>	<b>5 927 554</b>	<b>4 392 255</b>

	Assets R	Liabilities R	Total R
--	-------------	------------------	------------

Deferred taxation is recognised at a rate of 28% (2017: 28%) and comprises temporary differences arising on:

### 2018

– Leave pay accrual	1 057 476	–	1 057 476
– Doubtful debts allowance	97 405	–	97 405
– Prepayments	–	(181 610)	(181 610)
– Operating lease accruals	1 596 454	–	1 596 454
– Depreciation/wear and tear on shop fittings	310 609	–	310 609
– Other	–	(43 240)	(43 240)
– Credit note provision	197 597	–	197 597
– Medical aid and provident fund accruals	214 587	–	214 587
– Audit fee accrual	236 592	–	236 592
– Bonus accrual	1 954 145	–	1 954 145
– Commission accrual	487 539	–	487 539
	<b>6 152 404</b>	<b>(224 850)</b>	<b>5 927 554</b>

### 2017

– Leave pay accrual	908 512	–	908 512
– Doubtful debts allowance	67 761	–	67 761
– Prepayments	–	(276 910)	(276 910)
– Operating lease accruals	1 339 408	–	1 339 408
– Deferred revenue	15 590	–	15 590
– Depreciation/wear and tear on shop fittings	479 738	–	479 738
– Medical aid and provident fund accruals	196 070	–	196 070
– Audit fee accrual	231 840	–	231 840
– Bonus accrual	1 052 721	–	1 052 721
– Commission accrual	377 525	–	377 525
	<b>4 669 165</b>	<b>(276 910)</b>	<b>4 392 255</b>

### Unrecognised deferred taxation assets

Verimark Proprietary Limited has unutilised capital gains losses amounting to R201 806. A deferred tax asset has not been raised on this amount as it is uncertain whether the asset will be utilised.



## 7. INVENTORIES

	GROUP	
	2018 R	2017 R
Merchandise in transit	6 532 231	7 272 870
Impairment of inventory	(2 251 774)	(2 846 669)
	<b>84 484 860</b>	<b>83 622 543</b>

Refer to note 17 for details of inventory written off during the year.

Management reviewed all slow moving stock items and raised an impairment for inventories that had not moved in more than two years.

## 8. TRADE AND OTHER RECEIVABLES

	GROUP	
	2018 R	2017 R
<b>Trade receivables</b>		
Sundry debtors	104 823	287 361
Advance payments made to foreign suppliers	3 010 545	3 602 248
Staff receivables	2 588	14 730
Franchise loans receivable	19 149	4 738
Deposits	362 167	263 595
Impairment of trade receivables	(463 834)	(322 671)
	<b>87 265 175</b>	<b>46 356 008</b>

### Security

Trade receivables have been ceded as security for banking facilities (refer to note 9).

Refer to notes 17 and 25.7 for details of trade receivables written off during the year.

## 9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Bank balances and cash on hand	23 818 401	34 072 349	149 560	280 313
	23 818 401	34 072 349	149 560	280 313
Bank overdraft	(6 400 015)	(1 015 298)	–	–
	<b>17 418 386</b>	<b>33 057 051</b>	<b>149 560</b>	<b>280 313</b>

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

### Company

- None

### Verimark Proprietary Limited (legal subsidiary)

### Investec Import Solutions

### Security

- Reversionary cession after Absa Bank Limited
- Refer to note 25.3 for total facilities

### Absa Bank Limited

### Security

- Cession of trade receivables



## Facility covenants

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 be at least equal to 150% of the primary lending facility utilised. These conditions have been met in the current and prior year.

Refer to note 22.4 for split between bank balances and cash on hand.

## 10. SHARE CAPITAL

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Authorised</b>				
200 000 000 ordinary shares of 0,3333 cents each	666 667	666 667	666 667	666 667
<b>Issued</b>				
114 272 328 (2017: 114 272 328) ordinary shares of 0,3333 cents each	381 024	381 024	380 908	380 908
Verimark Holdings buy back of shares – 2 022 696 shares at 0,3333 cents each	(6 742)	–	(6 742)	–
112 249 632 (2017: 114 272 328) ordinary shares in issue at 0,333 cents each	374 282	381 024	374 166	380 908
10 741 599 (2017: 7 351 959) treasury shares of 0,3333 cents each held by Verimark Proprietary Limited	(35 801)	(24 506)	–	–
	<b>338 481</b>	<b>356 518</b>	<b>374 166</b>	<b>380 908</b>
<b>Number of shares</b>				
Number of shares at beginning of year	114 272 328	114 272 328	114 272 328	114 272 328
Verimark Holdings repurchase and cancellation of shares	(2 022 696)	–	(2 022 696)	–
Treasury shares held by Verimark Proprietary Limited	(10 741 599)	(7 351 959)	–	–
<b>Number of shares held externally at end of year</b>	<b>101 508 033</b>	<b>106 920 369</b>	<b>112 249 632</b>	<b>114 272 328</b>

## 11. SHARE PREMIUM

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Premium on total issued shares	37 620 827	37 620 827	316 702 119	316 702 119
Share buy back	(1 654 499)	–	(1 654 499)	–
Treasury shares held by Verimark Proprietary Limited	(8 544 451)	(5 810 827)	–	–
<b>Balance at end of year</b>	<b>27 421 877</b>	<b>31 810 000</b>	<b>315 047 620</b>	<b>316 702 119</b>

### Verimark Holdings

Verimark Holdings purchased 2 022 696 of its own shares on 28 December 2017 at a cost of 81 cents per share. The total value paid for the shares was R1 661 240,86. These shares were cancelled and reversed to authorised but unissued share capital.

Verimark Proprietary Limited purchased a total of 3 300 501 shares on 24 November 2017 at an average price of 80 cents per share. Verimark Proprietary Limited then purchased an additional 89 139 shares on 28 November 2017 at an average price of 81 cents per share. This resulted in a total share purchase of 3 389 640 shares at a cost of R2 744 919.



## 12. INTEREST-BEARING BORROWINGS

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Secured local loans</b>				
<b>Investec Bank Limited</b>	2 979 074	3 371 183	–	–
<p>The loan bears interest at prime less 2%.</p> <p>The loan has been secured by the residential property of a director, Mr MJ van Straaten.</p> <p>The loan is repayable on 8 September 2023.</p> <p>The loan facility allows full repayment and drawdown at the discretion of the directors during the 20-year period.</p>				
<b>Wesbank, a division of FirstRand Bank Limited</b>	2 418 865	1 442 101	–	–
<p>Instalment sale agreements, bearing interest at prime plus 1,45% and repayable over approximately 24 months.</p> <p>The loans are secured by the financed assets (refer to note 3).</p> <p>The loan bore interest at a variable rate of 78% of the prime interest rate.</p>				
<b>Balance at end of year</b>	<b>5 397 939</b>	<b>4 813 284</b>	<b>–</b>	<b>–</b>
Less: Current portion	(2 160 545)	(1 039 040)	–	–
– Investec Bank Limited	(427 299)	(390 820)	–	–
– Wesbank, a division of FirstRand Bank Limited	(1 733 246)	(648 220)	–	–
<b>Non-current portion of interest-bearing liabilities</b>	<b>3 237 394</b>	<b>3 774 244</b>		

## 13. AMOUNT OWING TO SUBSIDIARY COMPANY

	COMPANY	
	2018 R	2017 R
Verimark Proprietary Limited	24 159 923	20 645 262
	<b>24 159 923</b>	<b>20 645 262</b>

The loan is unsecured, interest free and repayable on demand.

## 14. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Trade payables	18 504 552	11 258 841	–	–
Accruals	7 324 535	7 835 342	–	–
Payroll accruals	12 186 294	8 300 990	–	–
Value added tax	249 147	–	–	–
Commissions	1 925 878	1 653 928	–	–
Royalties and licence fees	572 269	790 210	–	–
Store opening and space rentals	64 490	73 115	–	–
Income received in advance	–	55 679	–	–
Directors' fees payable	54 310	42 751	54 310	42 751
Insurance payable	–	613 807	–	–
	<b>40 881 475</b>	<b>30 624 663</b>	<b>54 310</b>	<b>42 751</b>



## 15. REVENUE

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Sale of merchandise (continuing operations)	508 137 088	439 118 603	–	–
Dividend received from subsidiary	–	–	12 912 956	4 232 084
	<b>508 137 088</b>	<b>439 118 603</b>	<b>12 912 956</b>	<b>4 232 084</b>

## 16. OTHER INCOME

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Other income (refer to note 1.3.3)	1 913 375	1 636 140	–	–
Youth employment tax incentive	2 080 185	1 770 081	–	–
Profit/(loss) on disposal of plant and equipment	24 103	(40 512)	–	–
	<b>4 017 663</b>	<b>3 365 709</b>	<b>–</b>	<b>–</b>

## 17. OPERATING PROFIT BEFORE FINANCE INCOME AND FINANCE EXPENSE

	GROUP	
	2018 R	2017 R
Operating profit before finance income and finance expense is arrived at after charging/(crediting):		
Bad debt expense	21 062	17 549
Employee costs	89 111 469	76 601 712
Inventory adjustments and impairments	6 528 948	5 863 895
Operating lease charges:	38 438 291	34 647 094
– Property	34 953 579	30 861 466
– Motor vehicles	2 566 691	2 221 707
– Lease straight-lining	918 021	1 563 921
Debtor's impairment allowance adjustment	141 163	(319 468)

## 18. FINANCE INCOME/(EXPENSE)

	GROUP	
	2018 R	2017 R
<b>Finance income</b>		
Foreign exchange gains – realised	2 141 979	2 749 563
SARS interest received	82 851	–
Interest income from bank balances	138 357	887 427
	<b>2 363 187</b>	<b>3 636 990</b>
<b>Finance expense</b>		
Foreign exchange losses – realised	(1 565 626)	(1 416 964)
Interest expense from financial liabilities	(992 065)	(736 400)
– Investec Bank Limited	(262 479)	(298 428)
– Overdraft	(444 175)	(368 192)
– Wesbank, a division of First Rand National Bank	(148 016)	(58 672)
– Other	(137 395)	(11 108)
	<b>(2 557 691)</b>	<b>(2 153 364)</b>
<b>Net finance expense</b>	<b>194 504</b>	<b>1 483 626</b>



## 19. TAXATION

	GROUP	
	2018 R	2017 R
<b>South African normal taxation</b>		
<b>Current taxation</b>		
– Current year expense	14 523 685	12 090 601
<b>Deferred taxation</b>		
– Current year debit/(credit)	(1 535 299)	(1 086 947)
<b>Total income taxation</b>	<b>12 988 386</b>	<b>11 003 654</b>

<b>Reconciliation of taxation rate</b>	<b>%</b>	<b>%</b>
Current year's charge as a percentage of profit before taxation	27,7	29,5
Non-deductible expenditure		
– Donations	–	(0,1)
Exempt income		
– Learnership allowance	0,2	–
– Youth employment tax incentive	1,2	–
– SARS Interest on overpayment	–	0,1
– Disallowed expenditure	(1,1)	(1,5)
<b>Standard taxation rate</b>	<b>28,0</b>	<b>28,0</b>

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

## 20. DISCONTINUED OPERATION

During the year ended 28 February 2015, the Board took the decision to discontinue the Verimark Singapore Private Limited operation. On 3 March 2015, the Board ratified the decision to discontinue the Verimark Singapore Private Limited operation and began the process of winding down the operation. The company was finally deregistered in the 2017 financial year.

	2018 R	2017 R
<b>Results of discontinued operation</b>		
Expenses	–	(486 657)
Loss from operations before tax	–	(486 657)
<b>Loss for the year</b>	<b>–</b>	<b>(486 657)</b>

The loss from discontinued operations is attributable entirely to the owners of the company.

### Cash flows utilised by discontinued operation

Net cash utilised by operating activities	–	(140 917)
<b>Net cash flow for the year</b>	<b>–</b>	<b>(140 917)</b>



## 21. RELATED PARTY TRANSACTIONS

### 21.1 Identity of related parties

Details of subsidiary companies and controlled entities are disclosed in note 5.

The directors of the company are Mr MJ van Straaten, Mr BM Groome, Ms S van Straaten, Mr MM Patel, Mr JM Pieterse and Ms AT Nzimande. Mr MM Patel resigned during the financial year.

Ms S van Straaten was appointed as an alternate director to MJ van Straaten on 28 February 2018.

Mr MM Patel resigned on 2 April 2018.

Directors' emoluments are disclosed in note 30.

At 28 February 2018, 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:

	Indirect	Total number of shares held	Percentage of issued share capital
<b>Director</b>			
MJ van Straaten and associates	72 000 000	72 000 000	64,14
JM Pieterse and associates	1 791 525	1 791 525	1,60

Details of security provided by directors are disclosed in note 12.

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

### 21.2 Related party transactions

#### 21.2.1 Amounts owing to subsidiary company

	COMPANY 2018 R	2017 R
<b>Verimark Proprietary Limited</b>		
Opening balance	(20 645 262)	(18 689 810)
Advances from subsidiary	(3 514 661)	(1 955 452)
<b>Closing balance</b>	<b>(24 159 923)</b>	<b>(20 645 262)</b>

Refer to note 13.

#### 21.2.2 Directors and key management purchases of goods

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
MJ van Straaten	13 542	7 327	–	–
BM Groome	1 657	991	–	–
	<b>15 199</b>	<b>8 318</b>	<b>–</b>	<b>–</b>

Sale of goods to directors is at a discount of 67% and sale of goods to key management is at a discount of 20%.

#### 21.2.3 Directors and key management personnel compensation

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Directors</b>				
Short-term employee benefits	9 911 747	7 036 721	652 502	685 365
	<b>9 911 747</b>	<b>7 036 721</b>	<b>652 502</b>	<b>685 365</b>
<b>Key management</b>				
Short-term employee benefits	1 541 207	1 833 187	–	–
	<b>1 541 207</b>	<b>1 833 187</b>	<b>–</b>	<b>–</b>
	<b>11 452 954</b>	<b>8 869 908</b>	<b>652 502</b>	<b>685 365</b>



## 22. NOTES TO THE STATEMENT OF CASH FLOWS

### 22.1 Cash generated from operations

	GROUP	
	2018 R	2017 R
Profit before taxation from continuing operations	46 685 850	37 316 211
Loss before taxation from discontinued operations	–	(486 657)
Adjustment for:		
– amortisation of computer software	412 370	202 691
– depreciation on plant and equipment	4 152 709	4 278 378
– (profit)/loss on disposal of plant and equipment	(24 103)	40 512
– finance income	(2 363 187)	(3 636 990)
– finance expense	2 557 691	2 153 364
– decrease in inventory impairment allowance	(594 895)	(1 159 327)
– increase in straight-lining accrual	918 022	1 563 921
– foreign currency translation movement	–	322 962
	51 744 457	40 595 065
Increase in inventories	(267 422)	(16 882 310)
(Increase)/decrease in trade and other receivables	(40 909 167)	15 613 776
Decrease/(increase) in prepayments	326 680	(525 762)
Increase in trade and other payables	10 256 812	8 573 719
	<b>21 151 360</b>	<b>47 374 488</b>

### 22.2 Taxation paid

	GROUP	
	2018 R	2017 R
Amounts prepaid/(owing) at beginning of year	790 258	(1 849 884)
Current year charges	(14 523 685)	(12 090 601)
Amounts owing/(prepaid) at end of year	440 168	(790 258)
	<b>(13 293 259)</b>	<b>(14 730 743)</b>

### 22.3 Dividend paid

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Amount owing at beginning of year	–	–	–	–
Current year charge	(12 082 173)	(3 995 772)	(12 912 956)	(4 232 084)
Amount owing at end of year	–	–	–	–
	<b>(12 082 173)</b>	<b>(3 995 772)</b>	<b>(12 912 956)</b>	<b>(4 232 084)</b>

### 22.4 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following:

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Bank balances	23 693 995	33 976 352	149 560	280 313
Bank overdraft	(6 400 015)	(1 015 298)	–	–
Cash on hand	124 406	95 997	–	–
	<b>17 418 386</b>	<b>33 057 051</b>	<b>149 560</b>	<b>280 313</b>



## 23. RETIREMENT BENEFITS

	GROUP		COMPANY	
	2018	2017	2018	2017
	R	R	R	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 0% and employees contribute 11,77% of their pensionable salaries. The total value of contributions to the above schemes was	4 753 371	4 192 598	–	–

## 24. COMMITMENTS

### 24.1 Future operating lease commitments entered into by the group

	GROUP	
	2018	2017
	R	R
<b>Motor vehicles and office equipment</b>		
– Payable within one year	4 000 666	2 641 075
– Payable in year two to five	5 087 470	3 208 311
<b>Total</b>	<b>9 088 136</b>	<b>5 849 386</b>
<b>Property</b>		
– Payable within one year	30 073 194	23 656 398
– Payable in year two to five	54 428 158	53 488 081
– Payable thereafter	–	7 226 318
<b>Total cash outflow</b>	<b>84 501 352</b>	<b>84 370 797</b>
– Less: Operating lease accrual	(5 701 621)	(4 783 599)
<b>Total accounting expense</b>	<b>78 799 731</b>	<b>79 587 198</b>

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 period of the head office lease is from 1 October 2012 to 30 September 2022 with a 7% escalation in the rental payment for the first five years and 6% for the remaining lease term. Verimark may terminate the lease after five years.

### 24.2 Future instalment sale commitments entered into by the group

	GROUP	
	2018	2017
	R	R
<b>Office equipment</b>		
– Payable within one year	1 733 247	648 220
– Payable in year two to five	685 618	793 881
	<b>2 418 865</b>	<b>1 442 101</b>



## 24.2 Future instalment sale commitments entered into by the group continued

	Future minimum lease payments 2018 R	Interest 2018 R	Present value of minimum lease payments 2018 R	Future minimum lease payments 2017 R	Interest 2017 R	Present value of minimum lease payments 2017 R
<b>Instalment sale liabilities</b>						
Less than one year	1 922 744	189 497	1 733 247	785 452	137 232	648 220
In two to five years	729 230	43 612	685 618	850 136	56 255	793 881
<b>Total</b>	<b>2 651 974</b>	<b>233 109</b>	<b>2 418 865</b>	<b>1 635 588</b>	<b>193 487</b>	<b>1 442 101</b>

The group leases office furniture and equipment and manufacturing structures under instalment sale agreements.

## 24.3 Future operating lease commitments entered into for property occupied by franchisees

	COMPANY	
	2018 R	2017 R
<b>Property</b>		
– Payable within one year	237 645	71 120
	<b>237 645</b>	<b>71 120</b>

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.

## 24.4 Advertising commitments

The group has an advertising commitment for the period 1 March 2018 to 1 April 2018. The minimum amount still to be expensed after the financial year end amounts to R1 601 905 (2017: R16 080).

## 24.5 Capital commitments

Capital expenditure authorised but not yet contracted for amounts to R9 054 244 (2017: R3 527 135) in respect of assets to be acquired to expand operations of the group. Included in the amount is R463 000 (2017: R300 000) in respect of computer software. These acquisitions will be financed through finance received from instalment sale agreements and cash generated from operations.

## 24.6 Guarantees

- Absa Bank Limited issued a R1 000 000 (2017: R1 000 000) guarantee in favour of Oracle Airtime Sales (DSTV) on behalf of the group.
- Absa Bank Limited issued guarantees amounting to R3 719 872 (2017: R2 213 149) in favour of various parties.

# 25. FINANCIAL INSTRUMENTS

## 25.1 Overview

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

- Credit risk;
- Liquidity risk; and
- Market risk (including currency risk and interest rate risk).

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

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



The Audit and Risk Committee and Board of Directors have 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.

## **25.2 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 79% (2017: 61%) of the trade receivables balance at year end. Refer to note 25.7.

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.

### **Bank balances**

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

## **25.3 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**

- Primary lending facility – R32 000 000
- Credit card facility – R350 000
- Credit card (Travel Lodge Card) facility – R150 000
- Fleet card facility – R20 000
- Guarantee facility – R5 980 000
- Letters of credit – R2 000 000
- Forward exchange contract facility – R21 000 000
- Forward exchange settlement limit – R21 000 000
- Automated Clearing Bureau debits – R500 000

Date of review for all banking facilities is November 2018.

The group is currently in a cash positive position of R17,4 million (2017: net positive of R33,0 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. The group will continue to migrate to the use of "cash against documents" instead of "letters of credit" for foreign imports.

## **25.4 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.

### **25.4.1 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.

### **25.4.2 Interest rate risk**

The group's interest rate risk arises from borrowings (loans and instalment sale agreements). The group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a variable rate basis.

## **25.5 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.

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 9 and 12 for further details.

The Board also ensures compliance with the covenants required by Absa Bank Limited as part of the facilities granted to the group.

The capital structure of the group consists of equity and debt, which includes borrowings, net of cash and cash equivalents.



## 25.6 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:

	28 February 2018 R	28 February 2017 R
<b>GROUP</b>		
Trade and other receivables	84 254 630	42 753 760
Cash and cash equivalents	23 818 401	34 072 349
Interest-bearing borrowings	(3 237 394)	(3 774 244)
Trade and other payables	(40 881 475)	(30 624 663)
Current portion of interest-bearing borrowings	(2 160 545)	(1 039 040)
Bank overdraft	(6 400 015)	(1 015 298)
<b>COMPANY</b>		
Trade and other receivables	101 243	–
Cash and cash equivalents	149 560	280 313
Trade and other payables	(54 310)	(42 751)
Amount owing to subsidiary company	(24 159 923)	(20 645 262)

## 25.7 Credit risk

	<b>GROUP</b>		<b>COMPANY</b>	
	2018 R	2017 R	2018 R	2017 R
<b>Exposure to credit risk</b>				
The carrying amount of financial assets represents the maximum credit exposure and was:				
Trade and other receivables	84 254 630	42 753 760	101 243	–
Cash and cash equivalents (net of bank overdraft)	17 418 386	33 057 051	149 560	280 313
	<b>101 673 016</b>	<b>75 810 811</b>	<b>250 803</b>	<b>280 313</b>
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	83 325 255	42 506 007	–	–
Foreign – Export	904 482	–	–	–
	<b>84 229 737</b>	<b>42 506 007</b>	<b>–</b>	<b>–</b>
<b>Trade receivables before impairment allowance</b>				
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
Retailer customers	83 599 282	41 817 256	–	–
Franchisee customers	630 455	688 751	–	–
	<b>84 229 737</b>	<b>42 506 007</b>	<b>–</b>	<b>–</b>

The group's most significant customer, a domestic retailer, accounts for R68 844 986 (2017: R28 591 954) of the trade receivables' carrying amount at 28 February 2018. 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.



	2018		2017	
	Gross R	Impairment allowance R	Gross R	Impairment allowance R
<b>GROUP</b>				
<b>Impairment allowance</b>				
The ageing of trade receivables at the reporting date was:				
Not past due	25 249 528	(7 892)	20 384 494	–
Past due 30 to 120 days	58 934 344	(455 942)	21 545 982	(142 232)
Past due more than 120 days	45 865	–	575 531	(180 439)
<b>Total</b>	<b>84 229 737</b>	<b>(463 834)</b>	<b>42 506 007</b>	<b>(322 671)</b>

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

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

	GROUP	
	2018 R	2017 R
Balance at beginning of year	(322 671)	(642 139)
Impairment allowance released	30 250	319 468
Impairment allowance (created)/released	(171 413)	–
<b>Balance at end of year</b>	<b>(463 834)</b>	<b>(322 671)</b>

The impairment allowance 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.

## 25.8 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:

				28 February 2018		28 February 2017	
	Currency	Nominal interest rate*	Year of maturity	Face value R	Carrying amount R	Face value R	Carrying amount R
GROUP							
Secured bank loans							
– Investec	ZAR	Prime -2%	2023	2 979 074	2 979 074	3 371 183	3 371 183
Secured bank loans							
– Wesbank	ZAR	Prime +1.25% to Prime +1,45%	2019	2 418 865	2 418 865	1 442 101	1 442 101
Total liabilities				5 397 939	5 397 939	4 813 284	4 813 284

\* Refer to notes 3, 9 and 12 for the security provided for the bank loans.

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
<b>GROUP</b>					
<b>28 February 2018</b>					
<b>Non-derivative financial liabilities</b>					
Secured loans	5 397 939	6 371 128	1 287 781	1 287 781	3 795 566
Trade and other payables	40 881 475	40 881 475	40 881 475	–	–
	<b>46 279 414</b>	<b>47 252 603</b>	<b>42 169 256</b>	<b>1 287 781</b>	<b>3 795 566</b>
<b>28 February 2017</b>					
<b>Non-derivative financial liabilities</b>					
Secured loans	4 813 284	6 037 199	721 662	721 662	4 593 875
Trade and other payables	30 568 984	30 568 984	30 568 984	–	–
	<b>35 382 268</b>	<b>36 606 183</b>	<b>31 290 646</b>	<b>721 662</b>	<b>4 593 875</b>
<b>COMPANY</b>					
<b>28 February 2018</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	54 310	54 310	54 310	–	–
Amount owing to subsidiary company	24 159 923	24 159 923	24 159 923	–	–
	<b>24 214 233</b>	<b>24 214 233</b>	<b>24 214 233</b>	<b>–</b>	<b>–</b>
<b>28 February 2017</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	42 751	42 751	42 751	–	–
Amount owing to subsidiary company	20 645 262	20 645 262	20 645 262	–	–
	<b>20 688 013</b>	<b>20 688 013</b>	<b>20 688 013</b>	<b>–</b>	<b>–</b>

#### Fair value hierarchy

The group had no financial instruments carried at fair value, by valuation method, at 28 February 2018.



## 25.9 Market risk

### 25.9.1 Currency risk

#### Exposure to currency risk

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

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Bank and cash balances	(6 400 015)	(1 015 298)	–	–
Foreign trade and other payables	(1 396 307)	(3 158 912)	–	–
Foreign trade and other receivables	904 482	–	–	–
<b>Gross exposure at year end</b>	<b>(6 891 840)</b>	<b>(4 174 210)</b>	<b>–</b>	<b>–</b>

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE MID-SPOT RATE	
	2018 R	2017 R	2018 R	2017 R
<b>GROUP</b>				
US Dollar	13,08	14,26	11,64	12,94

#### Sensitivity analysis

A 10% strengthening/weakening of the ZAR against the currencies noted above at 28 February 2018 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 was performed on the same basis for 2017.

	Profit/loss and equity R
<b>GROUP</b>	
<b>28 February 2018</b>	
Rand effect	496 212
<b>28 February 2017</b>	
Rand effect	300 543

### 25.9.2 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	
	2018 R	2017 R	2018 R	2017 R
<b>Variable rate instruments</b>				
Financial assets	23 818 401	33 976 352	149 560	280 313
Financial liabilities	(11 797 954)	(5 828 582)	–	–
	<b>12 020 447</b>	<b>28 147 770</b>	<b>149 560</b>	<b>280 313</b>

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 (bp) 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 as for 2017.

	PROFIT OR LOSS		EQUITY	
	100 bp increase R	100 bp decrease R	100 bp increase R	100 bp decrease R
<b>GROUP</b>				
<b>28 February 2018</b>				
Variable rate instruments	120 204	(120 204)	86 547	(86 547)
<b>Cash flow sensitivity (net)</b>	<b>120 204</b>	<b>(120 204)</b>	<b>86 547</b>	<b>(86 547)</b>
<b>28 February 2017</b>				
Variable rate instruments	281 478	(281 478)	202 664	(202 664)
<b>Cash flow sensitivity (net)</b>	<b>281 478</b>	<b>(281 478)</b>	<b>202 664</b>	<b>(202 664)</b>

### 25.10 Capital management

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

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Total liabilities	58 821 218	41 236 844	24 214 233	20 688 013
Less: Cash and cash equivalents	(23 818 401)	(34 072 349)	(149 560)	(280 313)
	35 002 817	7 164 495	24 064 673	20 407 700
<b>Total equity</b>	<b>167 546 139</b>	<b>150 337 008</b>	<b>63 604 963</b>	<b>49 298 420</b>
Adjusted debt to capital ratio	0,21	0,05	0,38	0,41

Refer to note 25.5 for details on how the group manages its capital.

## 26. 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 group 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 group financial statements at their pre-combination carrying amounts;
- the retained earnings and other equity balances recognised in the group financial statements are the retained earnings and other equity balances of the legal subsidiary, immediately before the business combination; and
- the amount recognised as issued equity instruments in the group financial statements shall be determined by adding to the issued equity of the legal subsidiary immediately before the business combination, to the fair value of the legal parent (accounting acquiree). 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 group 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.



## 27. SEGMENTAL INFORMATION

In the past the group expanded to Singapore where a company was started. Per IFRS 8 Operating Segments the operations of the group are now split between South Africa and Foreign.

	South Africa R	Foreign (discontinued) R	Group elimination R	Total R
<b>For the year ended 28 February 2018</b>				
Revenue	508 137 088	–	–	508 137 088
Profit before tax	46 685 850	–	–	46 685 850
Profit for the year	33 697 464	–	–	33 697 464
Segment assets	226 367 357	–	–	226 367 357
Segment liabilities	(58 821 218)	–	–	(58 821 218)
<b>For the year ended 28 February 2017</b>				
Revenue	439 118 603	–	–	439 118 603
Profit/(loss) before tax	37 316 211	(486 657)	–	36 829 554
Profit/(loss) for the year	26 312 557	(486 657)	–	25 825 900
Segment assets	191 573 852	–	–	191 573 852
Segment liabilities	(41 236 844)	–	–	(41 236 844)

The group has assessed external customers and determined that a customer in the retail sector which constitutes 79% (2017: 61%) 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;
- Health and fitness – Maxxus, Orbitrek, V-ssage;
- DIY and automotive – Diamond Guard, Prolong, Durablade, Pool Gobbler; Gorilla;
- Educational and fun toys – i-Play; and
- Beauty – Perfect Curl, Pink Armor, Genie Bra.

These products are distributed countrywide to all customers with no geographical differentiation. Refer to note 25.7 for further details and information on the group's major customers.



## 28. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after taxation of R33 697 464 (2017: R25 825 900) attributable to the ordinary shareholders and a weighted average of 105 686 243 (2017: 107 782 370) ordinary shares in issue during the year.

The calculation of headline earnings is based on the net profit attributable to ordinary shareholders of R33 680 110 (2017: R25 855 069) and a weighted average of 105 686 243 (2017: 107 782 370) ordinary shares in issue during the year.

	<b>GROUP</b>	
	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
Profit per statements of profit or loss and other comprehensive income	33 697 464	25 825 900
Adjustments:		
(Profit)/loss on disposal of plant and equipment	(24 103)	40 512
Tax effect	6 749	(11 343)
<b>Headline earnings</b>	<b>33 680 110</b>	<b>25 855 069</b>
<b>Weighted average shares reconciliation</b>		
Number of shares at beginning of year	114 272 328	114 272 328
Weighted number of shares repurchased and cancelled during the year	(343 581)	
Treasury shares held by Verimark Proprietary Limited weighted for the period	(8 242 504)	(6 489 958)
<b>Weighted average number of shares held externally at end of year</b>	<b>105 686 243</b>	<b>107 782 370</b>
Diluted weighted average shares	105 686 243	107 782 370
Basic earnings per share (cents)	31,9	24,0
Headline earnings per share (cents)	31,9	24,0
Diluted basic earnings per share (cents)	31,9	24,0
Diluted headline earnings per share (cents)	31,9	24,0



## 29. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of the group for the year ended 28 February 2018, the following Standards and Interpretations were in issue but not yet effective:

	<b>Standard/Interpretation</b>	<b>Effective date</b>
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018*
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2018*
IFRS 2 amendments	Clarifying Share-Based Payments Accounting	Annual periods beginning on or after 1 January 2018*
IFRS 4 amendments	Applying IFRS9 Financial Instruments with IFRS 4 Insurance Contracts	Annual periods beginning on or after 1 January 2018*
IAS 40 amendments	Transfers of Investment Property	Annual periods beginning on or after 1 January 2018*
IFRIC 22	Foreign Currency Transactions and Advance Considerations	Annual periods beginning on or after 1 January 2018*
IFRS 16	Leases	Annual periods beginning on or after 1 January 2019*
IFRIC 23	Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019*
IFRS 9 amendment	Prepayment Features with Negative Compensation	Annual periods beginning on or after 1 January 2019*
IAS 28 amendment	Long-term Interests in Associates and Joint Ventures	Annual periods beginning on or after 1 January 2019*
IFRS 17	Insurance Contracts	Annual periods beginning on or after 1 January 2021*

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

IFRS 17, IAS 28 amendments, IFRS 2 amendments, IFRS 9 amendments, IFRS 4 amendments and IAS 40 are not applicable to the business of the group and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

### **IFRIC 22 Foreign Currency Transactions and Advance Considerations**

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The principles of IFRIC 22 have been quantified in the current year but amounts are not material.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

### **IFRS 15 Revenue from Contracts with Customers**

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Revenue comprises the fair value of amounts invoiced in respect of goods sold, net of rebates and settlement discounts. Revenue is recognised when risk and rewards are passed to the customer, which in the case of credit sales is the date of delivery. In respect of cash sales, revenue is recognised when the transaction happens.

It is envisaged that the adoption of the new standard will not have a significant impact on the timing and value of revenue recognised due to the nature of the group's operations.



The sales transaction does not involve multiple performance obligations, or complex contractual terms determining the timing over which revenue should be recognised. In terms of the new standard, revenue will still be recognised at a point in time, which will be the date of delivery.

In terms of the current revenue recognition policy, Verimark already makes provision for any credit and warranty returns in terms of its warranty agreements. The impact and the timing of this performance obligation will not differ significantly under the new standard.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

### **IFRS 9 Financial Instruments**

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard includes changes in the measurement bases of the company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the company.

The change from an incurred loss model to an expected credit loss model when assessing the impairment of trade receivables is not expected to have a significant impact on the company under the new standard. Based on the nature of the customer base and the low level of historic credit losses, bad debt is not considered a major expense to the company.

The impairment allowance historically represented less than 0,6% of the trade receivables outstanding at the reporting date and less than 0,1% of the reported revenue for the year.

Based on the strong credit control process in place and the nature of the primary trade debtors, the directors do not believe that the new approach to credit loss calculation will have a significant impact.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

### **IFRS 16 Leases**

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the statement of financial position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The company has begun assessing the potential impact of IFRS 16 on the financial statements.

Verimark leases a number of properties (head office and stores), motor vehicles and office equipment in terms of operating leases.

The leases are generally for periods ranging between 24 and 60 months.

Once the new standard becomes effective, these leases will have to be capitalised and reflected as right of use assets and lease liabilities on the statement of financial position.

As noted in note 24.1, the group had operating lease commitments of R84,5 million outstanding at 28 February 2018 in respect of current property leases.

The present value of this future commitment is indicative of the amount of the lease asset (right of use asset) and lease obligation which would have to be reflected on the statement of financial position. The present value of the commitments is R76,1 million using an annual interest rate of 6% which will result in an increase on non-current assets and non-current liabilities of R76,1 million. The income statement will be affected by future depreciation charges on the asset, future interest expense costs on the lease liability, and a decrease in rental charges.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.



## IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by the authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgements made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

The group does not have complex income tax treatments and ensures that all tax deductions and incomes are in accordance with the relevant taxation legislation.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

## 30. DIRECTORS' EMOLUMENTS

	Basic salary R	Allowances and other benefits R	Pension and medical aid contributions R	Total R
<b>GROUP</b>				
<b>28 February 2018</b>				
<b>Executive directors paid by subsidiary</b>				
MJ van Straaten <sup>1</sup>	5 003 245	2 460 556	576 453	8 040 254
BM Groome <sup>1</sup>	910 755	206 990	101 246	1 218 991
S van Straaten <sup>2</sup>	527 148	61 872	58 601	647 621
	6 441 148	2 729 418	736 300	9 906 866
<b>Non-executive directors paid by company</b>				
AT Nzimande	133 231	–	–	133 231
JM Pieterse	253 793	–	–	253 793
MM Patel	265 478	–	–	265 478
	652 502	–	–	652 502
<b>Total</b>	<b>7 093 650</b>	<b>2 729 418</b>	<b>736 300</b>	<b>10 559 368</b>
<b>28 February 2017</b>				
<b>Executive directors paid by subsidiary</b>				
MJ van Straaten <sup>1</sup>	4 696 165	120 000	540 538	5 356 703
BM Groome <sup>1</sup>	773 746	9 187	86 015	868 948
SR Beecroft <sup>1</sup>	109 492	–	16 213	125 705
	5 579 403	129 187	642 766	6 351 356
<b>Non-executive directors paid by company</b>				
AT Nzimande	35 900	–	–	35 900
JM Pieterse	247 100	–	–	247 100
JT Motlatsi	113 400	–	–	113 400
MM Patel	288 965	–	–	288 965
	685 365	–	–	685 365
<b>Total</b>	<b>6 264 768</b>	<b>129 187</b>	<b>642 766</b>	<b>7 036 721</b>

<sup>1</sup> Director of the subsidiary Verimark Proprietary Limited and Verimark Holdings Limited.

<sup>2</sup> Alternate director.

There are no prescribed officers in the company.

Refer to note 21.2.3 for additional disclosure on transactions with directors.



	Salary R	Other benefits and allowances R	Pension and medical aid R	Total R
<b>Key management paid by subsidiary</b>				
<b>2018</b>				
D Rabie	645 229	174 442	73 914	893 585
<b>Total</b>	<b>645 229</b>	<b>174 442</b>	<b>73 914</b>	<b>893 585</b>
<b>2017</b>				
D Rabie	685 460	160 703	82 644	928 807
N du Plessis	481 760	37 854	60 988	580 602
W Els	287 799	–	35 979	323 778
<b>Total</b>	<b>1 455 019</b>	<b>198 557</b>	<b>179 611</b>	<b>1 833 187</b>

### 31. PRIOR PERIOD ERROR

During 2018, the group discovered that the rent straight-lining provision was erroneously disclosed as a current liability since inception. As a consequence, the current liabilities were overstated and the non-current liabilities understated. The error has been corrected by restating each of the affected financial statement line items for prior periods. The following table summarise the impacts on the group's consolidated financial statements.

	As previously reported R	Adjustments R	As restated R
<b>1 March 2016</b>			
Trade and other payables (current liabilities)	25 270 622	(3 219 678)	22 050 944
Operating lease accrual (non-current liabilities)	–	3 219 678	3 219 678
<b>Total liabilities</b>	<b>41 142 541</b>	<b>–</b>	<b>41 142 541</b>
<b>28 February 2017</b>			
Trade and other payables (current liabilities)	35 408 262	(4 783 599)	30 624 663
Operating lease accrual (non-current liabilities)	–	4 783 599	4 783 599
<b>Total liabilities</b>	<b>41 236 844</b>	<b>–</b>	<b>41 236 844</b>

### 32. 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.

### 33. 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.

### 34. DIVIDENDS

The Board declared and approved a final dividend of R12 912 956 or R111 318,58 per share (2017: R4 232 087 or R36 483,48 per share) relating to the year ended 28 February 2017 on 18 May 2017.

The Board declared and approved a final dividend of R16 848 732 or R145 248 per share relating to the year ended 28 February 2018 on 18 May 2018.



## AUDITED HISTORICAL FINANCIAL INFORMATION OF VERIMARK FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2016 AND 28 FEBRUARY 2015

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flow and notes of Verimark for the financial years ended 28 February 2016 and 2015, have been extracted and compiled from the audited consolidated annual financial statements of Verimark, which are available on Verimark's website (<https://verimark.co.za>).

The preparation of this Annexure 2: Part B is the responsibility of the Verimark Directors. The historical financial information of Verimark has previously been audited by KPMG and reported on without qualification for all of the aforementioned financial periods.

### GROUP STATEMENT OF FINANCIAL POSITION

at 29 February 2016

		GROUP	
	Note	2016 R	2015 R
<b>ASSETS</b>			
<b>Non-current assets</b>		25 935 806	30 848 150
Plant and equipment	3	8 294 858	11 264 408
Intangible assets	4	14 335 640	14 622 915
Deferred taxation asset	6	3 305 308	4 960 827
<b>Current assets</b>		143 852 581	147 673 726
Inventories	7	65 580 906	79 531 209
Trade and other receivables	8	61 969 784	64 072 399
Prepayments		463 202	496 258
Prepaid taxation		23 549	497 797
Assets held for sale	21	163 694	2 632 201
Cash and cash equivalents	9	15 651 446	443 862
<b>Total assets</b>		<b>169 788 387</b>	<b>178 521 876</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the company</b>		128 645 846	125 968 214
Share capital	10	359 757	359 757
Share premium	11	32 268 689	32 268 689
Foreign currency translation deficit		(322 962)	(166 122)
Retained earnings		96 340 362	93 505 890
<b>Non-current liabilities</b>		3 367 248	4 085 295
Interest-bearing borrowings	13	3 367 248	4 085 295
<b>Current liabilities</b>		37 775 293	48 468 367
Trade and other payables	15	25 270 622	33 326 469
Liabilities directly associated with assets held for sale	21	–	301 343
Current portion of interest-bearing borrowings	13	701 904	1 421 595
Taxation payable		1 873 433	134 003
Bank overdraft	9	9 929 334	13 284 957
<b>Total liabilities</b>		<b>41 142 541</b>	<b>52 553 662</b>
<b>Total equity and liabilities</b>		<b>169 788 387</b>	<b>178 521 876</b>



# GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2016

		GROUP	
	Note	2016 R	2015 R
<b>Continuing operations</b>			
<b>Revenue</b>	16	430 798 744	415 373 764
<b>Cost of sales</b>		(257 862 994)	(246 502 223)
<b>Gross profit</b>		172 935 750	168 871 541
Other income	17	2 447 466	2 358 262
Selling expenses		(40 407 566)	(38 858 070)
Other operating expenses		(117 145 839)	(114 263 510)
<b>Operating profit before finance income and finance expense</b>	18	17 829 811	18 108 223
Finance income	19	1 785 130	2 376 303
Finance expense	19	(6 467 307)	(3 480 089)
<b>Profit before taxation</b>		13 147 634	17 004 437
Taxation expense	20	(3 882 353)	(5 010 424)
<b>Profit for the year from continuing operations</b>		<b>9 265 281</b>	<b>11 994 013</b>
<b>Discontinued operations</b>			
<b>Loss for the year from discontinued operations (after tax)</b>	21	(801 113)	(736 350)
<b>Profit for the year</b>		8 464 168	11 257 663
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation reserve movement		(156 840)	1 428
<b>Total comprehensive income for the year attributable to owners of the company</b>		<b>8 307 328</b>	<b>11 259 091</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)	29	7,8	10,4
Basic and diluted earnings per share (cents) – continuing operations		8,6	11,1
Basic and diluted loss per share from discontinued operations (cents)		(0,7)	(0,7)



## GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2016

	GROUP					
	Share capital R	Share premium R	Share based payment reserve R	Foreign currency translation deficit R	Retained earnings R	Total R
<b>Balance at 1 March 2014</b>	359 757	32 268 689	468 137	(167 550)	82 248 227	115 177 260
<b>Total comprehensive income for the year</b>						
Profit/(loss) for the year						
– Continuing operations	–	–	–	–	11 994 013	11 994 013
– Discontinued operations	–	–	–	–	(736 350)	(736 350)
<b>Other comprehensive income</b>						
Foreign currency translation reserve movement	–	–	–	1 428	–	1 428
Share based payment transaction credit	–	–	(468 137)	–	–	(468 137)
<b>Contributions by and distributions to owners of the company</b>						
Dividend paid to shareholders	–	–	–	–	–	–
<b>Balance at 28 February 2015</b>	<b>359 757</b>	<b>32 268 689</b>	<b>–</b>	<b>(166 122)</b>	<b>93 505 890</b>	<b>125 968 214</b>
Profit/(loss) for the year						
– Continuing operations	–	–	–	–	9 265 281	9 265 281
– Discontinued operations	–	–	–	–	(801 113)	(801 113)
<b>Other comprehensive income</b>						
Foreign currency translation reserve movement	–	–	–	(156 840)	–	(156 840)
<b>Contributions by and distributions to owners of the company</b>						
Dividend paid to shareholders	–	–	–	–	(5 629 696)	(5 629 696)
<b>Balance at 29 February 2016</b>	<b>359 757</b>	<b>32 268 689</b>	<b>–</b>	<b>(322 962)</b>	<b>96 340 362</b>	<b>128 645 846</b>



## GROUP STATEMENT OF CASH FLOWS

for the year ended 29 February 2016

		GROUP	
	Note	2016 R	2015 R
<b>Cash flows from operating activities</b>			
Cash generated from operations	23.1	30 895 126	8 678 658
Finance income received		1 785 130	2 378 325
Finance expense paid		(6 467 307)	(3 480 089)
Income taxation paid	23.2	(13 156)	(7 090 726)
Dividend paid	23.3	(5 629 696)	–
<b>Net cash inflows from operating activities</b>		20 570 097	486 168
<b>Cash outflows from investing activities</b>		(1 509 627)	(3 791 024)
Acquisitions of plant and equipment to expand operations		(2 794 580)	(3 690 027)
Acquisitions of intangible assets to maintain operations		(37 100)	(180 775)
Movement in or assets held for sale realised		1 226 689	–
Proceeds from disposal of plant and equipment		95 364	79 778
<b>Cash outflows from financing activities</b>		(1 437 738)	(1 425 253)
Interest-bearing borrowings repaid		(1 437 738)	(1 425 253)
<b>Net increase/(decrease) in cash and cash equivalents</b>		17 622 732	(4 730 109)
Cash and cash equivalents held for sale	21	(140 917)	(1 081 392)
Cash and cash equivalents at beginning of year		(12 841 095)	(7 029 594)
Cash and cash equivalents held for sale at beginning of year		1 081 392	–
<b>Cash and cash equivalents at end of year</b>	23.4	<b>5 722 112</b>	<b>(12 841 095)</b>



## COMPANY STATEMENT OF FINANCIAL POSITION

at 29 February 2016

		COMPANY	
	Note	2016 R	2015 R
<b>ASSETS</b>			
<b>Non-current assets</b>		39 995 316	57 136 878
Investment in subsidiary companies	5	39 995 316	57 136 878
<b>Current assets</b>		257 829	258 962
Cash and cash equivalents	9	257 829	258 962
<b>Total assets</b>		<b>40 253 145</b>	<b>57 395 840</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the company</b>		21 563 335	40 633 664
Share capital	10	380 908	380 908
Share premium	11	316 702 119	316 702 119
Accumulated losses		(295 519 692)	(276 449 363)
<b>Current liabilities</b>		18 689 810	16 762 176
Amount owing to subsidiary company	14	18 689 810	16 510 754
Interest-bearing borrowings	13	–	251 422
<b>Total equity and liabilities</b>		<b>40 253 145</b>	<b>57 395 840</b>

## COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2016

		COMPANY	
	Note	2016 R	2015 R
<b>Dividend received from subsidiary</b>	16	5 963 229	–
Other operating expenses		(1 925 735)	(2 024 292)
Impairment of investment in subsidiary company		(17 141 562)	(21 712 456)
<b>Operating loss before finance expense</b>		<b>(13 104 068)</b>	<b>(23 736 748)</b>
Finance expense		(3 032)	–
<b>Loss before taxation</b>		<b>(13 107 100)</b>	<b>(23 736 748)</b>
Taxation expense		–	–
<b>Loss for the year</b>		<b>(13 107 100)</b>	<b>(23 736 748)</b>
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		<b>(13 107 100)</b>	<b>(23 736 748)</b>



## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2016

	COMPANY			
	Share capital R	Share premium R	Accumulated losses R	Total R
<b>Balance at 1 March 2014</b>	380 908	316 702 119	(252 712 615)	64 370 412
<b>Total comprehensive income for the year</b>				
Loss for the year	–	–	(23 736 748)	(23 736 748)
<b>Contributions by and distributions to owners of the company</b>				
Dividend paid to shareholders	–	–	–	–
<b>Balance at 28 February 2015</b>	<b>380 908</b>	<b>316 702 119</b>	<b>(276 449 363)</b>	<b>40 633 664</b>
<b>Total comprehensive income for the year</b>				
Loss for the year	–	–	(13 107 100)	(13 107 100)
<b>Contributions by and distributions to owners of the company</b>				
Dividend paid to shareholders	–	–	(5 963 229)	(5 963 229)
<b>Balance at 29 February 2016</b>	<b>380 908</b>	<b>316 702 119</b>	<b>(295 519 692)</b>	<b>21 563 335</b>

## COMPANY STATEMENT OF CASH FLOWS

for the year ended 29 February 2016

		COMPANY	
	Note	2016 R	2015 R
Loss before taxation		(13 107 100)	(23 736 748)
Impairment of investment in subsidiary company		17 141 562	21 712 456
<b>Cash generated from/(utilised by) operating activities</b>		<b>4 034 462</b>	<b>(2 024 292)</b>
Decrease in loan receivable		–	158 898
Decrease in prepayments		–	21 386
Decrease in interest-bearing borrowings		(251 422)	–
<b>Cash inflows/(outflows) from operating activities</b>		<b>3 783 040</b>	<b>(1 844 008)</b>
Dividend paid	23.3	(5 963 229)	–
<b>Net cash outflows from operating activities</b>		<b>(2 180 189)</b>	<b>(1 844 008)</b>
Loans received from subsidiary company		2 179 056	1 842 996
<b>Net decrease in cash and cash equivalents</b>		<b>(1 133)</b>	<b>(1 012)</b>
Cash and cash equivalents at beginning of year		258 962	259 974
<b>Cash and cash equivalents at end of year</b>	23.4	<b>257 829</b>	<b>258 962</b>



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 February 2016

### 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 group 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 group financial statements are collectively referred to as the financial statements. Where reference is made to "the group" in the accounting policies, it should be interpreted as referring to the company where the context requires, and unless otherwise noted.

#### 1.2 Basis of preparation

##### 1.2.1 Statement of compliance

The group financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The financial statements were authorised for issue by the Board of Directors on 20 May 2016.

##### 1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Share based payments are measured in accordance with the fair value principles within IFRS 2. 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.

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 1.3.19.

#### 1.3 Significant accounting policies

##### 1.3.1 Non-current assets held for sale and discontinued operations

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is designated as held for sale when its carrying amount will be recovered primarily through a sale transaction rather than through continuing use. The classification of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal group, an active divestiture programme has been initiated, the non-current asset or disposal group is marketed at a price reasonable to its fair value and the disposal will be completed within one year from classification.



Immediately before classification as held for sale, the assets (or components of a disposal group) are measured in accordance with the group's and company's accounting policies and applicable IFRS. On initial classification as assets held for sale, non-current assets are recognised at the lower of the carrying amount and fair value less costs to sell and recorded in current assets.

Impairment losses of the disposal group are allocated to goodwill first, and then to remaining assets and liabilities. Impairment losses on subsequent remeasurements are included in profit or loss.

Reversals of impairments are not recognised in excess of any cumulative impairment losses.

A discontinued operation results from the sale or abandonment of an operation that represents a separate major line of business or geographical area of operation and of which the assets and liabilities and activities can be distinguished physically, operationally and for financial reporting purposes. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

No depreciation is provided on non-current assets from the date they are classified as held for sale.

### **1.3.2 Basis of consolidation**

#### **Subsidiaries**

##### *Investment in subsidiaries*

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Investments in subsidiary companies are stated at cost less accumulated impairment losses in the company's separate financial statements.

##### *Loss of control*

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### **1.3.3 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 reported 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, benefits derived from the youth employment tax incentive and ad hoc fees charged to franchisees which are recognised on receipt of funds.



#### **1.3.4 Finance income/(expense)**

Finance income/(expense) comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, gains and losses on derivative instruments that are recognised in profit or loss. Interest income and interest expense is recognised in profit or loss as it accrues, using the effective interest method. Foreign exchange gains and losses are recognised when currency gains and losses occur. Foreign exchange gains and losses are reported on a gross basis.

#### **1.3.5 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.

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. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 and available tax losses 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.

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividend tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the company's tax charge, but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised as the gross amount with the related withholding tax recognised as part of the tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

#### **1.3.6 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.

#### **1.3.7 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.



### 1.3.8 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 the item of plant and equipment and is recognised net within "other income" in profit or loss.

#### Borrowing costs

The company capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset.

#### 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 shop fittings 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 major component 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. The useful lives for the current and comparative periods were:

Computer equipment	3 years
Manufactured structures and handling equipment	4 – 5 years
Motor vehicles	4 – 5 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 significant, depreciation method and useful lives of plant and equipment are reviewed at each financial year end and adjusted if appropriate.

### 1.3.9 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 acquired and the liabilities and contingent liabilities assumed 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 significant, amortisation method and useful lives of intangible assets are reviewed at each financial year end and adjusted if appropriate.

### 1.3.10 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, 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 in profit and loss 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 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 event 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.

#### **1.3.11 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.

#### **1.3.12 Leases**

##### **Operating leases – lessee**

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against profit or loss on a straight-line basis over the period of the lease. The leased assets are not recognised on the statement of financial position.

##### **Finance leases – lessee**

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

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

#### **1.3.13 Provisions**

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

#### **1.3.14 Financial instruments**

##### **Non-derivative financial assets**

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 group becomes a party to the contractual provisions of the instrument.

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 and cash and cash equivalents.

##### **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 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, which is on the date on 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.

### **1.3.15 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.

#### **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.

### **1.3.16 Foreign currency transactions**

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

### **1.3.17 Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rand at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rand at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on



disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such an item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

### **1.3.18 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.

### **1.3.19 Estimations and judgements applied by directors in applying the accounting policies**

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

#### **Impairment of investment in subsidiary company**

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

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

Management identifies impairment of trade receivables, including returns and credit notes, on an ongoing basis. The estimation of the requirement for impairment is based on the current collectability of the trade receivables, as well as management's experience of the collection history of trade receivables. The fair value of trade receivables is estimated at the present value of future cash flows discounted at the present market rate of interest at the reporting date. Management believes that the allowance for impairment is conservative and there are no significant trade receivables that are doubtful and have not been impaired.

#### **Impairment of goodwill**

Goodwill is assessed for impairment indicators at each reporting date. Impairment indicators include such events as a decline in the earnings of the underlying subsidiary, diminution in investment value, reduction of quoted share price, etc. Where such an indication of impairment exists the goodwill is assessed for impairment. Impairment losses on goodwill are not reversed.



### **Impairment of inventory**

Obsolete or slow moving 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 and the scrap value recovered where possible.

#### **1.3.20 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 2016, and have not been applied in preparing these financial statements.

## **2. DETERMINATION OF FAIR VALUES**

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

When loans and borrowings are interest free and repayable on demand, the fair value approximates the carrying value as a market participant would demand repayment immediately in order to obtain a better return elsewhere.

### **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 repayment term of less than one year approximates the amortised cost.

### **2.5 Interest-bearing borrowings**

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 Derivative financial instruments**

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

### **2.7 Share based payment transactions**

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

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



### 3. PLANT AND EQUIPMENT

GROUP	Computer equipment		Manufacturing structures and handling equipment		Office furniture and equipment		Motor vehicles		Co-owned equipment stores		Media equipment		Shop fittings		Capital work in progress		Total	
	R		R		R		R		R		R		R		R		R	
<b>Balance at 1 March 2015</b>	<b>3 700 055</b>		<b>5 536 446</b>		<b>6 770 735</b>		<b>366 737</b>		<b>6 665 246</b>		<b>7 585 783</b>		<b>20 266 959</b>		<b>230 636</b>		<b>51 122 597</b>	
Additions	331 846		-		19 096		-		104 705		15 701		432 728		1 890 504		2 794 580	
Disposals	(249 193)		-		(6 078)		(215 147)		(863 447)		(262 528)		(1 159 740)		-		(2 756 133)	
Transfers	37 469		-		24 101		-		1 570 005		-		-		(1 804 245)		(172 670)	
Transfer to assets held for sale	-		-		-		-		-		-		-		-		-	
Impairment	-		-		-		-		-		-		-		(23 195)		(23 195)	
<b>Balance at 29 February 2016</b>	<b>3 820 177</b>		<b>5 536 446</b>		<b>6 807 854</b>		<b>151 590</b>		<b>7 476 509</b>		<b>7 338 956</b>		<b>19 539 947</b>		<b>293 700</b>		<b>50 965 179</b>	
<b>Balance at 1 March 2014</b>	<b>3 516 355</b>		<b>5 438 402</b>		<b>6 658 642</b>		<b>334 052</b>		<b>5 621 286</b>		<b>7 779 137</b>		<b>18 567 662</b>		<b>315 908</b>		<b>48 231 444</b>	
Additions	192 112		49 200		86 527		3 685		36 526		41 208		2 043 079		1 237 690		3 690 027	
Disposals	(64 643)		-		-		-		(8 272)		(7 813)		(61 831)		-		(142 559)	
Transfers	56 231		48 844		25 566		29 000		1 015 706		-		37 479		(1 322 962)		(110 136)	
Transfer to assets held for sale	-		-		-		-		-		(226 749)		(319 430)		-		(546 179)	
<b>Balance at 28 February 2015</b>	<b>3 700 055</b>		<b>5 536 446</b>		<b>6 770 735</b>		<b>366 737</b>		<b>6 665 246</b>		<b>7 585 783</b>		<b>20 266 959</b>		<b>230 636</b>		<b>51 122 597</b>	
<b>Accumulated depreciation and impairment losses</b>																		
<b>Balance at 1 March 2015</b>	<b>3 064 971</b>		<b>2 834 068</b>		<b>4 279 777</b>		<b>306 365</b>		<b>5 156 378</b>		<b>7 084 858</b>		<b>17 131 772</b>		<b>-</b>		<b>39 858 189</b>	
Disposals	(190 995)		-		(5 638)		(215 147)		(710 377)		(260 566)		(1 114 596)		-		(2 497 319)	
Transfer to assets held for sale	-		-		-		-		-		-		-		-		-	
Depreciation for the year	539 325		1 050 636		662 037		22 546		992 955		426 512		1 615 440		-		5 309 451	
<b>Balance at 29 February 2016</b>	<b>3 413 301</b>		<b>3 884 704</b>		<b>4 936 176</b>		<b>113 764</b>		<b>5 438 956</b>		<b>7 250 804</b>		<b>17 632 616</b>		<b>-</b>		<b>42 670 321</b>	
<b>Balance at 1 March 2014</b>	<b>2 568 857</b>		<b>1 782 697</b>		<b>3 612 624</b>		<b>270 456</b>		<b>4 311 122</b>		<b>6 614 212</b>		<b>15 544 227</b>		<b>-</b>		<b>34 704 195</b>	
Disposals	(53 801)		-		-		-		(7 774)		(5 614)		(9 128)		-		(76 317)	
Transfer to assets held for sale	-		-		-		-		-		(227 376)		(205 035)		-		(432 411)	
Depreciation for the year	549 915		1 051 371		667 153		35 909		853 030		703 636		1 801 708		-		5 662 722	
<b>Balance at 28 February 2015</b>	<b>3 064 971</b>		<b>2 834 068</b>		<b>4 279 777</b>		<b>306 365</b>		<b>5 156 378</b>		<b>7 084 858</b>		<b>17 131 772</b>		<b>-</b>		<b>39 858 189</b>	
<b>Carrying value</b>																		
<b>At 29 February 2016</b>	<b>406 876</b>		<b>1 651 742</b>		<b>1 871 678</b>		<b>37 826</b>		<b>2 037 553</b>		<b>88 152</b>		<b>1 907 331</b>		<b>293 700</b>		<b>8 294 858</b>	
<b>At 28 February 2015</b>	<b>635 084</b>		<b>2 702 378</b>		<b>2 490 958</b>		<b>60 372</b>		<b>1 508 868</b>		<b>500 925</b>		<b>3 135 187</b>		<b>230 636</b>		<b>11 264 408</b>	



## Leased assets

The company leases office furniture, manufacturing structures and handling equipment under instalment sale agreements from Wesbank, a division of FirstRand Bank Limited. The leased equipment secures the lease obligations (see note 13).

## Carrying value

	2016 R	2015 R
<b>Leased</b>		
Office furniture and equipment	353 291	1 443 705
Shop fittings	473 966	635 680
Manufacturing structures and handling equipment	–	2 021 941
Media televisions	50 725	316 189
	<b>877 982</b>	<b>4 417 515</b>

## Assessment of useful lives, residual value and depreciation methods

During the year ended 29 February 2016, the group conducted a review of the estimated useful lives, residual values and depreciation methods of plant and equipment. There were no changes required.

## 4. INTANGIBLE ASSETS

	Goodwill R	Trademarks R	Computer software R	Total R
<b>GROUP</b>				
<b>2016</b>				
<b>Balance at beginning of year</b>	13 996 651	200 000	3 630 330	17 826 981
Additions	–	–	37 100	37 100
Transfers	–	–	172 670	172 670
<b>Balance at end of year</b>	<b>13 996 651</b>	<b>200 000</b>	<b>3 840 100</b>	<b>18 036 751</b>
<b>2015</b>				
<b>Balance at beginning of year</b>	13 996 651	200 000	3 339 419	17 536 070
Additions	–	–	180 775	180 775
Transfers	–	–	110 136	110 136
<b>Balance at end of year</b>	<b>13 996 651</b>	<b>200 000</b>	<b>3 630 330</b>	<b>17 826 981</b>
<b>Accumulated amortisation and impairment losses</b>				
<b>2016</b>				
<b>Balance at beginning of year</b>	–	200 000	3 004 066	3 204 066
Amortisation for the year	–	–	497 045	497 045
<b>Balance at end of year</b>	<b>–</b>	<b>200 000</b>	<b>3 501 111</b>	<b>3 701 111</b>
<b>2015</b>				
<b>Balance at beginning of year</b>	–	200 000	2 442 911	2 642 911
Amortisation for the year	–	–	561 155	561 155
<b>Balance at end of year</b>	<b>–</b>	<b>200 000</b>	<b>3 004 066</b>	<b>3 204 066</b>
<b>Carrying amounts</b>				
<b>At 29 February 2016</b>	<b>13 996 651</b>	<b>–</b>	<b>338 989</b>	<b>14 335 640</b>
<b>At 28 February 2015</b>	<b>13 996 651</b>	<b>–</b>	<b>626 264</b>	<b>14 622 915</b>



### 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 group financial statements. The goodwill arises on consolidation in terms of reverse listing principles. Refer to note 27 for further explanation.

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 a value in use calculation performed by the directors based on a five-year forecast.

No impairment of goodwill has been identified in the current financial year.

The following key assumptions were made in the fair value determination:

- Revenue growth year 1 – 5 ranging between 10% and 12,6%;
- Terminal growth rate of 5%;
- Cost of equity 22,90%;
- After tax cost of debt 7,38%;
- Weighted average cost of capital (WACC) 22,37%; and
- Tax rate of 28%.

The value in use valuation reflected a CGU value of R137 million which is greater than the carrying value of the investment and related goodwill.

A sensitivity analysis of the value in use calculation showed that no impairment was required at 29 February 2016 even if the WACC and terminal growth rates were adjusted.

#### Valuation sensitivity analysis

		WACC		
		21,37%	22,37%	23,37%
Terminal growth rate	4%	141 187 976	132 499 092	124 747 537
	5%	147 211 146	137 714 369	129 292 845
	6%	154 018 323	143 567 011	134 361 652



## 5. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2016	2015
<b>Number of shares held</b>		
– Verimark Proprietary Limited	116	116
– Verimark Singapore Private Limited	100	100
	%	%
<b>Percentage holding</b>		
– Verimark Proprietary Limited	100	100
– Verimark Singapore Private Limited	100	100

The group has no interests in unconsolidated structured entities.

The group has no contractual obligation or intention to provide support to its consolidated structured entities.

	R	R
<b>Verimark Proprietary Limited</b>		
– Opening balance	57 136 164	78 848 620
– Impairment	(17 141 562)	(21 712 456)
<b>Closing balance</b>	<b>39 994 602</b>	<b>57 136 164</b>
<b>Reconciliation of original cost</b>		
Original cost	283 229 623	283 229 623
Total impairment	(243 235 021)	(226 093 459)
<b>Carrying value</b>	<b>39 994 602</b>	<b>57 136 164</b>
<b>Verimark Singapore Private Limited</b>		
– Cost of shares	714	714
<b>Closing balance</b>	<b>714</b>	<b>714</b>
<b>Net investment in subsidiary companies</b>	<b>39 995 316</b>	<b>57 136 878</b>

The annual impairment assessment of the investment in Verimark Proprietary Limited is based on the market price of Verimark Holdings Limited shares due to the application of reverse acquisition principles.



## 6. DEFERRED TAXATION ASSET

	GROUP	
	2016 R	2015 R
Balance at beginning of year	4 960 827	3 636 444
Current year movement in profit or loss	(1 655 519)	1 324 383
<b>Balance at end of year</b>	<b>3 305 308</b>	<b>4 960 827</b>

	Assets R	Liabilities R	Total R
--	-------------	------------------	------------

Deferred taxation is recognised at a rate of 28% (2015: 28%) and comprises temporary differences arising on:

### 2016

– Leave pay accrual	730 977	–	730 977
– Doubtful debts allowance	134 849	–	134 849
– Prepayments	–	(129 697)	(129 697)
– Lease straight-line accruals	901 510	–	901 510
– Depreciation/wear and tear on shop fittings	672 958	–	672 958
– Medical aid and provident fund accruals	194 095	–	194 095
– Audit fee accrual	216 720	–	216 720
– Bonus accrual	189 000	–	189 000
– Commission accrual	394 896	–	394 896
	<b>3 435 005</b>	<b>(129 697)</b>	<b>3 305 308</b>

### 2015

– Leave pay accrual	849 867	–	849 867
– Doubtful debts allowance	379 017	–	379 017
– Prepayments	–	(138 952)	(138 952)
– Lease straight-line accruals	395 010	–	395 010
– Depreciation/wear and tear on shop fittings	2 398 126	–	2 398 126
– Amounts owed to staff	7 766	–	7 766
– Severance pay accrual	94 693	–	94 693
– Medical aid and provident fund accruals	196 561	–	196 561
– Audit fee accrual	259 317	–	259 317
– Bonus accrual	56 000	–	56 000
– Commission accrual	458 500	–	458 500
– Unearned inter-company profits	4 922	–	4 922
	<b>5 099 779</b>	<b>(138 952)</b>	<b>4 960 827</b>

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R

### Unrecognised deferred taxation assets

Deferred taxation assets have not been recognised in respect of the following:

<b>Taxation losses</b>	<b>540 055</b>	<b>4 027 148</b>	<b>540 055</b>	<b>4 027 148</b>
------------------------	----------------	------------------	----------------	------------------

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 taxation asset has not been recognised in respect of the estimated assessable loss of R1 928 768 (2015: R14 382 671) for the group and company.



## 7. INVENTORIES

	GROUP	
	2016 R	2015 R
Merchandise	66 620 149	75 335 866
Merchandise in transit	2 966 753	8 350 022
Impairment of inventory	(4 005 996)	(3 390 604)
Inventory transferred to assets held for sale	–	(764 075)
	<b>65 580 906</b>	<b>79 531 209</b>

Refer to note 18 for details of inventory written off during the year.

## 8. TRADE AND OTHER RECEIVABLES

	GROUP	
	2016 R	2015 R
Trade receivables	60 408 106	61 815 471
Sundry debtors	(290 433)	(115 496)
Advance payments made to foreign suppliers	2 302 930	2 895 480
Staff receivables	38 861	6 480
Franchise loans receivable	–	22 099
Deposits	152 459	199 344
Impairment of trade receivables	(642 139)	(104 525)
Trade and other receivables transferred to assets held for sale	–	(646 454)
	<b>61 969 784</b>	<b>64 072 399</b>

### Security

Trade receivables have been ceded as security for banking facilities (refer to note 9).

## 9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Bank balances and cash on hand	15 792 363	1 525 254	257 829	258 962
Cash and cash equivalents transferred to assets held for sale	(140 917)	(1 081 392)	–	–
	15 651 446	443 862	257 829	258 962
Bank overdraft	(9 929 334)	(13 284 957)	–	–
	<b>5 722 112</b>	<b>(12 841 095)</b>	<b>257 829</b>	<b>258 962</b>

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

### Company and CSEs

- None

### Verimark Proprietary Limited (legal subsidiary)

### Absa Bank Limited

### Security

- Cession of trade receivables.

### Facility covenants

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 be at least equal to 150% of the primary lending facility utilised. These conditions have been met in the current and prior year.

Refer to note 23.4 for split between bank balances and cash on hand.



## 10. SHARE CAPITAL

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
<b>Authorised</b>				
200 000 000 ordinary shares of 0,3333 cents each	666 667	666 667	666 667	666 667
<b>Issued</b>				
114 272 328 (2015: 114 272 328) ordinary shares of 0,3333 cents each	381 024	381 024	380 908	380 908
6 380 870 (2015: 6 380 870) treasury shares of 0,3333 cents each held by Verimark Proprietary Limited	(21 267)	(21 267)	–	–
	<b>359 757</b>	<b>359 757</b>	<b>380 908</b>	<b>380 908</b>
<b>Shares</b>				
Number of shares at beginning of year	114 272 328	114 272 328	114 272 328	114 272 328
Treasury shares held by Verimark Proprietary Limited	(6 380 870)	(6 380 870)	–	–
<b>Number of shares held externally at end of year</b>	<b>107 891 458</b>	<b>107 891 458</b>	<b>114 272 328</b>	<b>114 272 328</b>

## 11. SHARE PREMIUM

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Premium on total issued shares	37 620 827	37 620 827	316 702 119	316 702 119
Repurchase of own shares (treasury shares)				
– Verimark Proprietary Limited	(5 352 138)	(5 352 138)	–	–
<b>Balance at end of year</b>	<b>32 268 689</b>	<b>32 268 689</b>	<b>316 702 119</b>	<b>316 702 119</b>

## 12. 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 was given an indirect shareholding through Verimark Proprietary Limited. This was treated as a cash settled share based payment in Verimark Proprietary Limited as Verimark Proprietary Limited did not grant its own shares to its employees. The scheme was therefore valued at each reporting date which is 28 February in Verimark Proprietary Limited. The scheme was treated as an equity settled share based payment transaction in the group.

During the year ended 28 February 2015, the share scheme was dissolved. This resulted in zero share options outstanding at 29 February 2016. As a result of the shares that have been forfeited, the share based payment reserve has been reduced to zero.

The share based payment scheme was 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	900 000	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	Five years



	GROUP	
	2016 R	2015 R
<b>Movement in share options</b>		
Options outstanding at beginning of year	–	900 000
Options granted during the year	–	–
Options forfeited during the year	–	(900 000)
<b>Options outstanding at end of year</b>	–	–
The value of the share based payment scheme was based on the following factors:		
Fair value at grant date	–	1 969 811
Spot price on grant date	–	0,67
Option price	–	0,65
Spot price on valuation date	–	0,69
	%	%
Expected volatility	–	73,87
Expected dividend yield	–	5,77
Risk-free interest rate	–	7,36
Option life	–	5 years
	R	R
<b>Reserve and expense</b>		
Opening balance of reserve	–	468 137
Share based payment expense for the year	–	117 036
Reversal of cumulative expense in respect of forfeited shares	–	(585 173)
<b>Closing balance of reserve</b>	–	–



### 13. INTEREST-BEARING BORROWINGS

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
<b>Secured local loans</b>				
<b>Investec Bank Limited</b>	3 729 816	4 073 899	–	–
<p>The loan bears interest at prime less 2%.</p> <p>The loan has been secured by the residential property of a director, Mr MJ van Straaten</p> <p>The loan is repayable on 8 September 2023.</p> <p>The loan facility allows full repayment and drawdown at the discretion of the directors during the 20 year period.</p>				
<b>Wesbank, a division of FirstRand Bank Limited</b>	339 336	1 181 569	–	–
<p>Instalment sale agreements, bearing interest at prime less 0,25% and repayable over approximately 24 months (2015: 36 months).</p> <p>The loans are secured by the financed assets (refer to note 3).</p>				
<b>Van Straaten Family Trust</b>	–	251 422	–	251 422
<p>The loan bore interest at a variable rate of 78% of the prime interest rate.</p> <p>The loan was repaid during the year.</p> <p>The loan was unsecured and was repayable on demand.</p>				
<b>Balance at end of year</b>	<b>4 069 152</b>	<b>5 506 890</b>	<b>–</b>	<b>251 422</b>
Less: Current portion	(701 904)	(1 421 595)	–	(251 422)
– Investec Bank Limited	(362 568)	(353 240)	–	–
– Wesbank, a division of FirstRand Bank Limited	(339 336)	(816 933)	–	–
– Van Straaten Family Trust	–	(251 422)	–	(251 422)
<b>Long-term portion included in non-current liabilities</b>	<b>3 367 248</b>	<b>4 085 295</b>	<b>–</b>	<b>–</b>

### 14. AMOUNT OWING TO SUBSIDIARY COMPANY

	COMPANY	
	2016 R	2015 R
Verimark Proprietary Limited	18 689 810	16 510 754
	<b>18 689 810</b>	<b>16 510 754</b>

The loan is unsecured, interest free and repayable on demand.



**15. TRADE AND OTHER PAYABLES**

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Trade payables	8 932 021	17 662 604	–	–
Accruals	4 651 799	6 328 967	–	–
Payroll accruals	4 479 029	4 555 682	–	–
Value added tax	1 297 291	703 678	–	–
Commissions	1 597 923	1 637 500	–	–
Royalties and licence fees	1 018 396	1 039 394	–	–
Store opening and space rentals	74 485	289 236	–	–
Straight-line accrual	3 219 678	1 410 751	–	–
Trade and other payables linked to assets held for sale	–	(301 343)	–	–
	<b>25 270 622</b>	<b>33 326 469</b>	<b>–</b>	<b>–</b>

**16. REVENUE**

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Sale of merchandise (continuing operations)	430 798 744	415 373 764	–	–
Dividend received from subsidiary	–	–	5 963 229	–
	<b>430 798 744</b>	<b>415 373 764</b>	<b>5 963 229</b>	<b>–</b>

**17. OTHER INCOME**

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Other income (refer to note 1.3.3)	963 671	1 427 643	–	–
Youth employment tax incentive	1 647 245	1 046 959	–	–
(Loss)/profit on disposal of plant and equipment	(163 450)	13 536	–	–
Other income attributable to discontinued operation	–	(129 876)	–	–
	<b>2 447 466</b>	<b>2 358 262</b>	<b>–</b>	<b>–</b>



## 18. OPERATING PROFIT BEFORE FINANCE INCOME AND FINANCE EXPENSE

	GROUP	
	2016 R	2015 R
Operating profit before finance income and finance expense is arrived at after charging/(crediting):		
Amortisation of computer software (intangible assets)	497 045	561 155
Auditor's remuneration	782 469	1 059 742
– current year	650 869	840 000
– ANG + Co	–	64 142
– PWC	–	39 000
– NEXIA SAB-T	131 600	116 600
Depreciation on plant and equipment	5 309 451	5 662 722
Directors' emoluments for services as directors	8 008 903	7 352 752
Employee costs	71 265 793	69 483 639
Inventory adjustments and impairments	5 005 933	4 474 197
Operating lease charges:	31 379 953	28 640 291
– Property	27 729 367	27 115 592
– Motor vehicles	1 841 659	2 371 569
– Lease straight-lining	1 808 927	(846 870)
Retirement benefits contributions	4 311 866	4 396 278
Share based payment credit	–	(468 137)

## 19. FINANCE INCOME/(EXPENSE)

	GROUP	
	2016 R	2015 R
<b>Finance income</b>		
Foreign exchange gains – realised	1 481 337	2 367 084
Interest income from financial assets	303 793	11 241
Finance income attributable to discontinued operation	–	(2 022)
	1 785 130	2 376 303
<b>Finance expense</b>		
Foreign exchange losses – realised	(5 270 936)	(1 935 049)
Interest expense from financial liabilities	(1 196 371)	(1 519 090)
Interest on loan (VSFT) – unrealised	–	(25 950)
	(6 467 307)	(3 480 089)
<b>Net finance expense</b>	<b>(4 682 177)</b>	<b>(1 103 786)</b>



## 20. TAXATION EXPENSE

	GROUP	
	2016 R	2015 R
<b>South African normal taxation</b>		
<b>Current taxation</b>	2 226 834	6 334 807
– current year expense	3 855 840	6 334 807
– prior year over accrual	(1 629 006)	–
<b>Deferred taxation</b>	1 655 519	(1 324 383)
– current year debit/(credit)	25 924	(1 324 383)
– prior year under accrual	1 629 595	–
<b>Total income taxation</b>	<b>3 882 353</b>	<b>5 010 424</b>

### Reconciliation of taxation rate

	GROUP	
	2016 %	2015 %
Current year's charge as a percentage of profit before taxation	29,5	29,4
Non-deductible expenditure		
– write-off of intercompany loan	5,8	–
– donations	0,3	0,3
Exempt income		
– youth employment tax incentive	(3,5)	(1,7)
– deferred tax asset not recognised on tax losses	(4,1)	–
<b>Standard taxation rate</b>	<b>28,0</b>	<b>28,0</b>

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

## 21. DISCONTINUED OPERATION

During the year ended 28 February 2015, the Board took the decision to discontinue the Verimark Singapore Private Limited operation. On 3 March 2015, the Board ratified the decision to discontinue the Verimark Singapore Private Limited operation and began the process of winding down the operation.

	2016 R	2015 R
<b>Results of discontinued operation</b>		
Revenue	1 112 480	2 311 919
Other income	–	129 876
Expenses	(1 913 593)	(3 178 145)
Loss from operations before tax	(801 113)	(736 350)
Income tax	–	–
<b>Loss for the year</b>	<b>(801 113)</b>	<b>(736 350)</b>

The loss from discontinued operations is attributable entirely to the owners of the company.



	2016 R	2015 R
<b>Cash flows (utilised by)/generated from discontinued operation</b>		
Net cash (utilised by)/generated from operating activities	(1 054 243)	144 669
Net cash generated from investing activities	113 768	34
Net cash generated from financing activities	–	–
<b>Net cash flow for the year</b>	<b>(940 475)</b>	<b>144 703</b>
<b>Statement of financial position of discontinued operation</b>		
Plant and equipment	–	113 768
Inventories	–	764 075
Trade and other receivables	–	646 454
Prepayments	22 777	26 512
Bank and cash balances	140 917	1 081 392
<b>Assets held for sale</b>	<b>163 694</b>	<b>2 632 201</b>
Trade and other payables	–	301 343
<b>Liabilities directly associated with assets held for sale</b>	<b>–</b>	<b>301 343</b>
<b>Net assets classified as held for sale</b>	<b>163 694</b>	<b>2 330 858</b>
<b>Additional statement of financial position information</b>		
Trade and other payables – inter-company	–	2 251 404
Amounts owing to fellow subsidiary	–	1 700 319
FCTR deficit	(322 962)	(166 122)

## 22. RELATED PARTY TRANSACTIONS

### 22.1 Identity of related parties

Details of subsidiary companies and controlled entities are disclosed in note 5.

The directors of the company are Mr MJ van Straaten, Mr SR Beecroft, Mr BM Groome, Dr JT Motlatsi, Mr JM Pieterse and Mr MM Patel.

Directors' emoluments are disclosed in notes 18 and 31

At 29 February 2016, 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
<b>Director</b>				
MJ van Straaten and associates	–	72 000 000	72 000 000	63,01
JM Pieterse and associates	–	1 791 525	1 791 525	1,57

Details of security provided by directors are disclosed in note 13.

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



## 22.2 Related party transactions

### 22.2.1 Amounts owing to subsidiary company

	COMPANY	
	2016 R	2015 R
<b>Verimark Proprietary Limited</b>		
Opening balance	(16 510 754)	(14 769 467)
Advances from subsidiary	(2 179 056)	(1 741 287)
<b>Closing balance</b>	<b>(18 689 810)</b>	<b>(16 510 754)</b>

Refer to note 14.

### 22.2.2 Loans (from)/to related party

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
<b>Van Straaten Family Trust</b>				
Opening balance	(251 422)	(351 635)	(251 422)	–
Interest accrued	–	(25 950)	–	–
Amounts assumed	–	–	–	(251 422)
Amount repaid	251 422	126 163	251 422	–
<b>Closing balance</b>	<b>–</b>	<b>(251 422)</b>	<b>–</b>	<b>(251 422)</b>

Refer to note 13.

### 22.2.3 Directors and key management purchases of goods

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
SR Beecroft	465	613	–	–
MJ van Straaten	35 548	18 678	–	–
	<b>36 013</b>	<b>19 291</b>	<b>–</b>	<b>–</b>

Sale of goods to directors is at a discount of 67% and sale of goods to key management is at a discount of 20%.

### 22.2.4 Directors and key management personnel compensation

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
<b>Directors</b>				
Short-term employee benefits	8 008 903	7 352 752	682 450	447 067
Post-employment benefits	–	–	–	–
Other long-term benefits	–	–	–	–
Termination benefits	–	–	–	–
Share based payment benefits	–	–	–	–
	<b>8 008 903</b>	<b>7 352 752</b>	<b>682 450</b>	<b>447 067</b>



**22.2.4 Directors and key management personnel compensation continued**

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
<b>Key management</b>				
Short-term employee benefits	1 621 844	2 901 870	–	–
Post-employment benefits	–	–	–	–
Other long-term benefits	–	–	–	–
Termination benefits	–	–	–	–
Share based payment benefits	–	(468 137)	–	–
	1 621 844	2 433 733	–	–
	<b>9 630 747</b>	<b>9 786 485</b>	<b>682 450</b>	<b>447 067</b>

**23. NOTES TO THE STATEMENT OF CASH FLOWS**
**23.1 Cash generated from operations**

	GROUP	
	2016 R	2015 R
Profit before taxation from continuing operations	13 147 634	17 004 437
Loss before taxation from discontinued operations	(801 113)	(736 350)
Adjustment for:		
– amortisation of computer software	497 045	561 155
– depreciation on plant and equipment	5 309 451	5 662 722
– loss/(profit) on disposal of plant and equipment	163 450	(13 536)
– finance income	(1 785 130)	(2 378 325)
– finance expense	6 467 307	3 480 089
– increase/(decrease) in inventory impairment allowance	615 392	(139 174)
– increase/(decrease) in straight-lining accrual	1 808 927	(846 870)
– foreign currency translation movement	(156 840)	1 428
– share based payment credit	–	(468 137)
– impairment of plant and equipment	23 195	–
	25 289 318	22 127 439
Decrease /(increase) in inventories	13 334 911	(13 876 390)
Decrease /(increase) in trade and other receivables	2 102 615	(4 490 139)
Decrease /(increase) in prepayments	33 056	(103 495)
(Decrease)/increase in trade and other payables	(9 864 774)	5 021 243
	<b>30 895 126</b>	<b>8 678 658</b>

**23.2 Taxation paid**

	GROUP	
	2016 R	2015 R
Amounts prepaid/(owing) at beginning of year	363 794	(392 125)
Current year charges	(2 226 834)	(6 334 807)
Amounts owing/(prepaid) at end of year	1 849 884	(363 794)
	<b>(13 156)</b>	<b>(7 090 726)</b>



**23.3 Dividend paid**

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Amount owing at beginning of year	–	–	–	–
Current year charge	(5 629 696)	–	(5 963 229)	–
Amount owing at end of year	–	–	–	–
	<b>(5 629 696)</b>	<b>–</b>	<b>(5 963 229)</b>	<b>–</b>

**23.4 Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following:

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Bank balances	15 675 964	1 340 355	257 829	258 962
Bank overdraft	(9 929 334)	(13 284 957)	–	–
Cash on hand	116 399	184 899	–	–
Cash and cash equivalents held for sale	(140 917)	(1 081 392)	–	–
	<b>5 722 112</b>	<b>(12 841 095)</b>	<b>257 829</b>	<b>258 962</b>

**24. RETIREMENT BENEFITS**

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 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 6,77% and employees contribute 5%. The total value of contributions to the above schemes was	4 311 866	4 396 278	–	–

**25. COMMITMENTS****25.1 Future operating lease commitments entered into by the group**

	GROUP	
	2016 R	2015 R
<b>Motor vehicles and office equipment</b>		
– payable within one year	3 962 510	3 960 681
– payable in year two to five	4 042 901	5 277 453
	<b>8 005 411</b>	<b>9 238 134</b>
<b>Property</b>		
– payable within one year	18 907 853	20 390 713
– payable in year two to five	45 715 693	47 836 839
– payable thereafter	19 205 255	30 506 139
	83 828 801	98 733 691
– Less: Operating lease accrual	(5 701 621)	(4 783 599)
<b>Total</b>	<b>78 799 731</b>	<b>79 587 198</b>



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 period of the head office lease is from 1 October 2012 to 30 September 2022 with a 7% escalation in the rental payment for the first five years and 6% for the remaining lease term. Verimark may terminate the lease after five years.

## 25.2 Future instalment sale commitments entered into by the group

	<b>GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>Office equipment</b>		
– payable within one year	339 336	816 933
– payable in year two to five	–	364 636
	<b>339 336</b>	<b>1 181 569</b>

	<b>Future minimum lease payments 2016 R</b>	<b>Interest 2016 R</b>	<b>Present value of minimum lease payments 2016 R</b>	<b>Future minimum lease payments 2015 R</b>	<b>Interest 2015 R</b>	<b>Present value of minimum lease payments 2015 R</b>
<b>Instalment sale liabilities</b>						
Less than one year	352 628	13 292	339 336	882 614	65 681	816 933
In two to five years	–	–	–	376 600	11 964	364 636
<b>Total</b>	<b>352 628</b>	<b>13 292</b>	<b>339 336</b>	<b>1 259 214</b>	<b>77 645</b>	<b>1 181 569</b>

The group leases office furniture and equipment and manufacturing structures under instalment sale agreements.

## 25.3 Future operating lease commitments entered into for property occupied by franchisees

	<b>COMPANY</b>	
	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>Property</b>		
– payable within one year	421 451	371 650
– payable in year two to five	71 120	469 115
	<b>492 571</b>	<b>840 765</b>

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.

## 25.4 Advertising commitments

The group has an advertising commitment for the period 1 March 2016 to 1 April 2016. The minimum amount still to be expensed after the financial year end amounts to R867 730 (2015: R551 773).

## 25.5 Capital commitments

Capital expenditure authorised but not yet contracted for amounts to R6 730 000 (2015: R8 900 000) in respect of assets to be acquired to expand operations of the group. Included in the amount is R750 000 (2015: R750 000) in respect of intangible assets. These acquisitions will be financed through finance received from instalment sale agreements and cash generated from operations.



## 25.6 Guarantees

- Absa Bank Limited issued a R1 000 000 (2015: R1 000 000) guarantee in favour of Oracle Airtime Sales (DSTV) on behalf of the group.
- Absa Bank Limited issued guarantees amounting to R1 988 655 (2015: R2 574 099) in favour of various parties.

## 26. FINANCIAL INSTRUMENTS

### 26.1 Overview

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

- Credit risk;
- Liquidity risk; and
- Market risk (including currency risk and interest rate risk).

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

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

The Audit and Risk Committee and Board of Directors have 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.

### 26.2 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 79% (2015: 73%) of the trade receivables balance at year end. Refer to note 26.7.

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.

#### Bank balances

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

### 26.3 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**

- General banking facility – R30 000 000
- Credit card facility – R350 000
- Fleet card facility – R400 000
- Guarantee facility – R4 750 000
- Letters of credit – R5 000 000
- Forward exchange contract facility – R21 000 000
- Forward exchange settlement limit – R21 000 000
- Automated Clearing Bureau debits – R500 000

Date of review for all banking facilities is September 2016.

The group is currently in a cash positive position of R5,7 million (2015: net overdraft of R12,8 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. The group will continue to migrate to the use of "cash against documents" instead of "letters of credit" for foreign imports.

## **26.4 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.

### **26.4.1 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) and the Singapore Dollar (SGD).

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.

### **26.4.2 Interest rate risk**

The group's interest rate risk arises from borrowings (loans and instalment sale agreements). The group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a variable rate basis.

## **26.5 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.

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 9 and 13 for further details.

The Board also ensures compliance with the covenants required by Absa Bank as part of the facilities granted to the group.

The capital structure of the group consists of equity and debt, which includes borrowings, net of cash and cash equivalents.



## 26.6 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 2016 R	28 February 2015 R
<b>GROUP</b>		
Trade and other receivables	59 666 854	60 977 575
Cash and cash equivalents	15 651 446	443 862
Interest-bearing borrowings	(3 367 248)	(4 085 295)
Trade and other payables	(20 753 653)	(33 326 469)
Current portion of interest-bearing borrowings	(701 904)	(1 421 595)
Bank overdraft	(9 929 334)	(13 284 957)
<b>COMPANY</b>		
Cash and cash equivalents	257 829	258 962
Amount owing to subsidiary company	(18 689 810)	(16 510 754)
Interest-bearing borrowings	–	(251 422)

## 26.7 Credit risk

	<b>GROUP</b>		<b>COMPANY</b>	
	2016 R	2015 R	2016 R	2015 R
<b>Exposure to credit risk</b>				
The carrying amount of financial assets represents the maximum credit exposure and was:				
Trade and other receivables	59 666 854	60 977 575	–	–
Cash and cash equivalents (net of bank overdraft)	5 722 112	(12 841 095)	257 829	258 962
	<b>65 388 966</b>	<b>48 136 480</b>	<b>257 829</b>	<b>258 962</b>
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	60 408 106	61 234 446	–	–
Foreign – Singapore	–	–	–	–
	<b>60 408 106</b>	<b>61 234 446</b>	<b>–</b>	<b>–</b>
<b>Trade receivables before impairment allowance</b>				
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
Retailer customers	59 292 582	59 676 999	–	–
Franchisee customers	1 115 524	1 557 447	–	–
	<b>60 408 106</b>	<b>61 234 446</b>	<b>–</b>	<b>–</b>

The group's most significant customer, a domestic retailer, accounts for R50 681 081 (2015: R51 199 656) of the trade receivables' carrying amount at 29 February 2016. 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.

2016

2015



	Gross R	Impairment allowance R	Gross R	Impairment allowance R
<b>GROUP</b>				
<b>Impairment allowance</b>				
The ageing of trade receivables at the reporting date was:				
Not past due	46 528 007	–	22 322 220	–
Past due 30 to 120 days	13 572 472	(434 253)	38 795 711	–
Past due more than 120 days	307 627	(207 886)	116 515	(104 525)
<b>Total</b>	<b>60 408 106</b>	<b>(642 139)</b>	<b>61 234 446</b>	<b>(104 525)</b>

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

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

	<b>GROUP</b>	
	<b>2016 R</b>	<b>2015 R</b>
Balance at beginning of year	(104 525)	(428 353)
Impairment allowance (raised)/reversed	(537 614)	323 828
<b>Balance at end of year</b>	<b>(642 139)</b>	<b>(104 525)</b>

The impairment allowance 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.

## 26.8 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:

				<b>29 February 2016</b>		<b>28 February 2015</b>	
	<b>Currency</b>	<b>Nominal interest rate*</b>	<b>Year of maturity</b>	<b>Face value R</b>	<b>Carrying amount R</b>	<b>Face value R</b>	<b>Carrying amount R</b>
<b>GROUP</b>							
Secured bank loans							
– Investec	ZAR	Prime -2%	2023	3 729 816	3 729 816	4 073 899	4 073 899
Secured bank loans							
– Wesbank	ZAR	Prime -0,25%	2016	339 336	339 336	1 181 569	1 181 569
Secured bank loans							
– VSFT	ZAR	78% of prime	2010	–	–	251 422	251 422
<b>Total liabilities</b>				<b>4 069 152</b>	<b>4 069 152</b>	<b>5 506 890</b>	<b>5 506 890</b>

\* Refer to notes 3, 9 and 13 for the security provided for the bank loans.



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
<b>GROUP</b>					
<b>29 February 2016</b>					
<b>Non-derivative financial liabilities</b>					
Secured loans	4 069 152	5 369 141	502 548	502 548	4 364 045
Trade and other payables	20 753 653	20 753 653	20 753 653	–	–
	<b>24 822 805</b>	<b>26 122 794</b>	<b>21 256 201</b>	<b>502 548</b>	<b>4 364 045</b>
<b>28 February 2015</b>					
<b>Non-derivative financial liabilities</b>					
Secured loans	5 506 890	6 910 996	1 007 495	756 073	5 147 428
Trade and other payables	33 326 469	33 326 469	33 326 469	–	–
	<b>38 833 359</b>	<b>40 237 465</b>	<b>34 333 964</b>	<b>756 073</b>	<b>5 147 428</b>
	Carrying amount R	Contractual cash flows R	6 months or less R	6 to 12 months R	>1 year R
<b>COMPANY</b>					
<b>29 February 2016</b>					
<b>Non-derivative financial liabilities</b>					
Amount owing to subsidiary company	18 689 810	18 689 810	18 689 810	–	–
	18 689 810	18 689 810	18 689 810	–	–
	<b>24 214 233</b>	<b>24 214 233</b>	<b>24 214 233</b>	<b>–</b>	<b>–</b>
<b>28 February 2015</b>					
<b>Non-derivative financial liabilities</b>					
Interest-bearing borrowings	251 422	251 422	–	251 422	–
Amount owing to subsidiary company	<b>16 510 754</b>	<b>16 510 754</b>	<b>–</b>	<b>16 510 754</b>	<b>–</b>

#### Fair value hierarchy

The group had no financial instruments carried at fair value, by valuation method, at 29 February 2016.



## 26.9 Market risk

### 26.9.1 Currency risk

#### Exposure to currency risk

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

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2017 R
Bank and cash balances	(738 223)	(3 241 238)	–	–
Foreign trade and other payables	(1 311 343)	(4 181 283)	–	–
<b>Gross exposure at year end</b>	<b>(2 049 566)</b>	<b>(7 422 521)</b>	<b>–</b>	<b>–</b>
Forward exchange contracts for future purchases	–	–	–	–

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE MID-SPOT RATE	
	2016 R	2015 R	2016 R	2015 R
<b>GROUP</b>				
US Dollar	13,49	10,96	16,14	11,58
Singapore Dollar	9,71	8,55	11,39	8,52

#### Sensitivity analysis

A 10% strengthening/weakening of the South African Rand (ZAR) against the currencies noted above at 29 February 2016 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 was performed on the same basis for 2015.

	Profit/loss and equity R
<b>GROUP</b>	
<b>29 February 2016</b>	
Rand effect	147 569
<b>28 February 2015</b>	
Rand effect	249 828

### 26.9.2 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	
	2016 R	2015 R	2016 R	2015 R
<b>Variable rate instruments</b>				
Financial assets	15 535 047	258 963	257 829	258 962
Financial liabilities	(13 998 486)	(18 791 847)	–	–
	<b>1 536 561</b>	<b>(18 532 884)</b>	<b>257 829</b>	<b>258 962</b>

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 (bp) 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 as for 2015.

	PROFIT OR LOSS		EQUITY	
	100 bp increase R	100 bp decrease R	100 bp increase R	100 bp decrease R
<b>GROUP</b>				
<b>29 February 2016</b>				
Variable rate instruments	15 365	(15 365)	11 063	(11 063)
<b>Cash flow sensitivity (net)</b>	<b>15 365</b>	<b>(15 365)</b>	<b>11 063</b>	<b>(11 063)</b>
<b>28 February 2015</b>				
Variable rate instruments	(164 389)	164 389	(118 360)	118 360
<b>Cash flow sensitivity (net)</b>	<b>(164 389)</b>	<b>164 389</b>	<b>(118 360)</b>	<b>118 360</b>

### 26.10 Capital management

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

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Total liabilities	41 142 541	52 553 662	18 689 810	16 762 176
Less: Cash and cash equivalents	(15 651 446)	(443 862)	(257 829)	(258 962)
	25 491 095	52 109 800	18 431 981	16 503 214
<b>Total equity</b>	<b>128 645 846</b>	<b>125 968 214</b>	<b>21 563 335</b>	<b>40 633 664</b>
Adjusted debt to capital ratio	0,20	0,41	0,85	0,41

Refer to note 26.5 for details on how the group manages its capital.

## 27. 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 group 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 group financial statements at their pre-combination carrying amounts;
- the retained earnings and other equity balances recognised in the group financial statements are the retained earnings and other equity balances of the legal subsidiary, immediately before the business combination; and
- the amount recognised as issued equity instruments in the group 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 group 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.



## 28. SEGMENTAL INFORMATION

During a prior year the group expanded to Singapore where a company was started. Per IFRS 8 Operating Segments the operations of the group are now split between South Africa and Foreign.

	South Africa R	Foreign (discontinued) R	Group elimination R	Total R
<b>For the year ended 29 February 2016</b>				
Revenue	430 798 744	1 112 480	–	431 911 224
Profit before tax	13 147 634	1 941 399	(2 742 512)	12 346 521
Profit for the year	9 265 281	1 941 399	(2 742 512)	8 464 168
Segment assets	169 624 693	163 694	–	169 788 387
Segment liabilities	(41 142 541)	–	–	(41 142 541)
<b>For the year ended 28 February 2015</b>				
Revenue	415 696 808	2 311 919	(323 044)	417 685 683
Profit/(loss) before tax	17 022 017	(736 350)	(17 580)	16 268 087
Profit/(loss) for the year	12 006 671	(736 350)	(12 658)	11 257 663
Segment assets	175 876 545	2 662 911	(17 580)	178 521 876
Segment liabilities	(52 252 319)	(4 253 066)	3 951 723	(52 553 662)

The group has assessed external customers and determined that a customer in the retail sector which constitutes 79% (2015: 73%) 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;
- Health and fitness – Maxxus, Orbitrek, V-ssage;
- DIY and automotive – Diamond Guard, Prolong, Durablade, Pool Gobbler;
- Educational and fun toys – i-Play; and
- Beauty – Perfect Curl, Pink Armor, Genie Bra.

These products are distributed countrywide to all customers with no geographical differentiation. Refer to note 26.7 for further details and information on the group's major customers.



## 29. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after taxation of R8 464 168 (2015: R11 257 663) attributable to the ordinary shareholders and a weighted average of 107 891 458 (2015: 107 891 458) ordinary shares in issue during the year.

The calculation of headline earnings is based on the net profit attributable to ordinary shareholders of R8 581 852 (2015: R11 247 917) and a weighted average of 107 891 458 (2015: 107 891 458) ordinary shares in issue during the year.

	GROUP	
	2016 R	2015 R
Profit per statement of comprehensive income	8 464 168	11 257 663
Adjustments:		
Loss/(profit) on disposal of plant and equipment	163 450	(13 536)
Tax effect	(45 766)	3 790
<b>Headline earnings</b>	<b>8 581 852</b>	<b>11 247 917</b>
<b>Weighted average shares reconciliation</b>		
Number of shares at beginning of year	114 272 328	114 272 328
Treasury shares held by Verimark Proprietary Limited weighted for the period	(6 380 870)	(6 380 870)
<b>Weighted average number of shares held externally at end of year</b>	<b>107 891 458</b>	<b>107 891 458</b>
<b>Diluted weighted average shares</b>	<b>107 891 458</b>	<b>107 891 458</b>
Basic earnings per share	7,8	10,4
Headline earnings per share	8,0	10,4
Diluted basic earnings per share	7,8	10,4
Diluted headline earnings per share	8,0	10,4

## 30. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of the group for the year ended 28 February 2018, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	Effective date
IFRS 14	Regulatory Deferral Accounts	Annual periods beginning on or after 1 January 2016*
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Annual periods beginning on or after 1 January 2016*
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018*
IAS 16 and IAS 41	Agriculture: Bearer Plants	Annual periods beginning on or after 1 January 2016*
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2018*
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Annual periods beginning on or after 1 January 2016*
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	Annual periods beginning on or after 1 January 2016*
IAS 1	Disclosure Initiative	Annual periods beginning on or after 1 January 2016*
IFRS 16	Leases	Annual periods beginning on or after 1 January 2019*

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

IFRS 14, IFRS 11, IAS 16 and IAS 41, IFRS 10 and IAS 28, IFRS 10,12 and IAS 28 are not applicable to the business of the group and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:



## **Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)**

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The company currently uses the straight-line method as it is considered the most appropriate method of depreciation and amortisation. The amendment will therefore have no impact on the financial statements of the group.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

## **IFRS 15 Revenue from Contracts with Customers**

This Standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The Standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new Standard will most likely not have a significant impact on the group. The group is currently in the process of performing a more detailed assessment of the impact of this Standard on the group and will provide more information in the year ending 28 February 2017 financial statements.

The Standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

## **IFRS 9 Financial Instruments**

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This Standard will include changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the group.

The Standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

## **Disclosure Initiative (Amendments to IAS 1)**

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The impact on the financial statements of the group is not expected to be significant.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

## **Leases (IFRS 16)**

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The Standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the group also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The group is assessing the potential impact on the financial statements resulting from the application of IFRS 16.



## 31. DIRECTORS' EMOLUMENTS

	Basic salary R	Allowances and other benefits R	Incentive bonuses R	Pension and medical aid contributions R	Total R
<b>GROUP</b>					
<b>29 February 2016</b>					
<b>Executive directors paid by subsidiary</b>					
MJ van Straaten*	4 491 331	155 548	–	703 848	5 350 727
SR Beecroft*	1 650 537	465	–	324 724	1 975 726
	6 141 868	156 013	–	1 028 572	7 326 453
<b>Non-executive directors paid by company</b>					
JM Pieterse	288 500	–	–	–	288 500
JT Motlatsi	101 250	–	–	–	101 250
MM Patel	292 700	–	–	–	292 700
	682 450	–	–	–	682 450
<b>Total</b>	<b>6 824 318</b>	<b>156 013</b>	<b>–</b>	<b>1 028 572</b>	<b>8 008 903</b>
<b>28 February 2015</b>					
<b>Executive directors paid by subsidiary</b>					
MJ van Straaten*	4 241 449	153 189	–	648 047	5 042 685
SR Beecroft*	1 560 341	1 292	–	301 367	1 863 000
	5 801 790	154 481	–	949 414	6 905 685
<b>Non-executive directors paid by company</b>					
JM Pieterse	136 950	–	–	–	136 950
JT Motlatsi	145 100	1 967	–	–	147 067
MM Patel	163 050	–	–	–	163 050
	445 100	1 967	–	–	447 067
<b>Total</b>	<b>6 246 890</b>	<b>156 448</b>	<b>–</b>	<b>949 414</b>	<b>7 352 752</b>

\*Director of the subsidiary Verimark Proprietary Limited and Verimark Holdings Limited.

There are no prescribed officers in the company.

Refer to note 22.2.3 for additional disclosure on transactions with directors.

	Salary R	Other benefits and allowances R	Pension and medical aid R	Total R
<b>Key management paid by subsidiary</b>				
<b>2016</b>				
D Rabie	631 350	110 619	75 783	817 752
N du Plessis	458 297	5 904	57 809	522 010
W Els	252 069	–	30 013	282 082
	<b>1 341 716</b>	<b>116 523</b>	<b>163 605</b>	<b>1 621 844</b>
<b>2015</b>				
T Bezuidenhout	342 278	75 731	79 615	497 624
M Lamers	284 236	–	70 673	354 909
D Rabie	550 446	104 787	111 114	766 347
C Hoadley	475 745	109 838	144 122	729 705
N du Plessis	434 292	–	118 993	553 285
<b>Total</b>	<b>2 086 997</b>	<b>290 356</b>	<b>524 517</b>	<b>2 901 870</b>



### **32. 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.

### **33. 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.

### **34. DIVIDENDS**

The Board declared and approved a final dividend of R4 232 084 or 3,7 cents per share in relation to the 29 February 2016 results (2015: 5,2 cents per share) on 20 May 2016.

This is in line with the dividend policy of 50% of profit attributable to owners of the company being distributed.

This policy will be reassessed on an ongoing basis as and when dividends become due and payable.



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## **INTERIM FINANCIAL INFORMATION OF VERIMARK FOR THE SIX-MONTH PERIOD ENDED 31 AUGUST 2018**

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The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flow and notes of Verimark for the six months ended 31 August 2018, have been extracted and compiled from the unaudited consolidated interim financial statements of Verimark, which are available on Verimark's website (<https://verimark.co.za>).

The preparation of this Annexure 3 is the responsibility of the Verimark Directors.

### **REPORTING ENTITY**

Verimark is a company incorporated in the Republic of South Africa ("South Africa"). The unaudited condensed consolidated financial results comprise the unaudited consolidated results of Verimark and its subsidiaries for the six months ended 31 August 2018 ("interim financial results").

### **INTERIM DIVIDEND**

No dividends were declared for the six months ended 31 August 2018.

### **BASIS OF PREPARATION**

The condensed consolidated interim financial results are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and the JSE listing requirements as well as the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

These condensed consolidated interim financial results has been presented on the historical cost basis, except for financial instruments carried at fair value, and are presented in Rand thousands which is Verimark's functional and presentation currency.

The interim results, as reported herein, have been prepared by Verimark's Financial Director, Bryan Groome CA(SA).

### **SUBSEQUENT EVENTS**

No events material to the understanding of this report have occurred in the period between the reporting date and the date of this report.

### **STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE**

The only standard as at 31 August 2018, which is in issue but not yet effective and expected to have any impact on Verimark, is IFRS 16 which is effective 1 January 2019. Once the new standard becomes effective, property and other leases currently treated as operating leases will have to be capitalised and reflected as lease assets and lease liabilities on the statement of financial position.

The company had operating lease commitments of R90,4 million outstanding at 31 August 2018 in respect of current property and other leases.



## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
<b>Continuing operations</b>			
Revenue	207 537	209 702	508 137
Gross profit	94 798	88 648	230 899
Operating (loss)/profit before net finance expense	(1 682)	2 787	46 881
Finance income	2 092	805	2 363
Finance expense	(3 232)	(1 396)	(2 558)
(Loss)/profit before taxation	(2 822)	2 196	46 686
Income tax credit/(expense)	778	(1 092)	(12 988)
(Loss)/profit for the period	(2 044)	1 104	33 698
<b>Total comprehensive (loss)/income for the period attributable to owners of the company</b>	<b>(2 044)</b>	<b>1 104</b>	<b>33 698</b>
Basic and diluted (loss)/earnings per share	(2,0)	1,0	31,9
Earnings and diluted (loss)/earnings per share (EPS) – continuing operations	(2,0)	1,0	31,9



## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 August 2018 R'000	*Restated Unaudited as at 31 August 2017 R'000	Audited as at 28 February 2018 R'000
<b>Assets</b>			
Plant and equipment	8 219	7 345	8 459
Intangible assets	15 715	14 620	15 750
Deferred taxation asset	5 153	4 097	5 928
<b>Non-current assets</b>	<b>29 087</b>	<b>26 062</b>	<b>30 137</b>
Inventories	103 921	99 363	84 485
Trade and other receivables	71 504	72 417	87 265
Prepayments	1 101	1 358	662
Prepaid taxation	3 991	2 648	0
Cash and cash equivalents	9 944	634	23 818
<b>Current assets</b>	<b>190 461</b>	<b>176 420</b>	<b>196 230</b>
<b>Total assets</b>	<b>219 548</b>	<b>202 482</b>	<b>226 367</b>
<b>Equity and liabilities</b>			
Share capital	338	357	338
Share premium	27 422	31 810	27 422
Retained earnings	122 514	107 192	139 786
<b>Equity attributable to the equity holders of the company</b>	<b>150 274</b>	<b>139 359</b>	<b>167 546</b>
Interest-bearing borrowings	2 674	3 206	3 237
Operating lease accrual	5 896	5 347	5 702
<b>Non-current liabilities</b>	<b>8 570</b>	<b>8 553</b>	<b>8 939</b>
Trade and other payables	33 615	36 871	40 881
Current portion of interest-bearing borrowings	1 698	1 102	2 161
Bank overdraft	25 391	16 597	6 400
Taxation payable	0	0	440
<b>Current liabilities</b>	<b>60 704</b>	<b>54 570</b>	<b>49 882</b>
<b>Total liabilities</b>	<b>69 274</b>	<b>63 123</b>	<b>58 821</b>
<b>Total equity and liabilities</b>	<b>219 548</b>	<b>202 482</b>	<b>226 367</b>

### \* NOTE ON PRIOR PERIOD ERROR

During 2018, the group discovered that the rent straight-lining provision was erroneously disclosed as a current liability since inception. As a consequence, the current liabilities were overstated and the non-current liabilities understated. The error has been corrected and the prior period restated to reflect the correction for the six months ended 31 August 2017.



## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Retained earnings R'000	Total R'000
<b>Balance at 28 February 2017</b>	<b>357</b>	<b>31 810</b>	<b>118 170</b>	<b>150 337</b>
<b>Comprehensive income</b>				
Profit from continuing operations			33 698	33 698
<b>Distributions to shareholders</b>				
Repurchase of shares	(7)	(1 654)		(1 661)
Treasury shares	(12)	(2 734)		(2 746)
Dividends paid			(12 082)	(12 082)
<b>Balance at 28 February 2018</b>	<b>338</b>	<b>27 422</b>	<b>139 786</b>	<b>167 546</b>
Profit from continuing operations			(2 044)	(2 044)
<b>Distributions to shareholders</b>				
Dividends paid			(15 228)	(15 228)
<b>Balance at 31 August 2018</b>	<b>338</b>	<b>27 422</b>	<b>122 514</b>	<b>150 274</b>



## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
<b>Net cash (outflows) from operating activities</b>	(29 614)	(45 627)	(4 418)
Cash (utilised by)/generated from operations <sup>(1)</sup>	(10 369)	(30 300)	21 152
Dividends paid	(15 228)	(12 082)	(12 082)
Finance income received	2 092	805	2 363
Finance costs paid	(3 232)	(1 396)	(2 558)
Taxation paid	(2 877)	(2 654)	(13 293)
<b>Cash outflows from investing activities</b>	(2 225)	(2 887)	(5 971)
Acquisition of plant and equipment	(2 012)	(2 904)	(3 997)
Acquisition of intangible assets	(219)	(14)	(2 006)
Proceeds from disposal of plant and equipment	6	31	32
<b>Cash outflows from financing activities</b>	(1 026)	(506)	(5 250)
Advances in interest-bearing borrowings	0	0	274
Interest-bearing borrowings repaid	(1 026)	(506)	(1 118)
Repurchase of own shares	0	0	(4 406)
<b>Net (decrease) in cash and cash equivalents</b>	(32 865)	(49 020)	(15 369)
Cash and cash equivalents at beginning of period	17 418	33 057	33 057
<b>Cash and cash equivalents at end of period</b>	(15 447)	(15 963)	17 418
Cash (utilised by)/generated from operations <sup>(1)</sup>			
(Loss)/profit before taxation	(2 822)	2 196	46 686
Adjusted for:			
Depreciation on plant and equipment	2 505	2 122	4 152
Amortisation on computer software	0	174	412
Profit on disposal of plant and equipment	(6)	(23)	(24)
Finance income	(2 092)	(805)	(2 363)
Finance costs	3 232	1 396	2 558
Increase/(decrease) in inventory impairment	0	331	(595)
Increase in straight-lining lease accrual	194	564	918
Operating (loss)/profit before changes in working capital	1 011	5 955	51 744
<b>Note 1</b>			
Increase in inventories	(19 436)	(16 071)	(267)
Decrease/(increase) in trade and other receivables	15 761	(26 061)	(40 909)
(Decrease)/increase in prepayments	(439)	(369)	327
Decrease/(increase) in trade and other payables	(7 266)	6 246	10 257
Cash (utilised by)/generated from operations	(10 369)	(30 300)	21 152



## DETERMINATION OF ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
Attributable profit (after tax)	(2 044)	1 104	33 698
Loss on sale of plant and equipment	(6)	(23)	(24)
Tax on profit/(loss) on disposal of plant and equipment	2	6	7
<b>Headline earnings</b>	<b>(2 048)</b>	<b>1 087</b>	<b>33 681</b>
Shares in issue	112 249 632	114 272 328	112 249 632
Shares held by subsidiary	(10 741 599)	(7 351 959)	(10 741 599)
<b>Number of shares at period end</b>	<b>101 508 033</b>	<b>106 920 369</b>	<b>101 508 033</b>
Basic earnings and diluted earnings per share	(2)	1,0	33,2
Headline and diluted headline earnings per share	(2)	1,0	33,2
Net asset value per share*	148,0	130,3	165,1
Net tangible asset value per share**	132,50	116,7	149,5

\* Net asset value per share

Shareholders' equity divided by the total number of issued shares at the end of the year less shares held by the subsidiary. Shareholders' equity is the equity attributable to equity holders of the parent (which is basically total assets less total liabilities).

\*\* Net tangible asset value per share

The net asset value of the tangible assets divided by the total number of issued shares at the end of the year less shares held by the subsidiary.



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## FOREIGN VERIMARK SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS

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### 1. FOREIGN VERIMARK SHAREHOLDERS

- 1.1 The Scheme and/or the Substitute Offer may be affected by the laws of the relevant jurisdiction of a Foreign Verimark Shareholder. A Foreign Verimark Shareholder should acquaint itself about and observe any applicable legal requirements of such jurisdiction in relation to all aspects of this Circular that may affect it. It is the responsibility of each Foreign Verimark Shareholder to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Scheme and/or the Substitute Offer, including the obtaining of any governmental, exchange control or other consents, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction.
- 1.2 The Scheme and, if applicable, the Substitute Offer are governed by the laws of South Africa and are subject to any applicable laws and regulations, including the Exchange Control Regulations.
- 1.3 Any Verimark Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

### 2. EXCHANGE CONTROL REGULATIONS

The following is a summary of the Exchange Control Regulations. It is intended as a guide only and is not a comprehensive statement of the Exchange Control Regulations which apply to Scheme Participants or Substitute Offer Participants (collectively referred to as **“Offer Participants”**). Offer Participants who have any queries regarding the Exchange Control Regulations should contact their own professional advisors without delay.

#### 2.1 Residents of the Common Monetary Area

In the case of Offer Participants whose registered addresses in the Register are within the Common Monetary Area and whose Documents of Title are not restrictively endorsed in terms of the Exchange Control Regulations, the Scheme Consideration or, if applicable, the Substitute Offer Consideration will be settled in the manner detailed in paragraph 4.5 of the Circular and paragraph 9 of Annexure 8 to the Circular, respectively.

#### 2.2 Emigrants from the Common Monetary Area

- 2.2.1 The Scheme Consideration or, if applicable, the Substitute Offer Consideration, is not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations.
- 2.2.2 The Scheme Consideration or, if applicable, the Substitute Offer Consideration, due to an Offer Participant who is an emigrant from South Africa, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, will be deposited in a blocked account with the authorised dealer in foreign exchange in South Africa controlling the Offer Participant's blocked assets in accordance with its instructions, against delivery of the relevant documents of title.
- 2.2.3 In terms of a recent relaxation to the exchange control rulings, emigrants may externalise the Scheme Consideration or, if applicable, the Substitute Offer Consideration, by making application to the Financial Surveillance Department of the South African Reserve Bank via the requisite authorised dealer channel. Previously, a 10% levy would have been payable on externalisation. This is however no longer the position and the Scheme Consideration or, if applicable, the Substitute Offer Consideration, may, on application, be externalised free of the levy.
- 2.2.4 The authorised dealer releasing the relevant documents of title in terms of the Scheme or the Substitute Offer, as the case may be, must countersign the Form of Surrender, Transfer and Acceptance (*blue*) thereby indicating that the Scheme Consideration or, if applicable, the Substitute Offer Consideration, will be placed directly in its control.
- 2.2.5 The attached Form of Surrender, Transfer and Acceptance (*blue*) makes provision for the details of the authorised dealer concerned to be provided.



## **2.3 All other non-residents of the Common Monetary Area**

- 2.3.1 The Scheme Consideration or, if applicable, the Substitute Offer Consideration, due to an Offer Participant with Own-Name Registration who is a non-resident of South Africa and who has never resided in the Common Monetary Area, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, will be deposited with the authorised dealer in foreign exchange in South Africa nominated by such Offer Participant. It will be incumbent on the Offer Participant concerned to instruct the nominated authorised dealer as to the disposal of the Scheme Consideration or, if applicable, the Substitute Offer Consideration, against delivery of the relevant documents of title.
- 2.3.2 The Form of Surrender, Transfer and Acceptance (*blue*) attached to this Circular makes provision for the nomination required in terms of paragraph 2.3.1 of this Annexure 4. If the information regarding the authorised dealer is not given in terms of paragraph 2.3.1 of this Annexure 4 above, the Scheme Consideration or, if applicable, the Substitute Offer Consideration, will be held in trust by the Offeror for the Offer Participants concerned pending receipt of the necessary information or instruction.



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## WORDING OF SECTION 115 AND SECTION 164 OF THE COMPANIES ACT

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### **“Section 115: Required approval for transactions contemplated in Part A**

- (1) *Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:*
- (a) *the disposal, amalgamation or merger, or scheme of arrangement:*
    - (i) *has been approved in terms of this section; or*
    - (ii) *is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and*
  - (b) *to the extent that Parts B and C of this Chapter and the Takeover Regulations, apply to a company that proposes to:*
    - (i) *dispose of all or the greater part of its assets or undertaking;*
    - (ii) *amalgamate or merge with another company; or*
    - (iii) *implement a scheme of arrangement,**the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).*
- (2) *A proposed transaction contemplated in subsection (1) must be approved:*
- (a) *by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and*
  - (b) *by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if:*
    - (i) *the holding company is a company or an external company;*
    - (ii) *the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and*
    - (iii) *having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and*
  - (c) *by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).*
- (3) *Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:*
- (a) *the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or*
  - (b) *the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).*
- (4) *For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:*
- (a) *required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or*
  - (b) *required to be voted in support of a resolution, or actually voted in support of the resolution.*
- (4A) *In subsection (4), ‘act in concert’ has the meaning set out in section 117(1)(b).*



- (5) *If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:*
  - (a) *within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or*
  - (b) *treat the resolution as a nullity.*
- (6) *On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:*
  - (a) *is acting in good faith;*
  - (b) *appears prepared and able to sustain the proceedings; and*
  - (c) *has alleged facts which, if proved, would support an order in terms of subsection (7).*
- (7) *On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:*
  - (a) *the resolution is manifestly unfair to any class of holders of the company's securities; or*
  - (b) *the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.*
- (8) *The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:*
  - (a) *notified the company in advance of the intention to oppose a special resolution contemplated in this section; and*
  - (b) *was present at the meeting and voted against that special resolution.*
- (9) *If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:*
  - (a) *the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;*
  - (b) *the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;*
  - (c) *the transfer of shares from one person to another;*
  - (d) *the dissolution, without winding-up, of a company, as contemplated in the transaction;*
  - (e) *incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or*
  - (f) *any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.*

#### **Section 164: Dissenting shareholders appraisal rights**

- (1) *This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.*
- (2) *If a company has given notice to shareholders of a meeting to consider adopting a resolution to:*
  - (a) *amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or*
  - (b) *enter into a transaction contemplated in section 112, 113, or 114,*

*that notice must include a statement informing shareholders of their rights under this section.*
- (3) *At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.*
- (4) *Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:*
  - (a) *gave the company a written notice of objection in terms of subsection (3); and*
  - (b) *has neither:*
    - (i) *withdrawn that notice; or*
    - (ii) *voted in support of the resolution.*



- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
- (a) the shareholder:
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder:
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
- (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
- (a) the shareholder's name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
- (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
  - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of:
- (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable,
- the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
    - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and



- (b) *the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:*
  - (i) *tendered the share certificates; or*
  - (ii) *directed the transfer to the company of uncertificated shares.*
- (14) *A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:*
  - (a) *failed to make an offer under subsection (11); or*
  - (b) *made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.*
- (15) *On an application to the court under subsection (14):*
  - (a) *all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;*
  - (b) *the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and*
  - (c) *the court:*
    - (i) *may determine whether any other person is a dissenting shareholder who should be joined as a party;*
    - (ii) *must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);*
    - (iii) *in its discretion may:*
      - (aa) *appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or*
      - (bb) *allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;*
    - (iv) *may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and*
    - (v) *must make an order requiring:*
      - (aa) *the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and*
      - (bb) *the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.*
- (15A) *At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:*
  - (a) *that shareholder must comply with the requirements of subsection 13(a); and*
  - (b) *the company must comply with the requirements of subsection 13(b).*
- (16) *The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.*
- (17) *If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:*
  - (a) *the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and*
  - (b) *the court may make an order that:*
    - (i) *is just and equitable, having regard to the financial circumstances of the company; and*
    - (ii) *ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.*
- (18) *If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.*



(19) *For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:*

*(a) the provisions of that section; or*

*(b) the application by the company of the solvency and liquidity test set out in section 4.*

(20) *Except to the extent:*

*(a) expressly provided in this section; or*

*(b) that the Panel rules otherwise in a particular case,*

*a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."*



## IRREVOCABLE UNDERTAKINGS BY VERIMARK SHAREHOLDERS

As at the Last Practicable Date, the following Verimark Shareholders have provided irrevocable undertakings to vote in favour of the Scheme Resolution, to approve and implement the Scheme, and to accept the Substitute Offer if applicable:

Shareholder	Date of irrevocable undertaking	Shares subject to irrevocable undertaking	Percentage shareholding of Scheme Shares
Standard Chartered Ghana Nominees	22 November 2018	3 699 124	12,54%
Daarneoc Beleggings Beperk	21 November 2018	1 791 525	6,07%

In addition, in-principle letters of support and intention to vote in favour of the Transaction have been given by the following Verimark shareholders who collectively hold 4 349 654 Scheme Shares, representing 14,74% of the Scheme Shares.

Shareholder	Date of letter of support	Shares subject to letter of support	Percentage shareholding of Scheme Shares
Jobre Stassen	22 November 2018	2 899 554	9,83%
Happiness Trust	22 November 2018	1 450 100	4,91%



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**DEALINGS BY PROVIDERS OF IRREVOCABLE UNDERTAKINGS**


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Details regarding dealings by the providers of Irrevocable Undertakings and in-principle letters of support as set out in Annexure 6 to this Circular, during the last six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date are set out below:

<b>Name of Verimark Shareholder</b>	<b>Dealing (Yes/No)</b>	<b>Date</b>	<b>Nature of transaction</b>	<b>Number of Verimark Shares</b>	<b>Price</b>
Standard Chartered Ghana Nominees	No	n/a	n/a	n/a	n/a
Daarneoc Beleggings Beperk	No	n/a	n/a	n/a	n/a
Jobre Stassen	No	n/a	n/a	n/a	n/a
Happiness Trust	No	n/a	n/a	n/a	n/a



**VERIMARK HOLDINGS LIMITED**

Incorporated in the Republic of South Africa  
 Registration number: 1998/006957/06  
 JSE Share code: VMK | ISIN: ZAE000068011  
 “Verimark” or “the Company”

**K2018535347 (SOUTH AFRICA) PROPRIETARY LIMITED**

(Incorporated in the Republic of South Africa)  
 Registration Number: 2018/535347/07  
 (“the Offeror”)

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**SUBSTITUTE OFFER BY THE OFFEROR TO VERIMARK SHAREHOLDERS**


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**1. DEFINITIONS AND INTERPRETATION**

Except for the additional definitions set out below, unless the context clearly indicates otherwise, the definitions commencing on page 11 of the Circular apply to this Annexure 8. References to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons and *vice versa*.

“Scheme Provisions”	the provisions of the Circular to which this Annexure 8 is attached specifically relating to the Scheme as set out in paragraphs 3 and 4 of the Circular;
“Substitute Offer Closing Date”	the closing date of the Substitute Offer, which date shall be 12:00 on the first Friday following the expiry of 10 Business Days after fulfilment or waiver of the Substitute Offer Conditions, or the 30th Business Day after the Substitute Offer Opening Date, whichever is the later, but subject to any extension of that date by the Offeror in accordance with paragraph 6.4 of this Annexure 8 below;
“Substitute Offer Conditions”	the conditions precedent to which the Substitute Offer is subject, should the Substitute Offer be made, as set out in paragraph 7 of this Annexure 8 below;
“Substitute Offer Consideration”	the cash consideration of R1,50 for each Substitute Offer Share disposed of by Substitute Offer Participants in terms of the Substitute Offer;
“Substitute Offer Implementation Date”	the first Business Day following the Substitute Offer Closing Date;
“Substitute Offer LDT”	the last day to trade Verimark Shares in order to be registered in the Register on the Substitute Offer Closing Date, which date will be the 3rd Business Day prior to the Substitute Offer Closing Date;
“Substitute Offer Opening Date”	the opening date of the Substitute Offer, being 10:00 on the 1st Business Day following the date on which it is announced on SENS that the Scheme will not proceed and that the Substitute Offer is open for acceptance;
“Substitute Offer Participants”	Verimark Shareholders (excluding Verimark Shareholders holding Ineligible Shares) who lawfully and validly accept the Substitute Offer by the Substitute Offer Closing Date and who are thus entitled, subject to the Substitute Offer becoming unconditional, to receive the Substitute Offer Consideration (it being recorded that, if, in respect of any Verimark Share, a person is the registered holder of such share, and one or more persons has/have a beneficial interest in such share in terms of the register of disclosures of the Company, only one of those persons shall be entitled to receive the Substitute Offer Consideration for that share);
“Substitute Offer Period”	the period from the Substitute Offer Opening Date to the Substitute Offer Closing Date;



“Substitute Offer Settlement Date”	the date on which the Substitute Offer Consideration will be settled being within 6 Business Days after the later of the Substitute Offer being declared wholly unconditional and the acceptance of the Substitute Offer by the Substitute Offer Participants, provided that the final Substitute Offer Settlement Date shall be the Substitute Offer Implementation Date;
“Substitute Offer Shares”	those Verimark Shares beneficially held by Substitute Offer Participants on the Substitute Offer Closing Date, in respect of which the Substitute Offer Participants have accepted the Substitute Offer (Substitute Offer Participants may accept the Substitute Offer in respect of any or all of the Verimark Shares held by them); and
“Substitute Offer Trigger Event”	on the occurrence of which event the Offeror will be deemed to have made the Substitute Offer, being the failure of the Scheme Condition referred to in paragraph 4.4.1 of the Scheme Provisions.

## 2. INTRODUCTION

- 2.1** Verimark Shareholders are referred to the Firm Intention Announcement advising of the firm intention of the Offeror to implement the Transaction and to make an offer to acquire all the Verimark Shares (other than the Ineligible Shares):
- 2.1.1 by way of the Scheme; or
  - 2.1.2 if a Substitute Offer Trigger Event occurs and the Scheme fails, by way of the Substitute Offer.
- 2.2** The Substitute Offer will become effective once a Substitute Offer Trigger Event has occurred. the Offeror and Verimark shall announce through SENS and the printed media, as required, that such Substitute Offer Trigger Event has occurred.
- 2.3** The Substitute Offer, if made, will be an affected transaction as defined in section 117 of the Companies Act. The Substitute Offer will be implemented in accordance with the Companies Act, the Companies Regulations and will be regulated by the Takeover Panel.
- 2.4** The purpose of this Annexure 8 is to:
- 2.4.1 set out the terms and conditions on which the Substitute Offer is extended to Substitute Offer Participants, if a Substitute Offer Trigger Event has occurred; and
  - 2.4.2 record the terms of the Substitute Offer in compliance with the Companies Act and the Companies Regulations.
- 2.5** The Substitute Offer is an integral part of the Transaction and this Annexure 8 should be read together with and in the context of the Circular as a whole.

## 3. IMPORTANT DATES AND TIMES

Should a Substitute Offer Trigger Event occur, all dates and times pertinent to the Substitute Offer will be published on SENS and in the press.

## 4. INFORMATION ON THE OFFEROR AND VFT

Please refer to paragraph 3 of the Scheme Provisions for information regarding the Offeror and VFT.

## 5. RATIONALE FOR THE SUBSTITUTE OFFER

### 5.1 Rationale for the Offeror

The rationale for the Transaction from the Offeror's perspective appears in paragraph 3.2 of the Scheme Provisions.

### 5.2 Rationale for Verimark

The rationale for the Transaction from Verimark's perspective is detailed in paragraph 3.3 of the Scheme Provisions.

## 6. TERMS OF THE SUBSTITUTE OFFER

### The Substitute Offer

It is an express condition of the Scheme that, should the Scheme fail for any reason other than the termination events in terms of paragraph 4.12, then immediately after the failure of the Scheme:



- 6.1** The Substitute Offer will be deemed to have been made in terms of section 117(1)(c)(v) of the Companies Act by the Offeror to the Shareholders to acquire the Scheme Shares at an offer price of R1,50 per Share;
- 6.2** The Delisting of Verimark from the JSE in terms of sections 1.14 to 1.16 of the Listings Requirements will become operative if the ordinary resolution to be proposed at the Scheme Meeting has been passed by the requisite majority of Shareholders;

**6.3 The Substitute Offer Consideration**

- 6.3.1 If the Substitute Offer becomes unconditional and is implemented, each Substitute Offer Participant will receive the Substitute Offer Consideration for each Substitute Offer Share held by such Substitute Offer Participant as at the Substitute Offer Closing Date, for which valid acceptances have been submitted.
- 6.3.2 Substitute Offer Participants will receive the Substitute Offer Consideration of R1,50 for every Substitute Offer Share held by them on the Substitute Offer Closing Date for which valid acceptances have been submitted.
- 6.3.3 The Substitute Offer Consideration of R1,50 per Substitute Offer Share represents a premium 50% to the 30 day VWAP of R1,00 per Share, as, being the date of the publication of the Cautionary Announcement.

**6.4 The Substitute Offer Period**

- 6.4.1 The Substitute Offer is irrevocable and will be open for acceptance from 10:00 on the Substitute Offer Opening Date and shall close at 12:00 on the Substitute Offer Closing Date. The Substitute Offer will be open for acceptance by those Verimark Shareholders (in respect of their Verimark Shares other than the Ineligible Shares) that are recorded in the Verimark Register as holders of those Verimark Shares at any time from the Substitute Offer Opening Date up to and including the Substitute Offer Closing Date.
- 6.4.2 A Verimark Shareholder who has accepted the Substitute Offer may withdraw that acceptance, by notice in writing delivered to the Offeror, if the Substitute Offer (a) has not been declared wholly unconditional by midnight on the 65th Business Day after it opened; (b) has been declared unconditional as to acceptances and; (c) still remains subject to other conditions.
- 6.4.3 The Offeror may, in its absolute and sole discretion, but subject to the provisions and requirements of the Companies Act and the Regulations, extend the Substitute Offer Closing Date, in which event, the amended Substitute Offer Closing Date will be released on SENS and published in the South African press.

**6.5 Cash Confirmation**

In compliance with regulations 111(4) and 111(5) of the Companies Regulations, the Offeror has provided the TRP with an irrevocable, unconditional guarantee issued by Investec Bank for the maximum amount of the Scheme Consideration which is an amount of ZAR 44 262 049,50, which guarantee confirms that in the event that the Scheme Consideration is not paid within the relevant time period, Investec Bank agrees to make payment of the Scheme Consideration to the transfer secretaries in respect of the Scheme or such other designated payment agent as the TRP may direct in writing, for the benefit of the Scheme Participants and, as applicable, Verimark. The guarantee expires on 21 May 2019.

**6.6 Delisting of Verimark**

- 6.6.1 The ordinary resolution in respect of the delisting is contained in the Notice of General Meeting which is attached to and forms part of this Circular. In terms of the JSE Listings Requirements, the ordinary resolution requires approval by more than 50% of the votes of all Verimark Shareholders present or represented by proxy at the General Meeting, excluding any controlling shareholder, its associates and any party acting in concert with it.
- 6.6.2 **Verimark Shareholders that do not accept the Substitute Offer should note that in the event that Verimark is delisted, they will remain minority shareholders in an unlisted entity that is no longer subject to the JSE Listings Requirements.**

**6.7 No encumbrance**

Each Substitute Offer Participant is deemed, on the relevant Substitute Offer Settlement Date, to have warranted and undertaken in favour of the Offeror that the relevant Substitute Offer Shares are not subject to a pledge or otherwise encumbered, or if subject to any such pledge or encumbrance, that such Substitute Offer Shares shall be released from such pledge or other encumbrance immediately following payment and discharge of the Substitute Offer Consideration.



## 6.8 Foreign Verimark Shareholders and Exchange Control Regulations

Annexure 4 to the Circular contains a summary of the Exchange Control Regulations as they apply to Substitute Offer Participants. Substitute Offer Participants who are not resident in, or who have a registered address outside of South Africa, must satisfy themselves as to the full observance of the laws of any relevant territory concerning the receipt of the Substitute Offer Consideration, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

## 6.9 General

- 6.9.1 The Substitute Offer is governed by the laws of South Africa (excluding the conflicts of laws rules of that jurisdiction to the extent such rules indicate the application of the laws of any other country). Each of Verimark and the Offeror submits, and each Substitute Offer Participant shall be deemed to have irrevocably submitted, to the non-exclusive jurisdiction of the South Gauteng High Court, Johannesburg in relation to all matters arising out of or in connection with the Substitute Offer.
- 6.9.2 Without prejudice to any other rights and remedies which a party to the Substitute Offer may have, each party to the Substitute Offer acknowledges and agrees that damages may not be an adequate remedy for any breach of the provisions of the Substitute Offer and a party shall be entitled to seek the remedies of interdict, specific performance and other equitable relief (and no party shall contest the appropriateness or availability thereof), for any threatened or actual breach of any such provision of the Substitute Offer and no proof of special damages shall be necessary for the enforcement by a party of its rights under the Substitute Offer.
- 6.9.3 The rights and obligations of each party to the Substitute Offer may not be ceded, delegated, assigned or otherwise transferred.
- 6.9.4 No failure of a party to exercise, and no delay by it in exercising any right, power or remedy in connection with the Substitute Offer (each a **“Right”**) will operate as a waiver thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right.
- 6.9.5 If any provision of this Substitute Offer (other than a material provision of this Substitute Offer) shall be held to be illegal, invalid or unenforceable, in whole or in part, under the law of any jurisdiction, the legality, validity or enforceability of such provision or part under the law of any other jurisdiction and the legality, validity and enforceability of the remainder of this Substitute Offer shall not be affected.

## 7. SUBSTITUTE OFFER CONDITIONS

- 7.1 The Substitute Offer will be subject to the non-fulfilment of the condition precedent to the Scheme in paragraph 4.4.1 and the passing of an ordinary resolution of Eligible Shareholders to approve the delisting of Verimark from the JSE.
- 7.2 An announcement will be released on SENS and published in the South African press as soon as possible after the fulfilment, waiver or non-fulfilment, as the case may be, of all of the Substitute Offer Conditions.

## 8. PROCEDURE FOR ACCEPTANCE OF THE SUBSTITUTE OFFER

### 8.1 General

- 8.1.1 The Substitute Offer may be accepted by Verimark Shareholders in respect of all or part of their Verimark Shares (excluding any Ineligible Shares). Verimark Shareholders who do not wish to accept the Substitute Offer need take no further action and will be deemed to have declined the Substitute Offer. In order to lawfully and validly accept the Substitute Offer, a Verimark Shareholder must be recorded in the Register on the date of acceptance, in this regard it should be noted that the Substitute Offer LDT is the last day to trade Verimark Shares in order to be registered in the Register on the Substitute Offer Closing Date.
- 8.1.2 **Verimark Shareholders are referred to the section entitled “Action required by Verimark Shareholders in relation to the Substitute Offer”, commencing on page 7 of the Circular, which details the action to be taken by Verimark Shareholders in relation to the Substitute Offer.**
- 8.1.3 the Offeror reserves the right, in its absolute and sole discretion, to:
  - 8.1.3.1 treat as invalid, Forms of Surrender, Transfer and Acceptance (*blue*) not completed correctly or not accompanied by the relevant Documents of Title (or, if applicable, evidence reasonably satisfactory to the Offeror that the Documents of Title to the relevant Offer Shares have been destroyed or lost and an indemnity reasonably acceptable to the Offeror, as detailed above); and



- 8.1.3.2 require proof of the authority of the person signing the Form of Surrender, Transfer and Acceptance (*blue*) where such proof has not yet been lodged with or recorded by the Transfer Secretaries; or
- 8.1.3.3 to condone the non-compliance by any Certificated Verimark Shareholder with any of the terms of the Substitute Offer.
- 8.1.4 If a Form of Surrender, Transfer and Acceptance (*blue*) is treated as invalid due to non-compliance with the instructions contained therein, then the Verimark Shareholder that submitted that Form will be deemed to have declined the Substitute Offer, unless that Verimark Shareholder re-submits a properly completed Form of Surrender, Transfer and Acceptance (*blue*).
- 8.1.5 Unless otherwise permitted by law and in the sole discretion of the Offeror, purported acceptances will not be valid if given from within any of the United States, Australia, Canada or Japan.

## **8.2 Acceptances irrevocable**

- 8.2.1 All valid acceptances of the Substitute Offer received by the Transfer Secretaries on or prior to the Substitute Offer Closing Date, shall be irrevocable, subject to the rights of Substitute Offer Participants to withdraw such acceptance in the limited circumstances contemplated in Companies Regulation 105.
- 8.2.2 Substitute Offer Participants should note that they may not trade any Verimark Shares in respect of which they have accepted the Substitute Offer, from the date of acceptance of the Substitute Offer.

## **8.3 Transaction receipts**

No receipts will be issued by the Transfer Secretaries for Forms of Surrender, Transfer and Acceptance (*blue*) unless specifically requested to do so by the Verimark Shareholder in question. Lodging agents who require special transaction receipts are requested to prepare such receipts and to submit them for stamping by the Transfer Secretaries together with the Form of Surrender, Transfer and Acceptance (*blue*).

## **8.4 Acceptances of the Substitute Offer by nominee companies and representatives**

Acceptances of the Substitute Offer by recognised nominee companies may be submitted in aggregate or in respect of each Verimark Shareholder represented by such nominee companies. Any representative accepting the Substitute Offer warrants that it is duly authorised to do so.

## **8.5 Offer not made where unlawful**

- 8.5.1 The lawfulness of the Substitute Offer to Verimark Shareholders resident in jurisdictions outside of South Africa may be affected by laws of the relevant jurisdiction. Such Verimark Shareholders should familiarise themselves with any applicable legal requirements, which they are obligated to observe. It is the responsibility of any such Verimark Shareholders wishing to accept the Substitute Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith.
- 8.5.2 In particular, the Substitute Offer is not being made, directly or indirectly, in or into any jurisdiction where it is unlawful for the Substitute Offer to be made or accepted ("**the Affected Jurisdictions**") or by the use of mail, or by means or instrumentality of interstate or foreign commerce of, or any facility of a national securities exchange of, any of the Affected Jurisdictions. In such circumstances, this Circular is sent for information purposes only.
- 8.5.3 Verimark Shareholders wishing to accept the Substitute Offer should not use the post of any of the Affected Jurisdictions or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to the Substitute Offer. Envelopes containing Forms of Surrender, Transfer and Acceptance (*blue*) or other documents relating to the Substitute Offer should not be post-marked in any of the Affected Jurisdictions or otherwise dispatched from any of the Affected Jurisdictions and all acceptors must provide addresses outside the Affected Jurisdictions for receipt of the Substitute Offer Consideration to which they are entitled under the Substitute Offer.
- 8.5.4 Without limitation to the generality of the above, the Substitute Offer is not being made, directly or indirectly, in or into or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, Australia, Canada or Japan and the Substitute Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Australia, Canada or Japan. Unless otherwise permitted by law and in the sole discretion of the Offeror, purported acceptances will not be valid if given from within any of the United States, Australia, Canada or Japan.



## 8.6 Representation and Warranty of Foreign Verimark Shareholders

Verimark Shareholders who complete the Form of Surrender, Transfer and Acceptance (*blue*) are deemed to represent and warrant to the Offeror that they have not received or sent copies or originals of this document, the Form of Surrender, Transfer and Acceptance (*blue*) or any related documents in, into or from the Affected Jurisdictions and have not otherwise utilised in connection with the Substitute Offer, the mails, or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or of any facility of a national securities exchange of, the Affected Jurisdictions, and that the Form of Surrender, Transfer and Acceptance (*blue*) has not been mailed or otherwise sent in, into or from the Affected Jurisdictions and such Verimark Shareholders is accepting the Substitute Offer from outside the Affected Jurisdictions.

## 9. SETTLEMENT OF THE SUBSTITUTE OFFER CONSIDERATION

***Verimark Shareholders are referred to the section entitled “Action required by Verimark Shareholders in relation to the Substitute Offer”, commencing on page 7 of the Circular, which details the action to be taken by Verimark Shareholders in relation to the Substitute Offer.***

- 9.1 Settlement of the Substitute Offer Consideration is subject to the Exchange Control Regulations, the salient provisions of which are set out in Annexure 4 to the Circular.
- 9.2 the Offeror or its agents will administer and effect the payment of the Substitute Offer Consideration to Substitute Offer Participants.
- 9.3 If the Substitute Offer becomes operative:
  - 9.3.1 Substitute Offer Participants who hold Dematerialised Verimark Shares will have their accounts held at their CSDP or Broker credited with the Substitute Offer Consideration and debited with the Verimark Shares they are transferring to the Offeror pursuant to the Substitute Offer on the Substitute Offer Settlement Date; and
  - 9.3.2 Substitute Offer Participants who hold Certificated Verimark Shares:
    - 9.3.2.1 who have surrendered their Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to the Transfer Secretaries on or before 12:00 on the Substitute Offer Closing Date, will have the Substitute Offer Consideration posted to them, at their risk, on the Substitute Offer Settlement Date; or
    - 9.3.2.2 who surrender their Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to the Transfer Secretaries after 12:00 on the Substitute Offer Closing Date, will have the Substitute Offer Consideration posted to them, at their risk, within 5 Business Days of the Transfer Secretaries receiving their Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*).
  - 9.3.3 In the event that a Substitute Offer Participant who holds Certificated Verimark Shares fails to surrender its Documents of Title and completed Form of Surrender, Transfer and Acceptance (*blue*) to the Transfer Secretaries within three years of the Substitute Offer Closing Date, the Substitute Offer Consideration due to such Substitute Offer Participant will be paid to the benefit of the Guardian's Fund of the Master of the High Court. In this regard such Substitute Offer Participant irrevocably authorises and appoints Verimark and/or the Offeror, in *rem suam*, with full power of substitution, to act as agent in the name, place and stead of such Substitute Offer Participant to pay the Substitute Offer Consideration to the benefit of the Guardian's Fund in the aforesaid manner. For the avoidance of doubt, no interest will accrue for the benefit of Substitute Offer Participants on the Substitute Offer Consideration.
- 9.4 Delivery by the Offeror to Substitute Offer Participants of the Substitute Offer Consideration shall be the sole and exclusive manner of discharge by the Offeror of its obligations in terms of the Substitute Offer.
- 9.5 The rights of Substitute Offer Participants to receive the Substitute Offer Consideration will be rights enforceable by the Substitute Offer Participants against the Offeror.
- 9.6 Acceptance of the Substitute Offer may have an effect on an individual Substitute Offer Participant's tax position. The nature of the tax implications, whether related to income tax or capital gains tax, will vary from one Substitute Offer Participant to another. The jurisdiction in which the Substitute Offer Participant resides may also have a bearing on the tax implications. Verimark Shareholders are advised to consult their professional advisers about their personal tax positions.

## 10. INTENTIONS REGARDING THE CONTINUATION OF VERIMARK'S BUSINESS

Verimark Shareholders are referred to paragraph 6 of the Circular in this regard.



## **11. INTEREST AND DEALINGS IN SHARES**

### **11.1 Interests of the Offeror and its directors in Verimark Shares**

Verimark Shareholders are referred to paragraph 7 of the Circular for information regarding the interests of the Offeror and its directors in Verimark Shares.

### **11.2 Interests of VFT, VFT Trustees and Prime Rentals in Verimark Shares**

Verimark Shareholders are referred to paragraph 8 of the Circular for information regarding the interests of VFT, VFT Trustees and Prime Rentals in Verimark Shares, as well as their beneficial interests and any dealings respectively in Verimark Shares during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.

### **11.3 Interests of VFT Trustees and members of Prime Rentals as beneficiaries of VFT**

Verimark Shareholders are referred to paragraph 8 of the Circular for information regarding the interests of VFT Trustees and members of Prime Rentals as beneficiaries of VFT, as well as any changes, to VFT Trustees beneficial interest in VFT and members interest changes in Prime Rentals during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.

### **11.4 Interests of Verimark and Verimark Directors in VFT and Prime Rentals**

Verimark Shareholders are referred to paragraph 10 of the Circular for information regarding the interests of Verimark and Verimark Directors in VFT and Prime Rentals, as well as any Verimark Director dealings in VFT and Prime Rentals and changes to Verimark's beneficial interest in VFT, during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.

### **11.5 Interests of Verimark Directors in Verimark Shares**

Verimark Shareholders are referred to paragraph 11 of the Circular for information regarding the interests of Verimark Directors in Verimark Shares, as well as their dealings in Verimark Shares during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.

### **11.6 Dealings by providers of Irrevocable Undertakings**

Verimark Shareholders are referred to paragraphs 12 and 13 of the Circular for information regarding the Irrevocable Undertakings to accept the Substitute Offer, if made, as well as the dealings in Verimark Shares by the parties who have given those Irrevocable Undertakings during the six-month period prior to the Signature Date and during the period from the Signature Date up to the Last Practicable Date.

## **12. AGREEMENTS**

**12.1** Save for the Irrevocable Undertakings and in-principle letters of support as set out in Annexure 6 to this Circular, no agreements have been entered into between the Offeror, VFT, VFT Trustees (or persons who were VFT Trustees in the past 12 months) and/or shareholders of VFT (or persons who were shareholders of VFT in the past 12 months) and any of Verimark, the Verimark Directors (or persons who were Verimark Directors in the past 12 months) or Verimark Shareholders (or persons who were Verimark Shareholders in the past 12 months).

**12.2** Verimark Shareholders are referred to paragraph 14 of the Circular for information on the aforementioned agreements.

## **13. FINANCIAL INFORMATION OF VERIMARK**

**13.1** The audited historical financial information of Verimark for the last four financial years ended 28 February 2018, 2017, 2016 and 2015 is annexed to the Circular at Annexure 2.

**13.2** The interim unaudited financial information of Verimark for the six-month period ended 31 August 2018 is annexed hereto as Annexure 3.

## **14. REPORT OF THE INDEPENDENT EXPERT**

**14.1** The report of the Independent Expert prepared in accordance with section 114(3) of the Companies Act and regulations 90 and 110 of the Companies Regulations is provided in Annexure 1 to the Circular.

**14.2** Having considered the terms and conditions of the Substitute Offer and based on the conditions set out in its report, the Independent Expert has concluded that the terms and conditions of the Substitute Offer are both fair and reasonable to Verimark Shareholders, as each of these terms is contemplated in the Companies Regulations.



## **15. THE VIEWS OF THE INDEPENDENT BOARD ON THE SUBSTITUTE OFFER**

- 15.1** The Independent Board has appointed the Independent Expert to compile a report on the Substitute Offer.
- 15.2** The Independent Board, after due consideration of the report of the Independent Expert, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the Substitute Offer and the Substitute Offer Consideration as contemplated in Companies Regulation 110(3)(b). The Independent Board has formed a view of the value/price of the Substitute Offer Shares, which accords with the value/price of the Substitute Offer Shares contained in the Independent Expert's report, in considering its opinion and recommendation. The Independent Board is aware of those factors which are difficult to quantify or are unquantifiable (as contemplated in Companies Regulation 110(6)) which were considered by the Independent Expert and referred to in its report and has taken such factors into account in forming its opinion.
- 15.3** The Independent Board, taking into account the report of the Independent Expert, has considered the terms and conditions of the Substitute Offer and the members of the Independent Board are unanimously of the opinion that the terms and conditions thereof are fair and reasonable to Verimark Shareholders and, accordingly, recommend that Verimark Shareholders accept the Substitute Offer, if made.
- 15.4** The Verimark Board has not received any firm intention offers, other than the Offer by the Offeror set out in this Circular, within the six-months prior to the first of the Cautionary Announcements.

## **16. INTENDED ACTION OF VERIMARK DIRECTORS**

- 16.1** All the Verimark Directors who beneficially own Verimark Shares and are entitled to vote at the General Meeting, intend to vote in favour of the Scheme at the General Meeting and to accept the Substitute Offer, if made.

## **17. VERIMARK DIRECTORS' SERVICE CONTRACTS**

No service contracts have been concluded between Verimark and the Verimark Directors.

All Verimark Directors, other than the executive Verimark Directors, are subject to retirement by rotation and re-election in terms of the MOI.

## **18. OTHER SERVICE CONTRACTS**

No service contracts have been entered into or amended within the six-month period prior to the Last Practicable Date.

## **19. TAX IMPLICATIONS FOR VERIMARK SHAREHOLDERS**

The tax position of a Substitute Offer Participant under the Substitute Offer is dependent on such Substitute Offer Participant's individual circumstances, including but not limited to whether it holds the Substitute Offer Shares as capital assets or as trading stock, whether the Substitute Offer Shares are held by a Collective Investment Scheme or Pension Fund and on the tax jurisdiction in which the Substitute Offer Participant is resident. It is recommended that the Substitute Offer Participant seek appropriate advice in this regard.

## **20. REMUNERATION OF VERIMARK DIRECTORS**

Verimark Shareholders are referred to paragraph 19 of the Circular for information regarding the effect of implementation of the Transaction on the remuneration of Verimark Directors.

## **21. INDEPENDENT BOARD RESPONSIBILITY STATEMENT**

The Independent Board accepts responsibility for the information contained in the Circular, including this Annexure 8, which relates to Verimark and confirms that, to the best of its knowledge and belief, such information which relates to Verimark is true and the Circular does not omit anything likely to affect the importance of such information.

## **22. THE OFFEROR RESPONSIBILITY STATEMENT**

The directors of the Offeror accept responsibility for the information contained in the Circular, including this Annexure 8, which relates to the Offeror and VFT and confirms that, to the best of their knowledge and belief, such information which relates to the Offeror and VFT is true and the Circular does not omit anything likely to affect the importance of such information.



## **23. ADVISORS' CONSENTS**

The parties referred to in the "Corporate Information and Advisors" section of the Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, reports, in the Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of the Circular.

## **24. COSTS AND EXPENSES**

Verimark and the Offeror shall bear their own costs and those of their advisors/experts/ consultants/sponsors in connection with the Transaction and including where the Transaction is unsuccessful due to a failed implementation of both the Scheme and Substitute offer mechanisms.

## **25. DOCUMENTS AVAILABLE FOR INSPECTION**

The documents, or copies thereof, listed in paragraph 27 of the Circular, will be available for inspection by the Verimark Shareholders at Verimark's registered office and at the Offeror's registered office from the date of posting of the Circular until the end of the Substitute Offer Implementation Date.

**SIGNED AT JOHANNESBURG ON 18 DECEMBER 2018 ON BEHALF OF THE VERIMARK BOARD**

**M Kabi**

*Chairperson of the Independent Board*

**SIGNED AT JOHANNESBURG ON 18 DECEMBER 2018 ON BEHALF OF THE VAN STRAATEN FAMILY TRUST**

**MJ van Straaten**

*Chief Executive Officer*





**VERIMARK HOLDINGS LIMITED**  
Incorporated in the Republic of South Africa  
Registration number: 1998/006957/06  
JSE Share code: VMK | ISIN: ZAE000068011  
"Verimark" or "the Company"

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## NOTICE OF GENERAL MEETING OF VERIMARK SHAREHOLDERS

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**NOTICE IS HEREBY GIVEN** that a General Meeting of Verimark Shareholders will be held at 09h00 on Thursday, 17 January 2019 at Verimark, 50 Clairwood Avenue, Hoogland, Ext 55, Randburg, South Africa 2154

### PURPOSE

The purpose of the General Meeting of Verimark Shareholders is to consider and, if deemed fit, to approve, with or without modification, the special and ordinary resolutions set out in this notice of general meeting.

#### Note:

- The definitions and interpretations commencing on page 11 of the Circular to which this notice of general meeting is attached ("**the Circular**"), apply, unless the context clearly indicates otherwise, *mutatis mutandis* to this notice and to the resolution set out below.
- For Special Resolution Number 1 to be approved by Verimark Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.
- For Special Resolution Number 2 to be approved by Verimark Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.
- For Ordinary Resolution Number 1 to be approved by Verimark Shareholders it must, in terms of the JSE Listings Requirements, be supported by more than 50% of the votes of all Verimark Shareholders present or represented by proxy at the General Meeting, excluding any controlling shareholder of Verimark, its associates and any party acting in concert with it, being K2018535347, VFT and Prime Rentals, or any party which the JSE deems inappropriate.
- Quorum requirements: The General Meeting may not begin unless i) at least three Verimark Shareholders entitled to attend and vote are present or represented at the General Meeting; ii) sufficient persons are present or represented at the General Meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting. Further, a matter to be decided at the General Meeting may not begin to be considered unless i) at least three Verimark Shareholders entitled to attend and vote are present or represented at the General Meeting; ii) sufficient persons are present or represented at the meeting to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda.
- The voting rights otherwise exercisable by the Offeror or any party acting in concert with it, being K2018535347, VFT and Prime Rentals, shall not be taken into account for any purposes in respect of Special Resolution Number 1 (i.e. as to whether or not a quorum is present to vote on Special Resolution Number 1 or whether or not the required number of voting rights have been exercised in support of Special Resolution Number 1).
- In terms of Regulation 84 of the Companies Regulations, a presumption exists that the Offeror's directors are acting in concert with the Offeror in respect of the Scheme. Accordingly, the voting rights otherwise exercisable by any the Offeror's directors and any persons who were directors of the Offeror at the time the directors of the Offeror resolved to make the Offer to Verimark Shareholders and who hold Verimark Shares on the Scheme Voting Record Date, shall not be taken into account for any purposes in respect of Special Resolution Number 1 (i.e. as to whether or not a quorum is present to vote on Special Resolution Number 1 or whether or not the required number of voting rights have been exercised in support of Special Resolution Number 1).
- In accordance with section 115(4) of the Companies Act, neither the Offeror nor parties acting in concert with it, being K2018535347, VFT and Prime Rentals, will be included in calculating the percentage votes required in determining whether the quorum requirements have been met at the General Meeting. In addition, the Offeror and parties acting in concert with it will be precluded from voting at the General Meeting.
- The date on which Verimark Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 7 December 2018.



## **SPECIAL RESOLUTION NUMBER 1 – APPROVAL OF THE SCHEME IN TERMS OF SECTIONS 114 AND 115 OF THE COMPANIES ACT**

**“RESOLVED THAT** the scheme of arrangement in terms of section 114 of the Companies Act (as more fully set out in the Circular and as same may be amended as contemplated in the Circular) proposed by the Verimark Board between Verimark and the holders of Verimark Shares other than the Ineligible Shares in terms of which, *inter alia* if such scheme of arrangement becomes operative, the Offeror, will acquire, on the terms and subject to the conditions set out in the Circular (as same may be amended as contemplated in the Circular), all the Scheme Shares and each Scheme Participant will receive the Scheme Consideration, pursuant to which scheme of arrangement the Verimark Shares will be de-listed from the securities exchange operated by JSE Limited, be and is hereby approved as a special resolution in terms of section 115(2)(a) of the Companies Act, 2008, as amended.”

### **Reason for and effect of Special Resolution Number 1**

The reason for and the effect of Special Resolution Number 1 is to obtain shareholder approval, in terms of section 114 read with section 115 of the Companies Act, for the Scheme proposed by the Verimark Board between Verimark and the Scheme Participants. Verimark Shareholders are referred to the content of the Circular for more information relating to the reason for and effect of Special Resolution Number 1.

## **SPECIAL RESOLUTION NUMBER 2 – REVOCATION OF SPECIAL RESOLUTION NUMBER 1 IF SCHEME TERMINATES OR LAPSES**

**“RESOLVED THAT,** as a special resolution in terms of section 164(9)(c) of the Companies Act, subject to and in the event of (i) the Scheme Resolution being approved at the General Meeting in terms of the Companies Act and (ii) Verimark announcing that the Scheme has been terminated or has lapsed as contemplated in terms of the Scheme, Special Resolution Number 1 is revoked with effect from the date of the announcement contemplated in (ii) above, as contemplated in section 164(9)(c) of the Companies Act, and accordingly any Dissenting Shareholder that has sent a demand to Verimark in terms of sections 164(5) to (8) of the Companies Act to be paid the fair value of its Shares, shall have no rights to be so paid under section 164 of the Companies Act in that the Scheme did not and shall not become effective.”

### **Reason for and effect of Special Resolution Number 2**

Special Resolution Number 2 is intended to remove the rights to payment of Dissenting Shareholders if the Scheme has been terminated or has lapsed and shall become effective only if: (i) the Scheme Resolution as defined in the Scheme is approved at the General Meeting in terms of the Companies Act; and (ii) Verimark announces that the Scheme has been terminated or has lapsed. The effect of Special Resolution Number 2 is to remove any right to payment that a Dissenting Shareholder may have under section 164 of the Companies Act if the Scheme has been terminated or has lapsed.

## **ORDINARY RESOLUTION NUMBER 1 – DELISTING OF VERIMARK SHARES FROM THE MAIN BOARD OF THE JSE**

**“RESOLVED THAT** subject to the Substitute Offer becoming unconditional the delisting of the Verimark Shares from the main board of the JSE in terms of paragraph 1.15 of the JSE Listings Requirements be and is hereby approved and Verimark be and is hereby authorised to apply for the delisting of the Shares from the main board of the JSE with effect from the commencement of business on or about the Business Day following the Substitute Offer Closing Date or as soon as reasonably possible thereafter.”

### **Reason for and effect of Ordinary Resolution Number 1**

The reason for and effect of Ordinary Resolution Number 1 is to authorise Verimark to make application to the JSE to delist the Verimark Shares from the main board of the JSE in terms of paragraph 1.15 of the JSE Listings Requirements, in the event that the Substitute Offer becomes unconditional.

## **VOTING AND PROXIES**

The Scheme Voting Record Date, being the date on which Verimark Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting is Friday, 11 January 2019. The last day to trade in order to be entitled to attend and vote at the General Meeting is Tuesday, 8 January 2019.

**Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Accordingly, meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the General Meeting of Verimark Shareholders and must accordingly bring a copy of their identity document, passport or drivers' license to the General Meeting of Verimark Shareholders. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretaries for guidance.**

On a poll every person present and entitled to vote, either as a Verimark Shareholder or as a proxy for a Verimark Shareholder, shall have one vote for every Verimark Share held by such Shareholder. On a show of hands, every person present at the General Meeting and entitled to exercise voting rights shall be entitled to one vote, irrespective of the number of voting rights that person would otherwise be entitled to exercise.



**A Verimark Shareholder entitled to attend, speak and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of Verimark. For the convenience of Certificated Verimark Shareholders and Own-Name Dematerialised Verimark Shareholders, a Form of Proxy (yellow) is attached hereto. Completion of a Form of Proxy (yellow) will not preclude such Verimark Shareholder from attending and voting (in preference to that Verimark Shareholder's proxy) at the General Meeting of Verimark Shareholders.**

Duly completed Forms of Proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries at the address given below by not later than 10:00 on Tuesday, 15 January 2019 (or by no later than 48 hours before any adjournment of such General Meeting, excluding Saturdays, Sundays and official public holidays). The chairperson of the General Meeting may, in his discretion, accept Forms of Proxy that have been delivered after the expiry of the above deadline up until the time of commencement of the General Meeting or any adjournment thereof.

Verimark Shareholders who hold Dematerialised Shares, other than with Own Name Registration, must inform their CSDP or Broker of their intention to attend the General Meeting and request their CSDP or Broker to issue them with the necessary letters of representation to attend the General Meeting or to provide their CSDP or Broker with their voting instructions should they not wish to attend the General Meeting in person, failing which the CSDP or Broker will be obliged to act in terms of the Custody Agreement between such Verimark Shareholder and his/her CSDP or Broker.

## **ELECTRONIC PARTICIPATION**

Verimark Shareholders are advised in terms of section 63(3) of the Companies Act, that while the General Meeting will be held in person, Scheme Members (and/or their proxies) may participate in (but not vote at) the General Meeting by electronic communication, as contemplated in sub-section 63(2) of the Companies Act, and Scheme Members and/or their proxies will be able, at their own expense, to participate in (but not vote at) the General Meeting by means of a teleconference facility. Arrangements so to participate in the General Meeting should be made through the office of the Company Secretary.

Verimark Shareholders who vote against the Scheme Resolution(s) and wish to exercise their rights in terms of section 115(3) of the Companies Act, to require the approval of a court for the Scheme, should refer to Annexure 5 of the Circular to which this Notice is attached which includes an extract of section 115 of the Companies Act.

## **APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS**

Verimark Shareholders are hereby advised of their Appraisal Rights in terms of section 164 of the Companies Act. Their attention is drawn to the full provisions of that section which are set out in Annexure 5 to the Circular. The following sets out the salient features only of these Appraisal Rights.

In terms of section 164 of the Companies Act, at any time before Special Resolution Number 1 as set out in this notice is voted on, a Dissenting Shareholder may give Verimark a written notice objecting to Special Resolution Number 1.

Within 10 Business Days after Verimark has adopted Special Resolution Number 1, Verimark must send a notice that Special Resolution Number 1 has been adopted to each Verimark Shareholder who:

- gave Verimark a written notice of objection as contemplated above;
- has not withdrawn that notice; and
- has not voted in favour of Special Resolution Number 1.

A Verimark Shareholder may, within 20 Business Days after receiving Verimark's aforementioned notice of the adoption of Special Resolution Number 1, demand that Verimark pay the Verimark Shareholder the fair value for all of the Verimark Shares held by that person if:

- the Verimark Shareholder has sent Verimark a notice of objection;
- Verimark has adopted Special Resolution Number 1; and
- the Verimark Shareholder voted against Special Resolution Number 1 and has complied with all of the procedural requirements of section 164 of the Companies Act.

The wording of section 164 of the Companies Act is set out in Annexure 5 to the Circular.

## **SIGNED AT JOHANNESBURG ON 18 DECEMBER 2018 ON BEHALF OF THE VERIMARK BOARD**

**M Kabi**

*Chairperson*

### **Company secretary and registered office**

PremCorp Consulting Services Proprietary Limited  
33 Kingfisher Drive  
Fourways 2188, South Africa  
PO Box 2424, Fourways 2055

### **Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196  
PO Box 61763, Marshalltown 2107





**VERIMARK HOLDINGS LIMITED**  
Incorporated in the Republic of South Africa  
Registration number: 1998/006957/06  
JSE Share code: VMK | ISIN: ZAE000068011  
"Verimark" or "the Company"

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## FORM OF PROXY IN RESPECT OF THE GENERAL MEETING OF VERIMARK SHAREHOLDERS *(for use by Certificated Verimark Shareholders and Own-Name Dematerialised Verimark Shareholders only)*

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*The definitions and interpretations commencing on page 11 of the Circular to which this Form of Proxy is attached ("the Circular") shall, unless the context clearly requires otherwise, apply to this Form of Proxy.*

For use by Verimark Shareholders at the General Meeting convened in terms of the Companies Act to be held at 09h00 on Thursday, 17 January 2019 at Verimark, 50 Clairwood Avenue, Hoogland, Ext 55, Randburg, South Africa 2154 or any adjourned or postponed meeting.

**Dematerialised Verimark Shareholders holding Verimark Shares other than with Own-Name Registration, must inform their CSDP or Broker of their intention to attend the General Meeting and request their CSDP or Broker to issue them with the necessary letter of representation and/or proxy form to attend the General Meeting in person and vote (or abstain from voting) or provide their CSDP or Broker with their instructions should they not wish to attend the General Meeting in person. Letters of representation must be lodged with the Transfer Secretaries by the commencement of the General Meeting (including any adjournment or postponed meeting). Such Verimark Shareholders must not use this form of proxy.**

I/We (Please PRINT names in full)

of (address)

Telephone number

Cell phone number

e-mail address

being the holder(s) of

Verimark Shares

do hereby appoint (see notes 1 and 2):

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. the chairperson of the General Meeting

as my/our proxy to attend, speak and vote for me/us at the General Meeting (or any postponement or adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each postponement or adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Verimark Shares registered in my/our name(s), in accordance with the following instructions and otherwise in accordance with the Companies Act, the MOI and the terms of the attached notes:

	For	Against	Abstain
<b>Special Resolution Number 1:</b> Approval of the Scheme			
<b>Special Resolution Number 2:</b> Revocation of the Scheme Resolution if the Scheme terminates or lapses			
<b>Ordinary Resolution Number 1</b> – Delisting of Verimark Shares from the main board of the JSE			

\* One vote per Verimark Share held by Verimark Shareholders. Verimark Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided or "X" should they wish to vote all Verimark Shares held by them. If no instruction is provided, the proxy (if not the chairperson of the General Meeting) shall be entitled to vote or abstain from voting as he/she deems fit, provided that if the proxy is the chairperson of the General Meeting, he shall be deemed to be instructed to vote in favour of the resolutions set out above, in respect of all shares held by the Verimark Shareholder.



Signed at _____	on _____
Signature _____	
Capacity of signatory (where applicable) _____	
<b>Note:</b> Authority of signatory to be attached – see notes 8 and 9.	
Assisted by me (where applicable) _____	
Full name _____	
Capacity _____	
Signature _____	

## SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

### In terms of section 58 of the Companies Act

- *A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder.*
- *A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.*
- *A proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.*
- *Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder.*
- *Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.*
- *If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.*
- *A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.*
- *If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:*
  - *the relevant shareholder; or*
  - *the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.*



## Notes

1. Verimark Shareholders who hold Dematerialised Shares other than with Own-Name Registration:
  - 1.1. who wish to attend the General Meeting in person may do so by requesting the registered holder, being their CSDP, Broker or nominee, to issue them with a letter of representation and/or form of proxy;
  - 1.2. who do not wish to attend the General Meeting in person but wish to vote (or abstain from voting) thereat must provide the registered holder, being the CSDP, Broker or nominee, with their instructions. The instructions must reach the registered holder in sufficient time to allow the registered holder to exercise such vote on your behalf.
2. Each Verimark Shareholder is entitled to appoint one (or more) proxies (none of whom need be a Verimark Shareholder) to attend, speak and vote in place of that Verimark Shareholder at the General Meeting.
3. A Verimark Shareholder entitled to attend and vote at the General Meeting may insert the name of a proxy or the names of two alternative proxies of the Verimark Shareholder's choice in the space/s provided with or without deleting "the chairperson of the General Meeting" but the Verimark Shareholder must initial any such deletion. The person whose name stands first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairperson of the General Meeting.
4. A Verimark Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Verimark Shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise and direct the chairperson of the General Meeting, if the chairperson is the authorised proxy, to vote in favour of the Scheme, or any other proxy to vote or abstain from voting at the General Meeting as he/she deems fit, in respect of all the Verimark Shareholder's votes exercisable at the meeting.
5. Completed Forms of Proxy and the authority (if any) under which they are signed must be lodged with or posted to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61763, Marshalltown, 2107), to be received by them by no later than 48 hours before the commencement of the General Meeting (or any adjournment of the General Meeting), excluding Saturdays, Sundays and official public holidays. The chairperson of the General Meeting may, in his discretion, accept Forms of Proxy that have been delivered after the expiry of the above deadline up until the time of commencement of the General Meeting or any adjournment thereof.
6. The completion and lodging of this Form of Proxy will not preclude the relevant Verimark Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Verimark Shareholder wish to do so.
7. The chairperson of the General Meeting may accept or reject any Form of Proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of Verimark.
8. Any alteration or correction made to this Form of Proxy must be initialled by the signatory/ies.
9. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this Form of Proxy, unless previously recorded by Verimark.
10. Where this Form of Proxy is signed under power of attorney, such power of attorney must accompany this Form of Proxy, unless it has been registered by Verimark or waived by the chairperson of the General Meeting.
11. Where Verimark Shares are held jointly, all joint holders are required to sign this Form of Proxy.
12. A minor Verimark Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Verimark.
13. This Form of Proxy shall be valid at any resumption of an adjourned meeting to which it relates although this Form of Proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the General Meeting of Verimark Shareholders from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place.
14. This Form of Proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting of Verimark Shareholders in question, subject to any specific direction contained in this Form of Proxy as to the manner of voting.
15. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of any proposed amendment to the above resolutions. If the foregoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form is attached.



16. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Verimark Shares in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by Verimark before the commencement of the meeting or adjourned meeting at which the proxy is used.
17. Any proxy appointed pursuant to this Form of Proxy may not delegate her or his authority to act on behalf of the relevant Verimark Shareholder.
18. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this Form of Proxy remains valid only until the end of the General Meeting of Verimark Shareholders or any adjournment of such General Meeting.
19. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory/ies.





**VERIMARK HOLDINGS LIMITED**  
Incorporated in the Republic of South Africa  
Registration number: 1998/006957/06  
JSE Share code: VMK | ISIN: ZAE000068011  
“Verimark” or “the Company”

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## FORM OF SURRENDER, TRANSFER AND ACCEPTANCE

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*The definitions and interpretations commencing on page 11 of the Circular to which this Form of Surrender, Transfer and Acceptance is attached (“the Circular”), apply, unless the context clearly indicates otherwise, to this Form of Surrender, Transfer and Acceptance.*

**Verimark Shareholders that do not accept the Substitute Offer should note that in the event that Verimark is delisted, they will remain minority shareholders in an unlisted entity that is no longer subject to the JSE Listings Requirements.**

**This form should be read in conjunction with the Circular.**

**Instructions:**

1. A separate Form of Surrender, Transfer and Acceptance is required for each Verimark Shareholder. Verimark Shareholders must complete this Form of Surrender, Transfer and Acceptance in BLOCK CAPITALS.
2. Part A must be completed by all Certificated Verimark Shareholders who return this form and **relates to the surrender of Documents of Title.**
3. Part B must be completed by Certificated Verimark Shareholders **who are emigrants from or non-residents of** the Common Monetary Area (see note 2).
4. Part C must be completed by all Verimark Shareholders who return this form wishing to receive payment of the Scheme Consideration or Substitute Consideration by EFT including a request for direct crediting of payments – bank account details form
5. Part D must be completed by all Verimark Shareholders who return this form and relates to the acceptance of the Substitute Offer.

**Please also read notes overleaf.**

**To: The Transfer Secretaries**

**Hand deliveries to:**

**Computershare Investor Services (Pty) Ltd**  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196

**Postal deliveries to:**

**Computershare Investor Services (Pty) Ltd**  
PO Box 61763, Marshalltown 2107

**Email to:**

**proxy@computershare.co.za**



## PART A – SURRENDER OF DOCUMENTS OF TITLE

### **ALL VERIMARK SHAREHOLDERS WHO RETURN THIS FORM MUST PLEASE COMPLETE PART A.**

**Certificated Verimark Shareholders who wish to anticipate the Scheme or the Substitute Offer becoming operative and expedite settlement of the Scheme Consideration or the Substitute Offer Consideration, if applicable, should complete Part A and return this form to the Transfer Secretaries together with their Document(s) of Title by no later than 12:00 on the Scheme Consideration Record Date, in the case of the Scheme and by no later than 12:00 on the Substitute Offer Closing Date, in the case of the Substitute Offer.**

Should the Scheme not become operative, relevant Documents of Title surrendered to and held by the Transfer Secretaries will, in the case of Certificated Verimark Shareholders who have not accepted the Substitute Offer in respect of all their Verimark Shares, be returned to such Verimark Shareholders by the Transfer Secretaries, at such Verimark Shareholders' own risk, by registered post within 5 Business Days from the date of receipt of the Documents of Title or the date on which it becomes known that the Scheme will not become operative, whichever is the later.

Surname or Name of corporate body

First names (in full)

Title

Address

Postal code

Country

Telephone number (    )

Cell phone number (    )

Email address (    )

Fax number

**Please note:** In order to comply with the requirements of the Financial Intelligence Centre Act, No 38 of 2001, the Transfer Secretaries will not be able to record any change of address mandated unless the following documentation is received from the relevant Verimark Shareholder:

- an original certified copy of your identity document;
- an original certified copy of a document issued by the South African Revenue Services to verify your tax number (if you do not have a tax number, please confirm this in writing and have the letter signed by a Commissioner of Oaths); and
- an original or an original certified copy of a service bill to verify your physical address.

**I/WE HEREBY SURRENDER THE ENCLOSED SHARE CERTIFICATE/S, CERTIFIED TRANSFER DEED/S AND/OR OTHER DOCUMENTS OF TITLE, DETAILS OF WHICH HAVE BEEN COMPLETED BELOW.**

**Share certificate/s and/or other Document(s) of Title to be surrendered (as enclosed)**

Name of registered holder (separate form for each holder)	Certificate number(s) (in numerical order)	Number of Verimark Shares covered by each certificate
<b>Total</b>		



Signature of Verimark Shareholder	Stamp and address of agent lodging this form
Assisted by me (if applicable)	
State full name and capacity	
Date	
Telephone number (Home) (    )	
Telephone number (Work) (    )	
Cell phone number (    )	

*Signatories may be called upon for evidence of their authority or capacity to sign this form.*

## PART B

### 1. To be completed only by Certificated Verimark Shareholders who are emigrants from the Common Monetary Area.

The Scheme Consideration or Substitute Offer Consideration, as applicable, will be forwarded to the authorised dealer nominated below for its control and credited to the emigrant's blocked account. Accordingly, a non-resident who is an emigrant from South Africa must provide the following information:

Name and address of authorised dealer in South Africa or substitute instruction

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Account number

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### 2. To be completed only by all other non-resident Certificated Verimark Shareholders who wish to provide a substitute address.

The Scheme Consideration or Substitute Offer Consideration, as applicable, will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and a substitute address provided below:

Substitute address

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### 3. If no nomination is made in terms of 1 above, the Scheme Consideration or the Substitute Offer Consideration, if applicable, will be held in trust by the Transfer Secretaries.



## PART C

**To be completed by all Certificated Verimark Shareholders wishing to receive payment of the Scheme Consideration or Substitute Offer Consideration, if applicable, by EFT.**

Name of Certificated Shareholder \_\_\_\_\_

Name of bank \_\_\_\_\_

Branch and branch code \_\_\_\_\_

Account number \_\_\_\_\_

Contact person \_\_\_\_\_

Contact telephone number (    ) \_\_\_\_\_

In terms of the Financial Intelligence Centre Act 38 of 2001 requirements, the Transfer Secretaries will only be able to record any changes in address or payment mandate if the undermentioned documentation is received from the relevant Verimark Shareholder:

- an original certified copy of an identity document (in respect of change of address and payment mandate);
- an original certified copy of an original bank statement (in respect of payment mandate);
- an original certified copy of a document issued by the South African Revenue Services to verify your tax number. If you do not have one, please submit this in writing and have the letter signed by a Commissioner of Oaths (in respect of change of address and payment mandate); and
- an original or an original certified copy of a service bill to verify your residential address (in respect of a change of address mandate).

Payment to Verimark Shareholders that do not have an existing mandate with the Transfer Secretaries or who do not provide the Transfer Secretaries with the abovementioned documents will be made by cheque and posted at the Verimark Shareholder's own risk.

### Instructions:

1. No receipts will be issued for documents lodged unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts, if required. Signatories may be called upon for evidence of their authority or capacity to sign this Form of Surrender and Transfer.
2. Persons who are emigrants from the Common Monetary Area (comprising the Republics of South Africa and Namibia and the Kingdoms of Lesotho and Swaziland) should nominate the Authorised Dealer in the Republic of South Africa which has control of their blocked assets in Part B of this Form of Surrender and Transfer. Failing such nomination, the Scheme Consideration or Substitute Offer Consideration, as applicable, due to such Certificated Shareholders in accordance with the provisions of the Scheme or Substitute Offer, as applicable, will be held by Verimark, pending instructions from the Certificated Shareholder concerned.
3. Any alteration to this Form of Surrender and Transfer must be signed in full and not merely initialled.
4. If this Form of Surrender and Transfer is signed under a power of attorney, then such power of attorney or a notarially certified copy thereof must be sent with this form for noting (unless it has already been noted by Verimark or its Transfer Secretaries at an earlier stage).
5. Where the Certificated Shareholder is a company or a close corporation, unless it has already been registered with Verimark or its Transfer Secretaries at an earlier stage, a certified copy of the directors' or members' resolution authorising the signing of this Form of Surrender and Transfer must be submitted if so requested by Verimark.
6. Instruction 4 above does not apply in the event of this form bearing a Broker's stamp. If this Form of Surrender and Transfer is not signed by the Certificated Shareholder, the Certificated Shareholder will be deemed to have irrevocably appointed the Transfer Secretaries of Verimark to implement the Certificated Shareholder's obligations under the Scheme or Substitute Offer on his/her behalf.
7. Where there are any joint holders of any Certificated Shares, only the holder whose name appears first in the Register in respect of such Certificated Shares, needs to sign this Form of Surrender and Transfer.
8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries at an earlier stage.



<b>FORM: DIRECT CREDIT – BANK ACCOUNT DETAILS FORM</b>
FOR COMPLETION ONLY BY CERTIFICATED SHAREHOLDERS OF VERIMARK HOLDINGS LIMITED (VERIMARK) WHO HAVE NOT PREVIOUSLY PROVIDED THE TRANSFER SECRETARIES WITH THEIR LATEST BANKING DETAILS

Full name of registered shareholder
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Identity number of person signing this form														
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Your shareholder number (if known)	
E-mail address	
Cell phone number	
Office phone number (    )	
Home phone number (    )	
Fax number (    )	

**REQUEST FOR DIRECT CREDITING OF PAYMENTS – BANK ACCOUNT DETAILS**

PLEASE NOTE: We cannot accept banking details in the name of a third party

Name of bank account holder				
Name of South African Bank				
Name of bank branch		Bank account number		
Bank branch code	Account type	Cheque	Transmission	Savings

I/We hereby authorize Computershare Investor Services Proprietary Limited and/or Verimark to act in accordance with my/our instructions set out above. I/We acknowledge that these instructions supersede and have priority over all previous instructions relating to payments to which I/we am/are entitled to be paid in cash, but do not override any previous reinvestment instructions.

Signature of shareholder	Day	Month	Year
If you are signing this form in a representative capacity, please indicate which capacity (see over)			
<b>BANK VERIFICATION</b> I/We confirm that the above information about the abovementioned shareholders account at this Bank is correct   Signed on behalf of Bank <u><b>THIS MUST BE COMPLETED BY YOUR BANK</b></u>	<b>BANK STAMP HERE</b>		

THIS FORM MUST BE SIGNED AND ACCOMPANIED BY AN ORIGINAL CERTIFIED COPY OF YOUR IDENTITY DOCUMENT. (COPIES OF CERTIFIED COPIES WILL NOT BE ACCEPTED).

PLEASE BE ADVISED THAT FACSIMILE/ELECTRONIC COPIES WILL NOT BE ACCEPTED.



## HOW TO COMPLETE THIS FORM

### Request for Direct Crediting of payments

This form must be completed in full if you wish your settlement of your Scheme Consideration or Substitute Offer Consideration, as applicable, to be paid directly into your nominated South African bank account. Until cancelled in writing by you, all future cash payments will be paid into the nominated account.

**IMPORTANT:** Do not use the number quoted on your credit or debit card.

#### *By signing this form you:*

- Confirm that the details are true and correct.
- Understand that neither Verimark nor Computershare Investor Services Proprietary Limited is obliged to post you either the Scheme Consideration or Substitute Offer Consideration cheque in the event that we are unable to transfer the funds due to you electronically and any decision to do so will be at the sole and absolute discretion of Verimark on a case by case basis.
- Agree that if Verimark determines that a cheque will be sent to you by post, it will be at your own risk.
- Understand and agree that neither Verimark nor Computershare Investor Services Proprietary Limited shall be responsible in any way for any loss you may suffer as a result of transfer/deposits being made in accordance with the information provided on this form.
- Understand and agree that any such deposit shall constitute a full and sufficient discharge of Verimark and/or Computershare Investor Services Proprietary Limited obligation to make such payments to me/us.
- Understand and agree that this payment instruction will be applied to all future cash payments.

This instruction only applies to the specific holding identified by the holder number and the name appearing on the front of this form.

**NOTE:** We cannot accept banking details in the name of a third party.

**IF YOU ARE SIGNING THIS FORM IN A REPRESENTATIVE CAPACITY, COMPUTERSHARE INVESTOR SERVICES PROPRIETARY LIMITED REQUIRES THE FOLLOWING DOCUMENTATION IN ADDITION TO AN ORIGINAL CERTIFIED COPY OF YOUR IDENTITY DOCUMENT.**

Joint holding:	Where the holding is in more than one name, the signature of the first mentioned shareholder is required
Power of attorney:	To sign under a Power of Attorney, you must have already lodged the Power of Attorney with Computershare Investor Services Proprietary Limited. Alternatively, please attach an original certified copy of the Power of Attorney to this form when you return it together with an original certified copy of the registered holder's identity document.
Trusts:	The form must be signed by the authorised trustee. If you have not already done so, please attach an original certified copy of the Trustee Resolution/Power of Attorney authorising you to act on behalf of the trust, together with original certified copies of the Letters of Authority issued by the Master of the High Court and the Trust Deed.
Companies/Closed Corporations/Funds:	Any authorised company official/member may sign on behalf of the company/closed corporation/fund. Please indicate the office held when signing the form. If you have not already done so, please provide Computershare Investor Services Proprietary Limited with an original certified copy of your authorisation to act on behalf of the company/closed corporation/fund in the form of an original certified copy of the board minute/resolution detailing the authorized signatories including specimen signatures and a company letterhead for noting in our records. In addition, Computershare Investor Services Proprietary Limited requires an original certified copy of the Certificate of Incorporation/CK1 Founding Statement/Constitution.



<b>Minors:</b>	If the shares are registered in the name of a minor, the form must be completed by the natural guardian, stating the capacity in which he/she is signing or in the case of a legal guardian attach an original certified copy of the Letters of Guardianship (if not previously provided). The guardian must attach an original certified copy of his/her identity document together with an original certified copy of the birth certificate of the minor.
<b>Deceased shareholders:</b>	This form must be signed by the Executor/s of the Deceased Estate. If you have not already done so, please provide Computershare Investor Services Proprietary Limited with an original certified copy of the Letters of Executorship together with an original certified copy of the Executor's identity document.
<b>Shareholder under Curatorship:</b>	The form must be signed by the Curator Bonis appointed by the Master of the High Court. If you have not already done so, please provide Computershare Investor Services Proprietary Limited with an original certified copy of the Letters of Curatorship together with an original certified copy of the Curator's identity document.
<b>Shareholder under Liquidation:</b>	The form must be signed by the liquidator appointed by the Master of the High Court. If you have not already done so, please provide Computershare Investor Services Proprietary Limited with an original certified copy of your Letter of Appointment together with an original certified copy of the shareholder's identity document.

**Notes:**

1. Emigrants from the Common Monetary Area must complete Part B.
2. All other non-residents of the Common Monetary Area must complete Part B if they wish the Scheme Consideration or the Substitute Offer Consideration, if applicable, to be sent to an address other than their address in the Register.
3. If Part B is not properly completed, the Scheme Consideration or the Substitute Offer Consideration, if applicable, (in the case of emigrants) will be held in trust by the Transfer Secretaries pending receipt of the necessary nomination or instruction.
4. The Scheme Consideration or the Substitute Offer Consideration, if applicable, will not be sent to Verimark Shareholders unless and until Documents of Title in respect of the relevant Verimark Shares have been surrendered to the Transfer Secretaries.
5. If a Certificated Verimark Shareholder produces evidence to the satisfaction of Verimark and the Offeror that Documents of Title in respect of Verimark Shares have been lost or destroyed, Verimark may waive the surrender of such Documents of Title against delivery of a duly executed indemnity (including against any damage, expense, loss or payment that the Offeror, or any of its duly authorised representatives, may incur or suffer by reason of, or arising from, the payment of the Scheme Consideration and Substitute Offer Consideration, as applicable, to such person) in a form and on terms and conditions approved by Verimark and the Offeror, or may in their discretion waive such indemnity.
6. If this Form of Surrender, Transfer and Acceptance is not signed by the Certificated Verimark Shareholder, the Verimark Shareholder will be deemed to have irrevocably appointed the company secretary of Verimark to implement that Verimark Shareholder's obligations under the Scheme or the Substitute Offer, as the case may be, on his/her behalf.
7. Persons who have acquired Verimark Shares after the date of posting of the Circular to which this Form of Surrender, Transfer and Acceptance is attached, can obtain copies of the Form of Surrender, Transfer and Acceptance and the Circular from Verimark's company secretary at PremCorp Consulting Services Proprietary Limited, 33 Kingfisher Drive, Fourways 2188, South Africa ( PO Box 2424, Fourways 2055) and electronic copies from the Transfer Secretaries at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61763, Marshalltown 2107).
8. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this Form of Surrender, Transfer and Acceptance.
9. Any alteration to this Form of Surrender, Transfer and Acceptance must be signed in full and should not be merely initialled.



10. If this Form of Surrender, Transfer and Acceptance is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this Form of Surrender, Transfer and Acceptance for noting (unless it has already been noted by Verimark or the Transfer Secretaries).
11. Where the Certificated Verimark Shareholder is a company or a close corporation, unless it has already been registered with Verimark or the Transfer Secretaries, a certified copy of the directors' or members' resolution authorising the signing of this Form of Surrender, Transfer and Acceptance must be submitted if so requested by Verimark.
12. Note 11 above does not apply in the event of this Form of Surrender, Transfer and Acceptance bearing the stamp of a broking member of the JSE.
13. Where Verimark Shares are held jointly, all joint holders are required to sign this Form of Surrender, Transfer and Acceptance.

## PART D –SUBSTITUTE OFFER

**Please tick the appropriate box:**

1. I/We, by ticking the box below, hereby irrevocably (subject to the provisions of Regulation 105 of the Companies Regulations) accept the Substitute Offer, if made, in respect of the Substitute Offer Shares held by me/us.

☐ Please tick this box if you **ACCEPT** the Substitute Offer. By ticking this box, Verimark Shareholders acknowledge that once they have accepted the Substitute Offer, they will no longer be able to deal in their Verimark Shares or have the surrendered Documents of Title returned until such time as the Substitute Offer (if made) fails.

**ALTERNATIVELY**, I/We, by ticking the box below, hereby reject the Substitute Offer:

☐ Please tick this box only if you **REJECT** the Substitute Offer in respect of ALL your Verimark Shares.

2. **The following portion of Part C only needs to be completed by those Verimark Shareholders who have accepted the Substitute Offer by ticking the applicable box at 1 above.**

☐ Please tick this box if you accept the Substitute Offer in respect of **ALL** the Verimark Shares held by you.

**ALTERNATIVELY**, should you only accept the Substitute Offer in respect of some of the Verimark Shares held by you, kindly state the number of Verimark Shares in respect of which the Substitute Offer is accepted: \_\_\_\_\_ (*insert number of Verimark Shares*)

Please note that, as the default position, it is assumed that a Verimark Shareholder that has accepted the Substitute Offer, has accepted the Substitute Offer in respect of **ALL** the Verimark Shares held by that Verimark Shareholder. Accordingly, should a Verimark Shareholder have accepted the Substitute Offer by ticking the applicable box at 1 above, but such Verimark Shareholder has neither ticked the applicable box in 2 above nor inserted the number of Verimark Shares in respect of which the Substitute Offer is accepted, **such Verimark Shareholder shall be deemed to have accepted the Substitute Offer in respect of all the Verimark Shares held by that Verimark Shareholder.**







