

- Revenue down 5,9% to R183,8 million (2013: R195,3 million)
- Operating loss R4,6 million (2013: Operating profit R3,2 million)
- Loss before tax R4,9 million (2013: R1,2 million)
- Basic loss per share at (3,7) cents (2013: (1,1) cents)
- Headline loss per share at (3,7) cents (2013: (1,2) cents)
- Ongoing focus to protect profit margins by aligning selling prices to the weaker exchange rate and controlling of costs
- Market leader position maintained

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

"The first half of the year has been characterised by a tough retail environment due to a weaker consumer demand, higher interest rates and negligible economic growth in South Africa. The continued devaluation of the Rand will impact negatively on the retail trade, particularly those businesses that import products such as Verimark. As a result of the ongoing devaluation of the Rand against the US Dollar, it became necessary for Verimark to increase selling prices in mid-February 2014, the second time since June 2013. Never before has Verimark had two price increases within twelve months. These price increases were the main reason for the negative impact on the Group's sales volumes, revenue and profitability in the six months ended 31 August 2014. The Group continued to focus on improving its efficiencies, reducing foreign exchange exposures and containing costs during the period under review."

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 31 August 2014 R'000	Unaudited six months ended 31 August 2013 R'000	Audited 12 months ended 28 February 2014 R'000
Revenue	183 801	195 291	430 473
Operating (loss)/profit before net finance expense and taxation	(4 650)	3 228	29 644
Finance income	1 065	229	4 107
Foreign exchange gains realised	1 056	225	4 071
Interest income from financial assets	9	4	36
Finance expense	(1 288)	(4 605)	(10 340)
Foreign exchange losses realised	(842)	(2 817)	(7 138)
Interest expense from financial liabilities	(446)	(1 788)	(3 202)
(Loss)/profit before taxation	(4 873)	(1 148)	23 411
Income tax	899	(27)	(5 750)
(Loss)/profit for the period	(3 974)	(1 175)	17 661
Foreign currency translation reserve movement	51	(17)	(181)
Total comprehensive (loss)/income for the period attributable to owners of the Company	(3 923)	(1 192)	17 480
(Loss)/earnings per share (EPS)	(3,7)	(1,1)	17,0
Headline (loss)/earnings per share (HEPS)	(3,7)	(1,2)	17,0

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 August 2014 R'000	Unaudited six months ended 31 August 2013 R'000	Audited 12 months ended 28 February 2014 R'000
Net cash (outflows)/inflows from operating activities	(16 887)	2 559	26 733
Cash (utilised by)/generated from operations	(15 622)	8 008	39 194
Dividends paid	-	-	-
Finance income	1 064	229	4 107
Finance costs	(1 290)	(4 028)	(9 132)
Taxation paid	(1 039)	(1 650)	(7 436)
Cash outflows from investing activities	(1 403)	(2 453)	(4 238)
Acquisition of plant and equipment	(1 284)	(3 131)	(5 407)
Acquisition of intangible assets	(181)	(6)	-
Proceeds from disposal of plant and equipment	62	684	1 169
Cash (outflows)/inflows from financing activities	(1 016)	7 427	(2 515)
Interest-bearing liabilities raised	-	9 329	484
Interest-bearing liabilities repaid	(1 016)	(1 902)	(2 999)
Net (decrease)/increase in cash and cash equivalents	(19 306)	7 533	19 980
Cash and cash equivalents at beginning of period	(7 030)	(27 010)	(27 010)
Cash and cash equivalents at end of period	(26 336)	(19 477)	(7 030)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months as at 31 August 2014 R'000	Unaudited six months as at 31 August 2013 R'000	Audited 12 months as at 28 February 2014 R'000
ASSETS			
Non-current assets	31 121	35 063	32 057
Plant and equipment	11 788	16 867	13 527
Intangible assets	14 798	14 998	14 893
Deferred taxation asset	4 535	3 198	3 637
Current assets	150 219	131 540	128 322
Inventories	79 373	60 862	66 280
Trade and other receivables	67 982	69 320	60 229
Prepayments	618	363	419
Prepaid taxation	648	-	-
Bank and cash balances	1 598	995	1 394
Total assets	181 340	166 603	160 379
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent	111 222	85 541	115 177
Share capital	360	346	360
Share premium	32 269	21 378	32 269
Share based payment reserve	436	409	468
Foreign currency translation reserve	(117)	(4)	(168)
Retained earnings	78 274	63 412	82 248
Non-current liabilities	4 210	5 147	4 384
Interest-bearing liabilities	4 210	5 147	4 384
Current liabilities	65 908	75 915	40 818
Trade and other payables	36 268	26 119	29 454
Preference share liability	-	17 589	-
Short-term portion of interest-bearing liabilities	1 706	11 704	2 548
Bank overdraft	27 934	20 472	8 424
Taxation payable	-	31	392
Total equity and liabilities	181 340	166 603	160 379

DETERMINATION OF ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS

	Unaudited six months ended 31 August 2014 R'000	Unaudited six months ended 31 August 2013 R'000	Audited 12 months ended 28 February 2014 R'000
Attributable (loss)/profit (after tax)	(3 974)	(1 175)	17 661
Loss/(profit) on sale of plant and equipment	2	(104)	(100)
Tax on (loss)/profit on sale of plant and equipment	(1)	29	28
Headline (loss)/earnings	(3 973)	(1 250)	17 589
Shares in issue	114 272 328	114 272 328	114 272 328
Treasury shares – VEET	-	(4 000 000)	(3 989 041)
Shares held by subsidiary	(6 380 870)	(6 380 870)	(6 380 870)
Number of shares at period end	107 891 458	103 891 458	103 902 417
Share options dilutive portion	-	702 861	9 986
Diluted weighted average shares	107 891 458	104 594 319	103 912 403
Basic (loss)/earnings per share	(3,7)	(1,1)	17,0
Headline (loss)/earnings per share	(3,7)	(1,2)	16,9
Diluted basic (loss)/earnings per share	(3,7)	(1,1)	17,0
Diluted (loss)/headline earnings per share	(3,7)	(1,2)	16,9
Net asset value per share	103,1	82,3	110,9
Net tangible asset value per share	89,4	67,9	96,5

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 at the end of the year.

OVERVIEW

The Group's revenue dropped 5,9% to R183,8 million (2013: R195,3 million), mainly due to the slowdown in sales volumes that resulted from increasing our selling prices for the second time in twelve months. This adjustment was unfortunately necessary, given the continued devaluation of the Rand against the US Dollar. Even though our cost of product over this period increased similarly ($\pm 22\%$), we elected not to increase our selling prices to the same extent, given the impact that this would have had on our sales volumes.

The actions taken above, together with various cost containment and operational improvement activities, allowed Verimark to maintain its gross margin percentage.

Containing costs in the current economic climate continued to be challenging. Despite these challenges, excluding the expansion-related expenses (new Verimark Direct Stores and international ventures), operating expenses increased by only 1%. Total operating cost growth was contained to 4% year on year.

Improved management of the US Dollar exposure levels and lower bank facility usage during the current period resulted in foreign exchange losses and finance expenses being reduced by R2,8 million and R1,3 million respectively.

The reduction in sales volumes and the reduction of inventories held by certain key retail partners resulted in an increase in the inventory balances held by Verimark as at 31 August 2014. Management is confident that the inventory levels will return to their normal operating levels during the second half of the year.

As a result of the loss before tax and increased working capital noted above, cash utilised by the operating activities amounted to R16,9 million [2013: R2,6 million cash generated from operating activities]. The Group has taken actions to reduce the inventory balances.

REPORTING ENTITY

Verimark Holdings Limited is a company domiciled in South Africa. The condensed Group financial information as at and for the period ended 31 August 2014 comprises the results of Verimark Holdings Limited and its subsidiaries.

INTERIM DIVIDEND

In light of the overall trading results for the six months ended 31 August 2014 the Board has considered it prudent not to declare a dividend.

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

BASIS OF PREPARATION

The condensed consolidated interim financial statements 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 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.

The condensed Group financial information has been presented on the historical cost basis, except for financial instruments and share based payments 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, Shaun Beecroft CA (SA).

SEGMENTAL ANALYSIS

Per IFRS 8 Operating Segments the operations of the Group are split between South Africa and Foreign.

CHANGES TO THE BOARD

There were no changes to the Board during the period ended 31 August 2014.

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

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 future.

An increased number of successfully tested new products are to be launched ahead of the 2014 peak season and are anticipated to contribute to an improved revenue performance.

Despite the tough environment, Verimark has been through worse periods in its thirty seven year history and remains committed to further trench its position as the leading innovator, improving operational efficiencies, increasing product development and management capability and expanding internationally.

The Board is confident that the medium- and long-term prospects of Verimark remain positive.

RESULTS

The interim results for the period ended 31 August 2014, together with the statements regarding the prospects of the Group, have not been reviewed or audited by the Group's auditors.

On behalf of the Board

MJ van Straaten
Chief Executive Officer

SR Beecroft
Financial Director

Johannesburg
9 October 2014

www.verimark.co.za

SEGMENTAL INFORMATION

	South Africa R'000	Foreign R'000	Group elimination R'000	Total R'000
Revenue	182 640	1 161	-	183 801
Loss before tax	(4 258)	(602)	(13)	(4 873)
Loss after tax	(3 362)	(602)	(10)	(3 974)
Segment assets	178 801	2 555	(16)	181 340
Segment liabilities	65 624	3 991	(3 707)	65 908

Verimark Holdings Limited Incorporated in the Republic of South Africa | Registration number: 1998/006957/06
Share code: VMK | ISIN: ZAE000068011 | "Verimark" or "the Group"
Directors: Dr JT Motlatsi (Chairman)*, JM Pieterse*, MJ van Straaten (Chief Executive Officer), SR Beecroft (Financial Director)
M Patel*, *Independent Non-Executive
Company Secretary: Premium Corporate Consulting Services Proprietary Limited
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Auditors: KPMG Inc. | Sponsor: Grindrod Bank Limited