



FINANCIAL OVERVIEW

Headline earnings per share and earnings per share attributable to shareholders for the six months ended 31 August 2011 were 7,0 cents per share and 7,1 cents per share respectively, compared with headline earnings per share and earnings per share attributable to shareholders of 9,8 cents for the previous comparable period.

As indicated in the trading statement issued on 6 October 2011, the decrease in the Group's earnings is a result of a slight reduction in revenue and an increase in costs.

Revenue decreased marginally by 2,2% to R196,2 million. The reasons for this were that new product introductions were slightly slower than anticipated (partly because of the increased focus on addressing the challenges with the Group's infrastructure and the impact thereof on the control of some expenses).

Expenses increased at a higher rate and given the marginal decrease in sales, profit before tax was reduced by 23,4% to R13,1 million. In summary, the financial performance of the Group over the interim period was down compared with the previous year. This was primarily the consequence of the business infrastructure being outgrown as a result of the exceptional growth recorded in the previous two financial years.

INTERIM DIVIDEND

In light of the overall trading results for the six months ended 31 August 2011 and due to the fact that the Group is entering its peak trading period when cash is required to be retained in the business in order to fund operational needs, the Board considers 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.

ACCOUNTING POLICIES

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, and 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 Listing Requirements of the JSE Limited and the Companies Act 71 of 2008.

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

There have been no changes to the Board of Directors during the period under review.

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

Given the phenomenal growth recorded by Verimark over the previous two years, it was not unexpected that the business would experience a period of consolidation.

Although the slowdown in sales for the first six months was sharper than expected, the number of new products successfully tested and to be launched over the next six months (which includes the Christmas trading period) should reactivate Verimark's turnover growth. We are also expecting an increase in the number of exciting new products undergoing testing during this period.

In addition, continued focus will be placed on resolving the challenges relating to Verimark's operational infrastructure and the impact thereof on cost control.

The Group's prospects for the future remain positive and it is expected that growth in revenue and profits will continue given Verimark's growth record over the last 34 years.

The interim results for the period ended 31 August 2011 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

SJ Preller
Acting Financial Director

Johannesburg
11 October 2011

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"

Directors: Dr JT Motlatsi (Chairman)*, MJ van Straaten (Chief Executive Officer), SJ Preller (Acting Financial Director), JM Pieterse* *Independent non-executive

Company Secretary: SJ Preller

Registered office: 67 CR Swart Drive, Corner CR Swart Drive and Freda Road, Bromhof Extension 48, Randburg 2194

Postal address: Verimark Holdings Limited, PO Box 78260, Sandton 2146

E-mail: investors@verimark.co.za

Transfer secretaries: Computershare Investor Services (Proprietary) Limited

Auditors: KPMG Inc.

Sponsor: Grindrod Bank Limited



UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2011

- Revenues down 2,2% to R196,2 million (2010: R200,7 million)
- Profit before tax R13,1 million (2010: R17,0 million)
- Basic EPS at 7,1 cents (2010: 9,8 cents)
- Headline EPS at 7,0 cents (2010: 9,8 cents)
- Number of new products to be launched in the next six months tested exceptionally well
- Actions to better align infrastructure and costs with turnover underway
- Market leader position maintained



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

As previously stated, it is unrealistic to expect that the exceptional growth recorded by Verimark over the previous two years in revenue (38% and 33%) and earnings could be maintained. Revenue for the six month period under review was marginally down (2,2%) compared to the same period last year. This was a result of slightly slower new product launches to the market. However a number of new products have recently tested very successfully and these will be launched during the following six month period.

The exceptional growth recorded by Verimark in the past brought about huge pressure on the Group's operational infrastructure and the control of some of its expenses. Although progress was made in better aligning these expenses with turnover, some increased expenses could take longer to be resolved. (e.g. our new Head Office/Distribution Centre – nearly double the size of the existing one – will only be completed in 12 months' time). This, together with normal inflationary increases on expenses, resulted in profit before tax being 23,4% down compared with the same period last year.

Management is committed to resolving the challenges related to the Group's infrastructure and the control of expenses as soon as possible.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended August 2011 R'000	Unaudited six months ended August 2010 R'000	Audited 12 months ended February 2011 R'000
Revenue	196 224	200 732	461 654
Operating profit before net finance expense and taxation	15 555	21 216	57 738
Finance income	1 055	12	2 966
Finance expense	(3 553)	(4 182)	(11 387)
Profit before tax	13 057	17 046	49 317
Income tax	(5 618)	(6 520)	(15 834)
Profit for the period	7 439	10 526	33 483
Other comprehensive income	-	-	-
Total comprehensive income attributable to owners of the Company	7 439	10 526	33 483
Earnings per share (cents)	7,1	9,8	31,5
Headline earnings per share (cents)	7,0	9,8	31,3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended August 2011 R'000	Unaudited six months ended August 2010 R'000	Audited 12 months ended February 2011 R'000
ASSETS			
Plant and equipment	15 177	12 105	14 200
Intangible assets	14 316	14 264	14 342
Loans receivable	-	312	-
Deferred taxation asset	2 643	2 382	2 643
Non-current assets	32 136	29 063	31 185
Inventories	53 860	67 285	60 274
Trade and other receivables	58 392	51 448	62 543
Prepayments	431	684	268
Prepaid taxation	380	-	-
Short-term portion of loans receivable	234	466	234
Bank and cash balances	1 055	440	16 669
Current assets	114 352	120 323	139 988
Total assets	146 488	149 386	171 173
EQUITY AND LIABILITIES			
Share capital	346	356	346
Share premium	21 378	25 104	21 378
Share-based payment reserve	590	196	393
Retained earnings	50 366	35 553	58 509
Equity attributable to the equity holders of the parent	72 680	61 209	80 626
Interest-bearing liabilities	7 105	6 906	7 905
Non-current liabilities	7 105	6 906	7 905
Trade and other payables	38 381	45 893	61 100
Preference share liability	15 917	14 832	15 371
Short-term portion of interest-bearing liabilities	4 183	1 997	3 783
Bank overdraft	8 222	17 341	-
Taxation payable	-	1 208	2 388
Current liabilities	66 703	81 271	82 642
Total equity and liabilities	146 488	149 386	171 173

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
Balance at 1 March 2009	368	26 730	17 821	-	44 919
Total comprehensive income for the year	-	-	13 618	-	13 618
Transactions with owners recorded in equity – Treasury shares held by Verimark (Proprietary) Limited	(12)	(1 626)	-	-	(1 638)
Balance at 28 February 2010	356	25 104	31 439	-	56 899
Total comprehensive income for the year	-	-	33 483	-	33 483
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)
Dividend paid	-	-	(6 411)	-	(6 411)
Balance at 28 February 2011	346	21 378	58 509	393	80 626
Total comprehensive income for the period	-	-	7 439	-	7 439
Transactions with owners recorded in equity – IFRS 2 share-based payment transaction	-	-	-	197	197
Dividend paid	-	-	(15 582)	-	(15 582)
Balance at 31 August 2011	346	21 378	50 366	590	72 680

DETERMINATION OF ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS

	Unaudited six months ended August 2011 R'000	Unaudited six months ended August 2010 R'000	Audited 12 months ended February 2011 R'000
Attributable profit (after tax)	7 439	10 526	33 483
Loss/(profit) on sale of fixed assets (after tax)	(74)	36	(22)
Headline earnings	7 365	10 562	33 461
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)	(3 400 000)	(4 064 304)
Number of shares at period end	103 891 458	106 872 328	106 208 024
Basic earnings per share	7,1	9,8	31,5
Headline earnings per share	7,0	9,8	31,5
Diluted basic earnings per share	7,0	9,7	31,3
Diluted headline earnings per share	6,9	9,7	31,3

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended August 2011 R'000	Unaudited six months ended August 2010 R'000	Audited 12 months ended February 2011 R'000
Net cash (outflows)/inflows from operating activities	(18 410)	(25 213)	14 789
Cash generated/(utilised) by operations	7 510	(2 340)	49 515
Dividends paid	(15 582)	(6 412)	(6 455)
Finance income	1 055	12	2 966
Finance costs	(3 007)	(3 601)	(9 970)
Taxation paid	(8 386)	(12 872)	(21 267)
Cash outflows from investing activities	(5 026)	(5 653)	(11 419)
Acquisition of plant and equipment	(5 115)	(5 606)	(11 552)
Acquisition of intangible assets to maintain operations	(71)	(54)	(233)
Proceeds from disposal of plant and equipment	160	7	366
Cash (outflows)/inflows from financing activities	(400)	225	(441)
Loans receivable collected	-	(312)	232
Interest-bearing liabilities raised	643	1 288	5 894
Interest-bearing liabilities repaid	(1 043)	(751)	(2 591)
Repurchase of own shares	-	-	(3 736)
Preference share liability repaid	-	-	(240)
Net (decrease)/increase in cash and cash equivalents	(23 836)	(30 641)	2 929
Cash and cash equivalents at beginning of period	16 669	13 740	13 740
Cash and cash equivalents at end of period	(7 167)	(16 901)	16 669



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