



# UNAUDITED INTERIM RESULTS

for the six months ended 31 August 2012

Michael van Straaten, Chief Executive Officer of Verimark, said...

“ This has been a challenging six months for Verimark. Besides the operational and infrastructural challenges due to the exceptional growth over the past few years, the substantially weakened Rand/US Dollar exchange rate and certain unexpected non-recurring events had a negative impact on the results for the period under review. ”

- Revenues down 0,8% to R194,6 million (2011: R196,2 million)
- Loss before tax R4,4 million (2011: Profit before tax R13,1 million)
- Basic EPS at (5,1) cents (2011: 7,1 cents)
- Headline EPS at (5,2) cents (2011: 7,0 cents)
- Increased number of new products to be launched in the next six months

- On-going focus to protect profit margins by aligning selling prices to the weaker exchange rate and controlling of costs
- Unexpected supply constraints on two key products have been addressed
- Market leader position maintained.

[www.verimark.co.za](http://www.verimark.co.za)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 31 August 2012 R'000	Unaudited six months ended 31 August 2011 R'000	Audited 12 months ended 29 February 2012 R'000
Revenue	194 560	196 224	451 150
Operating (loss)/profit before net finance expense and taxation	(5 134)	15 555	48 983
Finance income	2 504	1 055	8 140
Finance expense	(1 802)	(3 553)	(15 251)
(Loss)/profit before taxation	(4 432)	13 057	41 872
Income tax*	(848)	(5 618)	(15 064)
<b>Total comprehensive (loss)/income attributable to owners of the Company</b>	<b>(5 280)</b>	<b>7 439</b>	<b>26 808</b>
(Loss)/earnings per share (EPS)	(5,1)	7,1	25,8
Headline (loss)/earnings per share (HEPS)	(5,2)	7,0	25,8

\* Income tax reflected in the 2012 results represents the STC payable on dividends declared and paid and the movement in deferred taxation. No income tax was provided for the six months ended 31 August 2012.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months as at 31 August 2012 R'000	Unaudited six months as at 31 August 2011 R'000	Audited 12 months as at 29 February 2012 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>31 770</b>	<b>32 136</b>	<b>31 256</b>
Plant and equipment	14 353	15 177	14 298
Intangible assets	14 503	14 316	14 663
Deferred taxation asset	2 914	2 643	2 295
<b>Current assets</b>	<b>136 091</b>	<b>114 352</b>	<b>124 186</b>
Inventories	61 250	53 860	62 640
Trade and other receivables	72 768	58 392	49 188
Prepayments	206	431	211
Prepaid taxation	1 404	380	-
Short-term portion of loans receivable	-	234	-
Bank and cash balances	463	1 055	12 147
<b>Total assets</b>	<b>167 861</b>	<b>146 488</b>	<b>155 442</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>	<b>73 138</b>	<b>72 680</b>	<b>92 246</b>
Share capital	346	346	346
Share premium	21 378	21 378	21 378
Share-based payment reserve	985	590	788
Retained earnings	50 429	50 366	69 734
<b>Non-current liabilities</b>	<b>4 918</b>	<b>7 105</b>	<b>5 645</b>
Interest-bearing liabilities	4 918	7 105	5 645
<b>Current liabilities</b>	<b>89 805</b>	<b>66 703</b>	<b>57 551</b>
Trade and other payables	40 442	38 381	31 024
Preference share liability	15 872	15 917	15 857
Short-term portion of interest-bearing liabilities	2 499	4 183	3 689
Bank overdraft	30 992	8 222	4 330
Taxation payable	-	-	2 651
<b>Total equity and liabilities</b>	<b>167 861</b>	<b>146 488</b>	<b>155 442</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Retained earnings R'000	Share-based payment reserve R'000	Total R'000
<b>Balance at 1 March 2010</b>	356	25 104	-	31 439	56 899
Total comprehensive income for the year	-	-	-	33 482	33 482
Transactions with owners recorded in equity					
Treasury shares held by Verimark (Proprietary) Limited	(10)	(3 726)	-	-	(3 736)
IFRS 2 share-based payment transaction	-	-	393	-	393
Contributions by and distributions to owners of the Company					
Dividend paid to equity owners	-	-	-	(6 412)	(6 412)
<b>Balance at 28 February 2011</b>	346	21 378	393	58 509	80 626
Total comprehensive income for the year	-	-	-	26 808	26 808
Transactions with owners recorded in equity					
IFRS 2 share-based payment transaction	-	-	395	-	395
Contributions by and distributions to owners of the Company					
Dividend paid to equity owners	-	-	-	(15 583)	(15 583)
<b>Balance at 29 February 2012</b>	346	21 378	788	69 734	92 246
Total comprehensive loss for the period	-	-	-	(5 280)	(5 280)
Transactions with owners recorded in equity					
IFRS 2 share-based payment transaction	-	-	197	-	197
Contributions by and distributions to owners of the Company					
Dividend paid to equity owners	-	-	-	(14 025)	(14 025)
<b>Balance at 31 August 2012</b>	346	21 378	985	50 429	73 138

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 August 2012 R'000	Unaudited six months ended 31 August 2011 R'000	Audited 12 months ended 29 February 2012 R'000
<b>Net cash (outflows)/inflows from operating activities</b>	<b>(32 752)</b>	<b>(18 410)</b>	<b>1 761</b>
Cash (utilised)/generated by operations	(14 461)	7 510	37 241
Dividends paid	(14 025)	(15 582)	(15 582)
Finance income	2 504	1 055	8 140
Finance costs	(1 248)	(3 007)	(13 585)
Taxation paid	(5 522)	(8 386)	(14 453)
<b>Cash outflows from investing activities</b>	<b>(3 136)</b>	<b>(5 026)</b>	<b>(7 870)</b>
Acquisition of plant and equipment	(3 854)	(5 115)	(7 596)
Acquisition of intangible assets	-	(71)	(603)
Proceeds from disposal of plant and equipment	718	160	329
<b>Cash outflows from financing activities</b>	<b>(2 458)</b>	<b>(400)</b>	<b>(2 743)</b>
Loans receivable collected	-	-	232
Interest-bearing liabilities raised	-	643	1 559
Interest-bearing liabilities repaid	(1 918)	(1 043)	(3 934)
Preference share liability repaid	(540)	-	(600)
<b>Net decrease in cash and cash equivalents</b>	<b>(38 346)</b>	<b>(23 836)</b>	<b>(8 852)</b>
Cash and cash equivalents at beginning of year	7 817	16 669	16 669
<b>Cash and cash equivalents at end of period</b>	<b>(30 529)</b>	<b>(7 167)</b>	<b>7 817</b>

## DETERMINATION OF ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS

	Unaudited six months ended 31 August 2012 R'000	Unaudited six months ended 31 August 2011 R'000	Audited 12 months ended 29 February 2012 R'000
Attributable (loss)/profit (after tax)	(5 280)	7 439	26 808
(Profit)/loss on sale of plant and equipment (after tax)	(76)	(74)	30
Headline (loss)/earnings	(5 356)	7 365	26 838
Shares in issue	114 272 328	114 272 328	114 272 328
Treasury shares - VEET	(4 000 000)	(4 000 000)	(4 000 000)
Shares held by subsidiary	(6 380 870)	(6 380 870)	(6 380 870)
Number of shares at period end	103 891 458	103 891 458	103 891 458
Basic (loss)/earnings per share	(5,1)	7,1	25,8
Headline (loss)/earnings per share	(5,2)	7,0	25,8
Diluted basic (loss)/earnings per share	(5,0)	7,0	25,3
Diluted headline (loss)/earnings per share	(5,1)	6,9	25,4
Net asset value per share	69,1	68,0	87,2
Net tangible asset value per share	55,4	54,6	73,3

### OVERVIEW

Revenue for the six months period under review was marginally down (0,8%) compared to the same period last year. This was mainly a result of the unexpected supply challenges experienced on two key products, a reduction of inventories by customers and initial resistance to the upward adjustment in selling prices in the latter part of the period under review.

Gross profit was negatively impacted by the weaker Rand/US Dollar exchange rate and certain operational inefficiencies which have not yet been eliminated.

Concerted efforts to contain costs and selling and other operational costs started bearing fruit and total expenses increased by only 1% compared to the prior year.

### INTERIM DIVIDEND

In light of the overall trading results for the six months ended 31 August 2012 the Board has considered it prudent not to declare a dividend.

Dividend payments will be reconsidered in accordance with the existing payout policy on completion of the current financial year.

### BASIS OF PREPARATION

The unaudited interim results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of International Accounting Standards 34, Interim Financial Reporting, as well as AC 500 standards as issued by the Accounting Practices Board, the Listings Requirements of the JSE Limited and the Companies Act 71 of 2008, as amended.

The accounting policies applied for the six months are consistent, in all material respects, with those used in the Annual Financial Statements of the prior periods. The results have been prepared on a going concern basis.

The interim results as reported herein have been prepared by the Financial Director, Shaun Beecroft CA(SA).

### SEGMENTAL ANALYSIS

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

### CHANGES TO THE BOARD

Mr Mitesh Patel has been appointed as an Independent Non-Executive Director of the Board with effect from Monday, 28 May 2012.

### SUBSEQUENT EVENTS

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

### PROSPECTS

Although the financial performance reported for the first six months was worse than expected, management believes that the corrective actions taken should result in an improved performance in the next six months. The unexpected delay in the completion of our new, double the size Head Office and Warehouse, will continue to impact negatively on efficiencies and costs until January 2013 when occupation is now expected. An increased number of successfully tested new products are to be launched in the current six months.

Notwithstanding the challenges experienced over the recent period, the medium and long term prospects of the Group remain positive.

The interim results for the period ended 31 August 2012 have not been reviewed or audited by the Group's auditors. Statements regarding the future prospects of performance of the Group have not been reviewed or reported on by the Group's auditors.

On behalf of the Board

MJ van Straaten  
Chief Executive Officer

SR Beecroft  
Financial Director

Randburg  
12 November 2012

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

Directors: Dr JT Motlatsi (Chairman)\*, MJ van Straaten (Chief Executive Officer), SR Beecroft (Financial Director), M Patel\*, JM Pieterse\* \*Independent Non-Executive | Company Secretary: SJ Preller

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Transfer secretaries: Computershare Investor Services Proprietary Limited | Auditors: KPMG Inc. | Sponsor: Grindrod Bank Limited