

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 29 FEBRUARY 2016, DIVIDEND ANNOUNCEMENT AND NOTICE OF ANNUAL GENERAL MEETING

HIGHLIGHTS

- Revenue from continuing operations up 3,7% to R430,8 million (2015: R415,4 million)
- Profit before tax from continuing operations of R13,1 million (2015: R17,0 million)
- Headline earnings of R8,6 million (2015: R11,2million)
- Basic EPS at 7,8 cents per share(2015: 10,4 cents per share)
- Headline EPS at 8,0 cents per share (2015: 10,4 cents per share)
- Net asset value per share at 119,2 cents per share (2015: 116,8 cents per share)

During the past year the challenging economical environment experienced over recent years, continued to worsen further, affecting the South African consumer. This, plus the depreciation of the Rand to record levels in the year under review, impacted negatively on all import/consumer related businesses. Notwithstanding, Verimark managed to reverse the downwards trend in revenue growth experienced over the recent years, by recording an increase in sales revenue and gross profit.

Improvements in cash generation and a focus on the employment of funds resulted in the further strengthening of the balance sheet.

OVERVIEW

The past year was recorded by most economists as the worst in the current economic cycle. The growth in sales revenue accomplished, confirms the resilience of Verimark's business model and its proven ability to source and develop the best innovations to improve the lives of millions of consumers.

Sales revenue for the year under review was higher by 3.7% at R430.8 million from R415.4 million in the previous year. Sales revenue for the first six months was down 2.5% compared to the same period in the previous year, but up 9% in the second six months. A further noteworthy achievement has been the exceptionally strong growth of 60+% achieved through some of the largest retail partner stores during the December 2015 festive trading period. This increase in sales revenue in the second half of the year and the impact thereof on profits, were unfortunately in part offset by the exceptional depreciation of the Rand that resulted from various political developments that took place during the second half of the year under review.

Profit before tax decreased by 22.7% to R13.1 million from R17.0 million in the previous year. The foreign exchange loss for the year of R3.7 million compared to a prior year foreign exchange gain of R0.4 million had a negative impact on profits. As a direct result of the exceptional depreciation of the Rand the product cost ratio increased over the financial year, negatively effecting margins and profit before tax.

The focus on operational efficiencies and stringent cost management has not wavered. While there was a need to increase selling prices given the exceptional depreciation of the Rand during the year, the cost management programme has resulted in selling and operating expenses being contained below inflation. Cash Generated from operation improved by R22.2 million to R30.9 million from R8.6 million in the previous year.

FINAL DIVIDEND

The Board of Directors (the "Board") is pleased to announce that the declaration of a final dividend for the financial year ended 29 February 2016, of R4,23 million or 3,70351 cents per share (2015:R5,6 million or 5,21778 cents per share) has been approved by the Board. 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 cum dividend	Thursday, 9 June 2016
Trading ex dividend commences	Friday, 10 June 2016
Record date	Friday, 17 June 2016
Dividend payment date	Monday, 20 June 2016

Share certificates may not be dematerialised or re-materialised between Friday, 10 June 2016 and Friday, 20 June 2016 both days inclusive.

The final dividend will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 3,14798 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. As at 29 February 2016 and as at today, there are 107 891 458 shares in issue, excluding the 6 380 870 treasury shares. Verimark's income tax reference number is 9638138843.

REPORTING ENTITY

Verimark is a company domiciled in South Africa. The summarised audited consolidated financial statements as at and for the year ended 29 February 2016 comprises the consolidated results of Verimark and its subsidiaries.

BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summarised 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 summarised 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), Acting Financial Director, was responsible for supervising the preparation of the consolidated annual financial statements and preparing these summarised consolidated financial statements.

These summarised 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 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 2016 financial year as well as the prior year.

RELATED PARTY TRANSACTIONS

There have been no significant changes in related party relationships and/or transactions since the prior year, other than in the normal course of business.

CHANGES TO THE BOARD

With effect from 23 March 2016, Mr Shaun Beecroft resigned as an Executive Director and Financial Director and Mr Bryan Groome was appointed as an Executive Director and Acting Financial Director.

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

The declining business confidence in South Africa is expected to continue beyond 2016. There are numerous negative domestic and external economic as well as political issues impacting the economy, leading in part to continued weakness in the Rand. There remains a real danger that South Africa's economy could enter a recession, which is an extremely concerning factor considering this may well precede an economic downgrade.

Verimark will continue to place emphasis on increasing the pace of new products introduced; normalizing margins that were eroded due to the weakening of the Rand; maximising operational efficiencies; as well as cost containment in the year ahead. Given the economic challenges and the uncertainty around the Rand exchange rate, Verimark is exploring a number of diversification strategies locally, as well as internationally.

The group remain's 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 Groups external auditors.

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
	Year ended 29 February 2016 Audited	Year ended 28 February 2015 Audited
	R'000	R'000
Continuing operations		
Revenue	430 798	415 374
Gross profit	172 936	168 872
Operating profit before net finance expense	17 830	18 108
Finance income	1 785	2 376
Finance expense	(6 467)	(3 480)
Profit before taxation	13 148	17 004
Income tax	(3 882)	(5 010)
Profit for the year	9 265	11 994
Discontinued operations		
Loss for the year from discontinued operations (after tax)	(801)	(736)
Profit for the year	8 464	11 258
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation reserve movement	(157)	1
Total comprehensive income for the year	8 307	11 259
Basic and diluted earnings per share	7,8	10,4
Earnings and diluted earnings per share (EPS) – continuing operations	8,6	11,1
Loss and diluted loss per share (EPS) – discontinued operations	(0,7)	(0,7)
Diluted earnings per share (EPS) – continuing operations	8,6	11,1
Diluted loss per share (EPS) – discontinued operations	(0,7)	(0,7)
Headline earnings (HEPS)	8,0	10,4

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 29 February 2016 Audited	At 28 February 2015 Audited
	R'000	R'000
Assets		
Plant and equipment	8 295	11 264
Intangible assets	14 336	14 623
Deferred taxation asset	3 305	4 961
Non-current assets	25 936	30 848
Inventories	65 581	79 531
Trade and other receivables	61 970	64 073
Prepayments	463	496
Prepaid taxation	23	498
Asset held for sale	164	2 632
Cash and cash equivalents	15 651	444
Current assets	143 852	147 674
Total assets	169 788	178 522
Equity and liabilities		
Share capital	360	360
Share premium	32 269	32 269
Foreign currency translation deficit	(324)	(167)
Retained earnings	96 341	93 506
Equity attributable to the equity holders of the parent	128 646	125 968
Interest-bearing borrowings	3 367	4 085
Non-current liabilities	3 367	4 085
Trade and other payables	25 271	33 327
Liabilities directly associated with assets held for sale	0	301
Current portion of interest-bearing borrowings	702	1 422
Bank overdraft	9 929	13 285
Taxation payable	1873	134
Current liabilities	37 775	48 4698
Total liabilities	41 142	52 554
Total equity and liabilities	169 788	178 522

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY						
	Share Capital	Share Premium	Foreign currency translation deficit	Share based payment reserve	Retained earnings	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 28 February 2014	360	32 269	(168)	468	82 248	115 177
Total comprehensive income						
Profit for the year – continuing operations					11 994	11 994
Loss for the year – discontinued operations					(736)	(736)
Other comprehensive income			1			1
Transactions with owners recorded in equity						
IFRS 2 share-based payment transaction credit				(468)		(468)
Balance at 28 February 2015	360	32 269	(167)	0	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						
Transactions with owners recorded in equity			(157)			(157)
Dividends paid					(5 629)	(5 629)
Balance at 29 February 2016	360	32 269	(324)	0	96 341	128 646

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS				
	Year ended 29 February 2016 Audited		Year ended 29 February 2015 Audited	
	R'000		R'000	
Net cash inflows from operating activities	20 571		486	
Cash generated from operations	30 895		8 679	
Dividends Paid	(5 629)			
Finance income received	1 785		2 378	
Finance costs paid	(6 467)		(3 480)	
Taxation paid	(13)		(7 091)	
Cash outflows from investing activities	(1 510)		(3 791)	
Acquisition of plant and equipment to expand operations	(2 795)		(3 690)	
Acquisition of intangible assets to maintain operations	(37)		(181)	
Movement in assets held for Sale	1226		-	
Proceeds from disposal of plant and equipment	96		80	
Cash outflows from financing activities	(1 438)		(1 425)	
Interest-bearing borrowings repaid	(1 438)		(1 425)	
Net Increase/(decrease) / increase in cash and cash equivalents	17 623		(4 730)	
Cash and cash equivalents at beginning of year	(12 841)		(7 030)	
Cash and cash equivalents held for sale at beginning of the year	1 081			
Cash and cash equivalents held for sale	(141)		(1 081)	
Cash and cash equivalents at end of year	5 722		(12 841)	

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	430 799	1 112		431 911
Profit before tax	13 148	1 941	(2 742)	12 347

Profit after tax	9 266	1 941	(2 742)	8 464
Segment assets	169 624	164		169 788
Segment liabilities	(41 142)			(41 142)

SEGMENTAL INFORMATION – for the year ended 28 February 2015				
	South Africa	Foreign (Discontinued)	Group elimination	Total
	R'000	R'000	R'000	R'000
Revenue	415 697	2 312	(323)	417 686
Profit before tax	17 022	(736)	(18)	16 268
Profit after tax	12 007	(736)	(13)	11 258
Segment assets	175 877	2 663	(18)	178 522
Segment liabilities	(52 252)	(4 253)	3 952	(52 554)

DETERMINATION OF ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS		
	Year ended 29 February 2016 Audited	Year ended 28 February 2015 Audited
	R'000	R'000
Attributable profit (after tax)	8 464	11 258
loss/(Profit) on sale of plant and equipment	163	(14)
Tax on profit on sale of plant and equipment	(45)	4
Headline earnings	8 582	11 248
Shares in issue	114 272 328	114 272 328
Shares held by subsidiary	(6 380 870)	(6 380 870)
Weighted average shares for the period	107 891 458	107 891 458
Diluted weighted average shares Share options dilutive portion	107 891 458	107 891 458
Earnings and diluted earnings per share	7,8	10,4
Headline and diluted headline earnings per share	8,0	10,4
Net asset value per share*	119,3	116,8
Net tangible asset value per share**	105,9	103,2

***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 shareholders will be held at the registered office of the Company, in the Boardroom, 50 Clairwood Avenue, Hoogland Ext 55, Randburg, on Thursday 4 August 2016 at 10h00, to transact business as stated in the Notice of the Annual General Meeting. Part of the Integrated Annual Report which will be made available on the Company website (www.verimark.co.za). The Abridged Annual Report which will be dispatched to shareholders on or about Friday 27 May 2016.

The record date for purposes of determining which shareholders are entitled to receive the notice of Annual General Meeting was Friday, 20 May 2016.

In order for shareholders to be able to attend, participate and vote at the Annual General Meeting, the date's shareholders to be registered in the Company's register are as follows: last date to trade is Friday 22 July 2016 and record date is Friday, 29 July 2016.

On behalf of the Board
Michael van Straaten
Chief Executive Officer
Johannesburg
23 May 2016

Directors:

Dr J T Motlatsi (Chairman)*, J M Pieterse*, M M Patel*, M J van Straaten (CEO), B M Groome,

*Independent Non-executive

Company Secretary:

Premium Corporate Consulting Services (Pty) Ltd

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Transfer Secretaries:

Computershare Investor Services (Pty) Limited

Auditors:

KPMG Incorporated

Sponsor:

Grindrod Bank Limited