VERIMARK

Summarised Audited Financial Results

for the year ended 28 February 2009

BALANCE SHEET

at 28 February 2009

	Group 2009 R'000	2008 R'000
ASSETS		
Non-current assets	24 450	21 953
Plant and equipment	5 521	3 647
Intangible assets	14 140	14 317
Loans receivable	239	459
Other receivables	2 909	2 909
Deferred taxation asset	1 641	621
Current assets	81 320	80 822
Inventories	39 676	39 363
Trade and other receivables	40 156	40 641
Prepayments	394	133
Short-term portion of loans receivable	459	239
Prepaid taxation	–	37
Bank and cash balances	635	409
Total assets	105 770	102 775
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent	44 919	48 590
Share capital	368	368
Share premium	26 730	26 730
Retained earnings	17 821	21 492
Non-current liabilities	18 671	11 821
Preference share liability	13 281	11 821
Interest-bearing liabilities	5 390	–
Current liabilities	42 180	42 364
Trade and other payables	23 241	28 358
Shareholders for dividend	42	42
Short-term portion of interest-bearing liabilities	1 178	5 907
Bank overdraft	17 429	7 580
Taxation payable	290	477
Total equity and liabilities	105 770	102 775

INCOME STATEMENT

for the year ended 28 February 2009

	Group 2009 R'000	2008 R'000
Revenue	252 511	253 031
Cost of sales	(165 853)	(169 996)
Gross profit	86 658	83 035
Other income	943	4 628
Selling expenses	(25 751)	(23 167)
Distribution expenses	(5 513)	(3 054)
Other operating expenses	(59 091)	(47 904)
Operating (loss)/profit before net finance expense	(2 754)	13 538
Finance income	3 232	266
Finance expense	(4 698)	(5 316)
(Loss)/profit before taxation	(4 220)	8 488
Income tax	549	(4 014)
(Loss)/profit for the year	(3 671)	4 474
Attributable to shareholders	(3 671)	4 474
Basic (loss)/earnings per share (cents)	(3,3)	4,1
Diluted (loss)/earnings per share (cents)	(3,3)	4,1

STATEMENT OF CASH FLOWS

for the year ended 28 February 2009

	Group 2009 R'000	2008 R'000
Cash flows from operating activities		
Cash (utilised)/generated by operations	(5 204)	20 994
Dividend paid	–	(6 285)
Finance income	3 232	266
Finance costs	(3 238)	(4 400)
Income tax paid	(622)	(3 337)
Net cash (outflows)/inflows from operating activities	(5 832)	7 238
Cash outflows from investing activities	(4 454)	(1 991)
Acquisitions of plant and equipment to maintain operations	(4 516)	(1 864)
Acquisitions of intangible assets to maintain operations	(40)	(151)
Proceeds from disposal of plant and equipment	102	24
Cash inflows/(outflows) from financing activities	662	(2 915)
Repurchase of own shares (treasury shares)	–	(10 904)
Proceeds from issue of redeemable preference shares	–	10 904
Decrease/(increase) in loans receivable	–	239
Other receivable raised	–	(2 909)
Interest-bearing liabilities repaid	(200)	(6 023)
Interest-bearing liabilities raised	862	5 778
Interest-free liabilities raised	2 000	16
Interest-free liabilities repaid	(2 000)	(16)
Net (decrease)/increase in cash and cash equivalents	(9 624)	2 332
Cash and cash equivalents at beginning of year	(7 170)	(9 502)
Cash and cash equivalents at end of year	(16 794)	(7 170)

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2009

Group	Share capital R'000	Share premium R'000	Retained earnings R'000	Total R'000
Balance at 1 March 2007	381	37 621	23 303	61 305
Treasury shares held by VEET	(13)	(10 891)	–	(10 904)
Profit for the year	–	–	4 474	4 474
Dividend paid	–	–	(6 285)	(6 285)
Balance at 29 February 2008	368	26 730	21 492	48 590
Loss for the year	–	–	(3 671)	(3 671)
Balance at 28 February 2009	368	26 730	17 821	44 919

DETERMINATION OF ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS

	2009 R'000	2008 R'000
Attributable (loss)/profit to ordinary shareholders	(3 671)	4 474
Profit on sale of assets	(84)	(7)
Headline earnings	(3 755)	4 467
Shares in issue	114 272 328	114 272 328
Treasury shares	(4 000 000)	(4 000 000)
Number of shares at year end	110 272 328	110 272 328
Basic (loss)/earnings per share	(3,3)	4,1
Headline (loss)/earnings per share	(3,4)	4,1

COMMENTS

Financial overview

Headline loss per share and loss per share attributable to shareholders for the year ended 28 February 2009 is 3,4 cents and 3,3 cents per share respectively compared to a headline profit per share and profit per share attributable to shareholders of 4,1 cents for the previous comparable period.

As indicated in the trading statement issued on 23 April 2009, the Group acquired a number of franchise stores during the period under review. Whilst this resulted in improved turnovers and margins, there was also an increase in associated costs.

Turnover for the year was marginally lower than the previous year. The acquisition of franchise stores, the continued introduction of new products and the reconfiguration of space and positioning in some retailers assisted in maintaining turnover.

Gross profit and gross profit percentage improved compared to the previous year. This was due to the acquisition of franchise stores. Although forward exchange contracts were utilised, the substantial decrease in the Rand exchange rate negatively impacted on margins.

Expenses have increased over the period, due mainly to the acquisition of the franchise stores and the "straight lining" of their respective lease contracts (the impact of this will reverse over the remaining period of these leases). The operational gearing of the business remains a challenge and management continued their efforts to align costs with the operational levels of the business.

Included in finance expenses is an amount provided for the cumulative preference dividend as a result of the consolidation of special purpose entities for BBBEE purposes, even though the risk of payment of the resultant preference share liability does not lie with the Group.

Borrowings of the Group have increased to R23,9 million (2008: R13,5 million) which is due to the acquisition of franchise stores, investment in assets and an increase in the utilisation of the Group's overdraft facilities. The effect on earnings has been an increase in interest payable.

Final dividend

Given that the Group has reported a loss for the period under review, no dividend has been declared.

Accounting policies

The summarised consolidated financial information is based on the audited financial statements of the Group for the year ended February 2009 and has been prepared in accordance with the Group's accounting policies which comply with International Financial Reporting Standards ("IFRS"), the listing requirements of the JSE Limited, as well as the requirements of International Accounting Standard 34 and the South African Companies Act 61 of 1973, as amended, and are consistent with those of the previous year.

Segmental analysis

There are no identifiable segments and therefore no segmental information is disclosed.

Prospects

Whilst every effort continues to be made to reverse the Group's financial performance, the effects of the depreciation of the Rand combined with the bedding down of senior management changes made over the last two years has delayed the turnaround process.

Post balance sheet events

No significant events have occurred in the period between the reporting date and the date of this report, but shareholders are referred to the cautionary announcement that was released on SENS on 23 April 2009.

Audit opinion

KPMG Inc. has audited the financial statements from which the financial information set out in this report has been extracted. Their unqualified audit report on the financial statements is available for inspection at the Group's registered office.

Cautionary announcement

Shareholders are referred to the cautionary announcement published on SENS on 23 April 2009 and are therefore advised to exercise caution when dealing in the Company's securities until further announcements are made.

On behalf of the Board

Michael van Straaten
Chief Executive Officer

Daniel Reichenberg
Financial Director

Johannesburg
30 April 2009

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: M J van Straaten (CEO), D N Reichenberg, Dr J T Motlatsi*, J M Pieterse* *Independent Non-executive*
Company Secretary: D N Reichenberg

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Transfer secretaries: Computershare Investor Services (Pty) Limited
Auditors: KPMG Incorporated
Sponsor: PSG Capital (Pty) Limited

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