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 2018, DIVIDEND DECLARATION AND NOTICE OF ANNUAL GENERAL MEETING

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| HIGHLIGHTS  - Revenue up 15,7% to R508,1 million (2017: R439,1 million)  - Profit before tax up 25,1% to R46,7 million (2017: R37,3 million)  - Headline earnings of R33,7 million (2017:R25,8 million)  - Basic EPS at 31,9 cents per share (2017: 24,0 cents per share)  - Headline EPS up 32,9% at 31,9 cents per share (2017: 24,0 cents per share)  - Dividend per share up 32,7% at 15,0 cents per share (2017: 11,3 cents per share) |
| OVERVIEW  The South African economic environment remained challenging, exacerbated by an uncertain political environment over the past year. This all contributed to a recessionary environment with GDP declining 0,7% in the first quarter of 2017, impacting negatively on consumer confidence and resulting in lower spend in the retail market.  The uncertain economic outlook increased rand volatility against foreign currencies. The rand strengthened by 10,1% between the beginning and end of Verimark’s 2018 financial year. However, the average exchange rate of R13,08, compared with the previous financial year’s R14,26, improved by only 8.2%.  Sales for the year increased by 15,7% to R508,1 million (2017: R439,1 million) . The increase in the last six months of the financial year, compared to the same period in the previous year, was 17,2%. The number of new innovative products introduced as well as the ranging and management of stock levels across Verimark’s retail partners, were the main contributors to this increase. A key contributor to the revenue growth is the trust in, and credibility, of the Verimark brand and sub-brands (Bauer, Floorwiz, Genesis, I-Play ).  The strengthening of the average rand / dollar exchange rate, effectively reversing the trend of previous years, enabled Verimark to keep selling prices the same as the prior year and even reduce certain product prices. This resulted in a positive impact on sales volumes.  Profit before tax increased by 25,1% to R46,7 million (2017: R37,3 million). This increase has been a result of improved sales, strict cost containment throughout the business and a stronger rand. During the financial year, the Company introduced eleven new Verimark Emporium Stores. These stores expanded the servicing function as well as improved customer care reach across South Africa. While the costs have been incurred, the anticipated financial benefits will only be seen in the coming financial years.  Verimark’s financial position is robust, being highly liquid with little debt as well as positive cash reserves. Improved stock management and control at retail outlets, to avoid out-of-stock situations, have also assisted revenue growth.  Given the healthy state of Verimark’s financial position and its shares trading below net asset value, the Board utilised the general authority obtained at the annual general meeting held on Thursday, 3 August 2017 and announced on 30 November 2017 that Verimark (Pty) Limited, a 100% owned subsidiary had bought back 3 389 640 ordinary shares which are held as treasury shares by the subsidiary company.  On 3 January 2018 the Board used the same general authority and the Company repurchased a further 2 022 696 ordinary shares, which were subsequently cancelled and delisted, thereby reducing the number of issued shares to 112 249 632. (Total number of treasury shares held by subsidiary companies are 10 741 499). |
| FINAL DIVIDEND    Notice is hereby given that a final gross dividend for the financial year ended 28 February 2018, of R16,8 million or 15,01006 cents per share (2017:R12,9 million or 11,30016 cents per share) has been declared, payable on Monday 11 June 2018, to shareholders recorded in the register at the close of business on Friday 8 June 2018. 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 on-going basis. In accordance with the settlement procedures of Strate, the following dates will apply to the final dividend payment:  Declaration and finalisation data announcement Tuesday, 22 May 2018  Last date to trade shares cum dividend Tuesday, 5 June 2018  Shares commence trading ex-dividend Wednesday, 6 June 2018  Record date Friday, 8 June 2018  Payment date Monday, 11 June 2018  Share certificates may not be dematerialised or rematerialised between Wednesday, 6 June 2018 and Friday, 8 June 2018, both days inclusive.  On Monday 11 June 2018, the final dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available, and shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited.  The final dividend will be subject to dividend withholding tax at a rate of 20%, which will result in a net dividend of 12,00805 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 112 249 632. 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 financial the year ended 28 February 2018 comprise the consolidated results of Verimark and its subsidiary. |
| BASIS OF PREPARATION  The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements (“Listings Requirements”) for provisional reports, and the requirements of the Companies Act of South Africa, applicable to summary financial statements. The Listings Requirements require provisional 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), Financial Director, was responsible for supervising the preparation of the consolidated annual financial statements and preparing the summary consolidated financial statements.  The summarised consolidated financial statements have been extracted from the audited consolidated financial statements, but is not itself audited. The auditors, KPMG Inc have expressed an unmodified audit opinion on the audited consolidated financial statements. The audited consolidated financial statements and the auditor’s report thereon are available for inspection at the Company’s registered office.  The directors take full responsibility for the preparation of the provisional 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 which requires fair value hierarchy disclosures. The carrying values of financial assets and financial liabilities as reflected 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  In the past the Group had an operating company registered in Singapore. Per IFRS 8 Operating Segments the operations of the Group are split between South Africa and Foreign. Operations in Singapore were discontinued and liquidated and are reflected as discontinued operations in the 2018 financial year as well as the prior year. |
| RELATED PARTY TRANSACTIONS  Verimark (Pty) Ltd, a 100% owned subsidiary, purchased 3 389 640 Verimark Holdings shares at an average price of 81 cents per share during the 2018 financial year. |
| CHANGES TO THE BOARD  Mr Mitesh Patel resigned as Board Chairman and Independent Non-Executive Director on Monday 2 April 2018. Ms Simone van Straaten was appointed as Chief Operating Officer as well as an Alternate Director to Mr MJ van Straaten on Thursday 1 March 2018. Ms NP Gosa and Ms M Kabi were appointed as Independent Non-Executive Directors and members of the Audit Committee on Monday 7 May 2018. Ms Gosa was appointed as Board Chairman effective Friday 18 May 2018. |
| 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  Verimark’s future is promising and we are excited about what is to come. We are well-positioned, our products are gaining more markets acceptance and we are assessing various growth and expansion possibilities. The South African economy has kept us focused in recent months, with the change in South Africa’s presidency, not being downgraded by Moody’s rating agency, interest rate movements, but which were offset by the 1% increase in the VAT rate.  Incidentally, Verimark has decided not to transfer the VAT increase onto the consumer, but rather absorb the cost.  The company will continue to focus on bringing the best innovation to the South African market as well as remain the number one Direct TV / Retail selling company in the country. Verimark has decided to re-enter the international market. This will however take some time to show a return on investment.  Our website ([www.verimark.co.za](http://www.verimark.co.za)) has been re-vamped and upgraded and this will allow Verimark to participate meaningfully in the e-commerce space. Additionally, this is a multipurpose offering and will allow even closer interactions with customers, while also ensuring that our customer service remains at the highest level.  Training and development of staff is, and always will be, a key focus for the company. We have participated in youth employment for the last 41 years and will continue to assist in reducing the un-employment rate for youth and previously disadvantaged individuals. We will pursue further learnerships and partnerships to ensure we can continue employing the best possible candidates and assist in on-going career development.  Statements contained in this announcement, regarding the prospects of the Group, have not been reviewed or audited by the Group’s external auditors. |

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| SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
|  | Year ended 28 February 2018  Audited | Year ended 29 February 2017  Audited |
|  | R’000 | R’000 |
| **Continuing operations** |  |  |
| Revenue | 508 137 | 439 119 |
| Gross profit | 230 899 | 196 320 |
| Operating profit before net finance expense | 46 880 | 35 832 |
| Finance income | 2 363 | 3 637 |
| Finance expense | (2 558) | (2 153) |
| Profit before taxation | 46 686 | 37 316 |
| Income tax | (12 988) | (11 004) |
| Profit for the year | 33 697 | 26 312 |
| **Discontinued operations** |  |  |
| Loss for the year from discontinued operations (after tax) | 0 | (487) |
| Profit for the year | 33 697 | 25 825 |
| Other comprehensive income  Items that are or may be reclassified subsequently to profit or loss |  |  |
| Foreign currency translation reserve movement | 0 | 324 |
| Total comprehensive income for the year | 33 697 | 26 149 |
| Basic and diluted earnings per share | 31,9 | 24,0 |
| Earnings and diluted earnings per share (EPS) – continuing operations | 31,9 | 24,4 |
| Loss and diluted loss per share (EPS) – discontinued operations | 0 | (0,5) |

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| SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | |
|  | At 28 February 2018  Audited | At 28 February 2017  Audited  (restated) | At 29 February 2016  Audited (restated) |
|  | R’000 | R’000 | R’000 |
| Assets |  |  |  |
| Plant and equipment | 8 459 | 7 195 | 8 295 |
| Intangible assets | 15 750 | 14 157 | 14 336 |
| Deferred taxation asset | 5 928 | 4 392 | 3 305 |
| Non-current assets | 30 137 | 25 744 | 25 936 |
| Inventories | 84 485 | 83 623 | 65 581 |
| Trade and other receivables | 87 265 | 46 356 | 61 970 |
| Prepayments | 662 | 989 | 463 |
| Prepaid taxation | 0 | 790 | 23 |
| Asset held for sale | 0 | 0 | 164 |
| Cash and cash equivalents | 23 818 | 34 072 | 15 651 |
| Current assets | 196 230 | 165 830 | 143 852 |
| Total assets | 226 367 | 191 574 | 169 788 |
| Equity and liabilities |  |  |  |
| Share capital | 338 | 357 | 360 |
| Share premium | 27 422 | 31 810 | 32 269 |
| Foreign currency translation deficit | 0 | 0 | (323) |
| Retained earnings | 139 786 | 118 170 | 96 340 |
| Equity attributable to the equity holders of the parent | 167 546 | 150 337 | 128 646 |
| Interest-bearing borrowings | 3 237 | 3 774 | 3 367 |
| Straight lining accrual | 5 702 | 4 784 | 3 220 |
| Non-current liabilities | 8 939 | 8 558 | 6 587 |
| Trade and other payables | 40 881 | 30 625 | 22 051 |
| Current portion of interest-bearing borrowings | 2 161 | 1 039 | 702 |
| Bank overdraft | 6 400 | 1 015 | 9 929 |
| Taxation payable | 440 | 0 | 1 873 |
| Current liabilities | 49 882 | 32 679 | 34 556 |
| Total liabilities | 58 821 | 41 237 | 41 143 |
| Total equity and liabilities | 226 367 | 191 574 | 169 788 |
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| SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | | | | | | |
|  | Share Capital | Share Premium | Foreign currency translation deficit | Retained earnings | Total |
|  | 360 | 32 269 | (323) | 96 340 | 128 646 |
| **Balance at 29 February 2016** |  |  |  |  |  |
| **Total comprehensive income** |  |  |  | 26 313 | 26 313 |
| Profit for the year – continuing operations |  |  |  | (487) | (487) |
| Loss for the year – discontinued operations |  |  | 323 |  | 323 |
| Other comprehensive income |  |  |  |  |  |
| **Transactions with owners recorded in equity** | (3) | (459) |  |  | (462) |
| Dividends paid |  |  |  | (3 996) | (3 996) |
| **Balance at 28 February 2017** | 357 | 31 810 | 0 | 118 170 | 150 337 |
| **Total comprehensive income** |  |  |  |  |  |
| Profit for the year – continuing operations |  |  |  | 33 697 | 33 697 |
| **Transactions with owners recorded in equity** |  |  |  |  |  |
| Repurchase of shares | (7 ) | (1 654) |  |  | (1 661) |
| Purchased Treasury shares | (12) | (2 734) |  |  | (2 746) |
| Dividends paid |  |  |  | (12 082) | (12 082) |
| **Balance at 28 February 2018** | 338 | 27 422 | 0 | 139 785 | 167 545 |

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| SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS | | |
|  | Year ended 28 February 2018  Audited | Year ended 28 February 2017  Audited |
|  | R’000 | R’000 |
| Net cash inflows from operating activities | (4 419) | 30 132 |
| Cash generated from operations | 21 151 | 47 375 |
| Dividends paid | (12 082) | (3 996) |
| Finance income received | 2 363 | 3 637 |
| Finance costs paid | (2 558) | (2 153) |
| Taxation paid | (13 293) | (14 731) |
|  |  |  |
| Cash outflows from investing activities | (5 971) | (3 220) |
| Acquisition of plant and equipment to expand operations | (3 997) | (3 242) |
| Acquisition of intangible assets to maintain operations | (2 006) | (24) |
| Proceeds on sale of assets held for sale | 0 | 23 |
| Proceeds from disposal of plant and equipment | 32 | 23 |
|  |  |  |
| Cash inflow/(outflows) from financing activities | (5 249) | 282 |
| Advances in interest-bearing borrowings | 274 | 744 |
| Repayment of interest-bearing borrowings | (1 117) | 0 |
| Repurchase of own shares | (4 406) | (462) |
|  |  |  |
| Net increase in cash and cash equivalents | (15 639) | 27 194 |
| Cash and cash equivalents at beginning of year | 33 057 | 5 722 |
| Cash and cash equivalents held for sale at beginning of the year | 0 | 141 |
| Cash and cash equivalents held for sale | 0 | 0 |
| Cash and cash equivalents at end of year | 17 418 | 33 057 |
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| SEGMENTAL INFORMATION – for the year ended 28 February 2018 | | | | |
|  | South Africa | Foreign (Discontinued) | Group elimination | Total |
|  | R’000 | R’000 | R’000 | R’000 |
| Revenue | 508 137 | 0 | 0 | 508 137 |
| Profit before tax | 46 686 | 0 | 0 | 46 686 |
| Profit after tax | 33 697 | 0 | 0 | 33 697 |
| Segment assets | 226 367 | 0 | 0 | 226 367 |
| Segment liabilities | 58 821 | 0 | 0 | 58 821 |

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| --- | --- | --- | --- | --- |
| 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 | 26 313 | (487) | 0 | 25 826 |
| Segment assets | 191 574 | 0 | 0 | 191 574 |
| Segment liabilities | (41 237) | 0 | 0 | (41 237) |

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| DETERMINATION OF ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS | | |
|  | Year ended 28 February 2018  Audited | Year ended 28 February 2017  Audited |
|  |  |  |
| Attributable profit (after tax) (R’000) | 33 697 | 25 826 |
| (Profit)/Loss on sale of plant and equipment (R’000) | (24) | 41 |
| Tax on loss on sale of plant and equipment (R’000) | 7 | (11) |
| Headline earnings (R’000) | 33 680 | 25 856 |
| Shares in issue at year end | 112 249 632 | 114 272 328 |
|  |  |  |
| Shares held by subsidiary at year end | 10 741 599 | 7 351 959 |
| Weighted average shares for the period^ | 105 686 243 | 107 782 370 |
| Diluted weighted average shares Share options dilutive portion | 105 686 243 | 107 782 370 |
| Basic earnings and diluted earnings per share (cps) | 31,9 | 24,0 |
| Headline and diluted headline earnings per share (cps) | 31,9 | 24,0 |
| Net asset value per share\* (cps) | 165,1 | 140,6 |
| Net tangible asset value per share\*\* (cps) | 149,5 | 127,4 |

^ Weighted average shares for the period

The total number of issued shares at year end less shares held by the subsidiary, weighted by shares repurchased and cancelled by the Company and shares acquired by the subsidiary, during the year.

\*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.

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at Verimark, in the Boardroom, 50 Clairwood Avenue, Hoogland Ext 55, Randburg, on Thursday 2 August 2018 at 10h00, to transact business as stated in the Notice of the Annual General Meeting, issued together with the Integrated Annual Report, and made available on the Company website ([www.verimark.co.za](http://www.verimark.co.za)), on or about Friday, 25 May 2018.

The record date in terms of section 59(1) (b) of the Companies Act for shareholders to participate in, attend and vote at the Annual General Meeting is set as at the close of business on Friday 27 July 2018 (“voting record date”).

Accordingly, the last date to trade in the Company’s shares on the JSE Limited in order to be recorded in the share register on the voting record date is Tuesday 24 July 2018.

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| On behalf of the Board  Michael van Straaten  Chief Executive Officer  Johannesburg  22 May 2018  Directors:  NP Gosa (Chairman)\* J M Pieterse\*, A T Nzimande\*, M Kabi\*, M J van Straaten (CEO),  B M Groome (FD), S van Straaten^  \*Independent Non-executive  ^ Alternate director  Company Secretary:  PremCorp 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 |