

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

SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2017, DIVIDEND ANNOUNCEMENT AND NOTICE OF ANNUAL GENERAL MEETING

HIGHLIGHTS

- Revenue from continuing operations up 1,9% to R439,1 million (2016: R430,8 million)
- Profit before tax from continuing operations of R37,3 million (2016: R13,1 million)
- Headline earnings of R25,9 million (2016:R8,6 million)
- Basic EPS at 24,0 cents per share (2016: 7,8 cents per share)
- Headline EPS at 24,0 cents per share (2016: 8,0 cents per share)
- Net asset value per share at 139,4 cents per share (2016: 119,3 cents per share)

The South African economy remained challenging with increased interest rates, higher than anticipated inflation and overall political uncertainty given the down grade to "junk status" for South African credit ratings. In the reported period, the strengthening of the Rand in the second six months against foreign currencies has resulted in a positive impact on import related businesses and retail as a whole.

OVERVIEW

Sales revenue for the year under review was higher by 1.9% at R439.1 million from R430.8 million in the previous year. As a result of the on-going depreciation of the Rand against the US Dollar ("USD") in the prior financial year, it became necessary for Verimark to increase selling prices in mid-February 2016. The sales price increases, impacted on the sales growth potential, lowering sales volumes in the first six months of trading. Verimark has produced positive sales growth over the last two financial years, which given the tough consumer market is positive for the business. Verimark has reactivated international trade, exhibiting at four international trade shows, the true potential of export will however only be seen in the next financial year.

The subsequent strengthening of the Rand exchange rate against the USD and other currencies in the 2017 financial year resulted in improved buying power of our imports in the second half of the 2017 financial year. The combination of the sales price increases and the strengthening of the Rand resulted in increased gross profits.

Profit before tax increased by 183.8% to R37.3 million from R13.1 million in the previous year. This is attributable to the following factors:

- the strengthening of the Rand exchange rate over the 2017 financial year, which resulted in a foreign currency gain of R1.3 million (2016: R3.7 million loss). The spot rate as at 28 February 2017 was R12.94 to the USD (2016: R16.14 to the USD);
- cost containment of fixed and variable expenditure to R163.8 million (2016: R157.5 million) below inflationary levels. This was achieved through a renewed cost benefit analysis and elimination of wasteful expenditure; and
- net interest income of R0.2 million (2016: R0.8 million net interest expense), due to improved cash flow management and utilization of facilities to maximize interest income.

Cash management has been a key highlight for the 2017 financial year with cash holdings increasing by R27.3 million to R33.1 million, (2016: R5.7 million). This is due to improved profits for the year, utilization of working capital and overall efficient cash management. Cash generated from operations improved by R16.5 million to R47.4 million from R30.9 million in the previous financial year.

FINAL DIVIDEND

Notice is hereby given that a final gross dividend for the financial year ended 28 February 2017, of R12.9 million or 11,30016 cents per share (2016:R4,2 million or 3,70351 cents per share) has been declared, payable on Monday 12 June 2017, to shareholders recorded in the register at the close of business on Friday 9 June 2017. This is consistent with the dividend policy of 50% of profit attributable to the shareholders of the Company. This policy will be reassessed by the Board on an ongoing basis. In accordance with the settlement procedures of Strate, the following dates will apply

to the final dividend payment:

Last date to trade shares cum dividend	Tuesday, 6 June 2017
Shares commence trading ex dividend	Wednesday, 7 June 2017
Record date	Friday, 9 June 2017
Payment date	Monday, 12 June 2017

Share certificates may not be dematerialised or re-materialised between Wednesday, 7 June 2017 and Friday, 9 June 2017, both days inclusive.

On Monday 12 June 2017, the final dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 12 June 2017.

The final dividend will be subject to dividend withholding tax at a rate of 20%, which will result in a net dividend of 9,04013 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act. The final dividend has been declared out of income reserves. The number of ordinary shares in issue as at the date of this declaration is 114 272 328. Verimark's income tax reference number is 9638/138/84/3.

REPORTING ENTITY

Verimark is a company domiciled in South Africa. The summarised audited consolidated financial statements as at and for the year ended 28 February 2017 comprises the consolidated results of Verimark and its subsidiaries.

BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements ("Listings Requirements") for abridged reports, and the requirements of the Companies Act of South Africa, ("Companies Act"), applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

Mr Bryan Groome CA (SA), Financial Director, was responsible for supervising the preparation of the consolidated annual financial statements and preparing these summary consolidated financial statements.

These summary consolidated financial statements have been extracted from the audited consolidated financial statements, but is not itself audited. The audited consolidated financial statements on which the auditors, KPMG Inc, have expressed an unqualified audit opinion and a copy of the auditor's report is available for inspection at the Company's registered office.

The Board take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements.

The Group has no assets or liabilities measured at fair value, by valuation method which requires fair value hierarchy disclosures. The carrying values of financial assets and financial liabilities as requested in the statement of financial position approximate their fair values at the reporting date.

To obtain a copy of the annual financial statements that have been summarised in this report, please go to www.verimark.co.za and click on the Annual Reports hyperlink on the website.

SEGMENTAL ANALYSIS

During 2013, the Group expanded to Singapore where a company was started. Per IFRS 8 Operating Segments the operations of the Group are split between South Africa and Foreign. Operations in Singapore have been discontinued and is reflected as discontinued operations in the 2017 financial

year as well as the prior year.

RELATED PARTY TRANSACTIONS

The only change recorded in the 2017 financial year is the liquidation of VEET and Selcovest.

CHANGES TO THE BOARD

The Board appointed Mr Mitesh Patel as Independent Board Chairman on 6 October 2016 following the retirement of Dr James Motlatsi. Mr Shaun Beecroft resigned as an Executive Director and Financial Director and was replaced by Mr Bryan Groome as Executive Director and Acting Financial Director on 23 March 2016. Bryan was then appointed as Financial Director on 8 August 2016. Ms Thandi Nzimande was appointed as an Independent Non-Executive Director on 1 November 2016.

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.

PROSPECTS

Declining business confidence in South Africa is expected to continue beyond 2017, given the downgrade to “junk” status, which has created economic uncertainty. Analysts are predicting higher interest rates, the weakening of the Rand to foreign currencies, and lower consumer spend as a result of an expected rise in inflation. These factors will have a negative impact on the retail environment, especially on retailers who import.

Given the volatility of the Rand, Verimark will focus on growing its international sales division. This will act as a hedge against the risk of further depreciation of the Rand. It will also over time contribute to the company’s (group’s) revenue and profitability. Verimark intends to exhibit at various international trade shows and expects the results to start showing within the 2018 financial year. Sourcing new innovative products remains key for our success in the forthcoming years. Verimark has 40 years’ experience in this field and as in the past, will continue to bring the best quality, innovative products to consumers, locally and in the future internationally.

Verimark has a vast distribution network that includes virtually all the retail chains in southern Africa. Our intention is to continue our expansion into the SADC regions, which has shown potential growth opportunities in recent years.

The Group remains confident that the resilience of its business model and the overall talent of its people will bode well for the future.

Statements contained in this announcement, regarding the prospects of the Group, have not been reviewed or audited by the Group’s external auditors.

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 28 February 2017 Audited	Year ended 29 February 2016 Audited
	R'000	R'000
Continuing operations		
Revenue	439 119	430 798
Gross profit	196 320	172 936
Operating profit before net finance expense	35 832	17 830
Finance income	3 637	1 785
Finance expense	(2 153)	(6 467)
Profit before taxation	37 316	13 148
Income tax	(11 004)	(3 883)
Profit for the year	26 312	9 265
Discontinued operations		
Loss for the year from discontinued operations (after tax)	(487)	(801)
Profit for the year	25 825	8 464
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation reserve movement	324	(157)
Total comprehensive income for the year	26 149	8 307

Basic and diluted earnings per share	24,0	7,8
Earnings and diluted earnings per share (EPS) – continuing operations	24,4	8,6
Loss and diluted loss per share (EPS) – discontinued operations	(0,5)	(0,7)

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	At 28 February 2017 Audited	At 29 February 2016 Audited
	R'000	R'000
Assets		
Plant and equipment	7 195	8 295
Intangible assets	14 157	14 336
Deferred taxation asset	4 392	3 305
Non-current assets	25 744	25 936
Inventories	83 623	65 581
Trade and other receivables	46 356	61 970
Prepayments	989	463
Prepaid taxation	790	23
Asset held for sale	0	164
Cash and cash equivalents	34 072	15 651
Current assets	165 830	143 852
Total assets	191 574	169 788
Equity and liabilities		
Share capital	357	360
Share premium	31 810	32 269
Foreign currency translation deficit	0	(324)
Retained earnings	118 170	96 341
Equity attributable to the equity holders of the parent	150 337	128 646
Interest-bearing borrowings	3 774	3 367
Non-current liabilities	3 774	3 367
Trade and other payables	35 409	25 271
Current portion of interest-bearing borrowings	1 039	702
Bank overdraft	1 015	9 929
Taxation payable	0	1 873
Current liabilities	37 463	37 775
Total liabilities	41 237	41 142
Total equity and liabilities	191 574	169 788

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY					
	Share Capital	Share Premium	Foreign currency translation deficit	Retained earnings	Total
	R'000	R'000	R'000	R'000	R'000
Balance at 28 February 2015	360	32 269	(167)	93 506	125 968
Total comprehensive income					
Profit for the year – continuing operations				9 265	9 265
Loss for the year – discontinued operations				(801)	(801)
Other comprehensive income			(157)		(157)
Transactions with					

owners recorded in equity					
Dividends paid				(5 629)	(5 629)
Balance at 29 February 2016	360	32 269	(324)	96 341	128 646
Total comprehensive income					
Profit for the year – continuing operations				26 312	26 312
Loss for the year – discontinued operations				(487)	(487)
Other comprehensive income			324		324
Transactions with owners recorded in equity					
Repurchase of shares	(3)	(459)			(462)
Dividends paid				(3 996)	(3 996)
Balance at 28 February 2017	357	31 810	0	118 170	150 337

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS		
	Year ended 28 February 2017 Audited	Year ended 29 February 2016 Audited
	R'000	R'000
Net cash inflows from operating activities	30 132	20 571
Cash generated from operations	47 375	30 895
Dividends paid	(3 996)	(5 629)
Finance income received	3 637	1 785
Finance costs paid	(2 153)	(6 467)
Taxation paid	(14 731)	(13)
Cash outflows from investing activities	(3 220)	(1 510)
Acquisition of plant and equipment to expand operations	(3 242)	(2 795)
Acquisition of intangible assets to maintain operations	(24)	(37)
Proceeds on sale of assets held for sale	23	1 226
Proceeds from disposal of plant and equipment	23	96
Cash inflow/(outflows) from financing activities	282	(1 438)
Interest-bearing borrowings raised/(repaid)	744	(1 438)
Repurchase of own shares	(462)	0
Net increase in cash and cash equivalents	27 194	17 623
Cash and cash equivalents at beginning of year	5 722	(12 841)
Cash and cash equivalents held for sale at beginning of the year	141	1 081
Cash and cash equivalents held for sale	0	(141)
Cash and cash equivalents at end of year	33 057	5 722

SEGMENTAL INFORMATION – for the year ended 28 February 2017				
	South Africa	Foreign (Discontinued)	Group elimination	Total
	R'000	R'000	R'000	R'000
Revenue	439 119	0	0	439 119
Profit before tax	37 316	(487)	0	36 829
Profit after tax	26 312	(487)	0	25 825
Segment assets	191 574	0	0	191 574
Segment liabilities	(41 237)	0	0	(41 237)

SEGMENTAL INFORMATION – for the year ended 29 February 2016				
	South Africa	Foreign (Discontinued)	Group elimination	Total
	R'000	R'000	R'000	R'000
Revenue	430 798	1 112		431 910
Profit before tax	13 148	1 941	(2 742)	12 347
Profit after tax	9 265	1 941	(2 742)	8 464
Segment assets	169 624	164	0	169 788
Segment liabilities	(41 142)	0	0	(41 142)

DETERMINATION OF ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS		
	Year ended 28 February 2017 Audited	Year ended 29 February 2016 Audited
	R'000	R'000
Attributable profit (after tax)	25 825	8 464
Loss on sale of plant and equipment	41	163
Tax on loss on sale of plant and equipment	(11)	(45)
Headline earnings	25 855	8 582
Shares in issue	114 272 328	114 272 328
Shares held by subsidiary	(6 489 958)	(6 380 870)
Weighted average shares for the period	107 782 370	107 891 458
Diluted weighted average shares Share options dilutive portion	107 782 370	107 891 458
Basic earnings and diluted earnings per share	24,0	7,8
Headline and diluted headline earnings per share	24,0	8,0
Net asset value per share*	139,4	119,3
Net tangible asset value per share**	126,3	105,9

*Net asset value per share

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

**Net tangible asset value per share

The net asset value of the tangible assets divided by the weighted average number of shares in issue during the year.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at the Company, in the Boardroom, 50 Clairwood Avenue, Hoogland Ext 55, Randburg, on Thursday 3 August 2017 at 10h00, to transact business as stated in the Notice of the Annual General Meeting, issued together with the Integrated Annual Report, which will be distributed to shareholders and made available on the Company website (www.verimark.co.za), on or about Friday, 26 May 2017.

The record date in terms of section 59(1) (b) of the Companies Act for shareholders to participate in and vote at the Annual General Meeting is Friday 28 July 2017.

Accordingly, the last date to trade in the Company's shares on the JSE Limited in order to be eligible to participate in and vote at this Annual General Meeting is Tuesday, 25 July 2017.

On behalf of the Board
Michael van Straaten
Chief Executive Officer
Johannesburg
23 May 2017

Directors:

M M Patel (Chairman)*, J M Pieterse*, AT Nzimande *, M J van Straaten (CEO), B M Groome,
*Independent Non-executive

Company Secretary:

Premium Corporate Consulting Services (Pty) Ltd

Registered office:

50 Clairwood Avenue
Extension 55, Hoogland
Randburg 2194

Postal address:

PO Box 78260, Sandton 2146

Email address:

investors@verimark.co.za
www.verimark.co.za

Transfer Secretaries:

Computershare Investor Services (Pty) Limited

Auditors:

KPMG Incorporated

Sponsor:

Grindrod Bank Limited