INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2013

VERIMARK

VERIMARK HOLDINGS LIMITED

POSITIONED FOR GROWTH

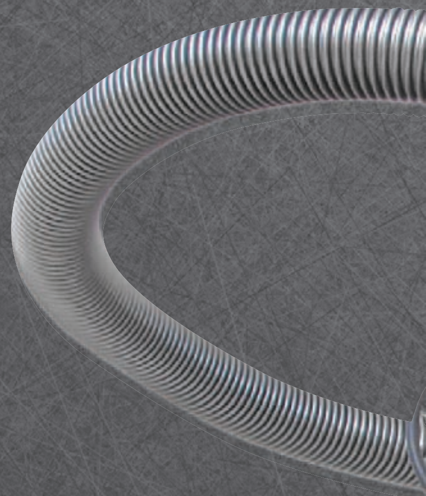
PRODUCT FOCUSED AND INNOVATIVE

EXPLORE VALUE ADDING OPPORTUNITIES

OPTIMISE OUR LOCAL MARKET

RECRUIT TOP TALENT

SUPER-CLEAN YOUR HOME IN HALF THE TIME WITH THE ULTIMATE HOME CLEANING SYSTEM FROM GERMANY



Genesis – the leading brand in home cleaning introduced the revolutionary new HausMeister. Manufactured in Germany to the highest standards and quality specifications, this breakthrough in vacuum and deep cleaning technology features a patented, multi stage Aquafilter that encapsulates all the dust and dirt vacuumed up with a powerful quattro water injection spray, trapping it in the water tank. Air then passes through a series of sponge filters as well as a micro-particle filter that ensures that 99,99% of the dirt and allergy causing impurities are trapped – releasing only clean, fresh air; this is great news for allergy sufferers and pet owners.

The HausMeister filtration is so effective, it received the British Allergy Foundation seal of approval and the highest rating for dust retention by the Independent German Institute SLG. HausMeister's powerful motor and suction power means you can now vacuum and deep clean your home in half the time and because there are no bags that clog up, HausMeister will never lose its superior suction power.

Superior quality
The HauseMeister is manufactured in Germany to the highest specifications, using only the beste materials and tapping into the manufacturer's more than 100 year experience in manufacturing and is built to last for years.

Superior suction power
The HausMeister comes with the most unbelievable suction power. The motor is rated as having 26,5Kpa suction power which makes it the strongest total home cleaning system in South Africa.

Superior quality guarantee
The German-manufactured HausMeister was designed to give you years of trouble-free use and comes with a three year quality guarantee... however, the motor, which is the most critical part, is guaranteed for a full five years.

GENESIS
REVOLUTIONARY HOMEWARE

NEW

HAUSMEISTER

VERIMARK

VERIMARK
HOLDINGS LIMITED

CONTENTS

ABOUT THIS REPORT

Verimark's reporting aims to provide an accurate, balanced, complete and comparable view of our business.

This report is written taking into account the King Report on Corporate Governance (King III) and the Global Reporting Initiative (GRI) to inform our integrated reporting process. Our integrated report conforms to the requirements of local and international statutory and reporting frameworks, including the Companies Act, No 71 of 2008, the JSE Listings Requirements and International Financial Reporting Standards (IFRS).

Information describing our business has been provided to create an understanding of the Group's business activities among our key stakeholders, regulators, customers, suppliers and communities.

This integrated report has been approved by the Verimark Board of Directors and has been signed on their behalf by the Chairman, Mr J Motlatsi and the Chief Executive Officer, Mr MJ van Straaten.

FEEDBACK

We welcome feedback on any aspect of our performance or reporting. If you would like to provide feedback or obtain additional information, please contact Shaun Beecroft (shaunb@verimark.co.za).

A glossary of terms used in this report can be found on page 4.

Welcome to our annual report and financial statements 2013 It's an exciting time for Verimark. Our clear, long-term strategy continues to deliver for our customers, ensuring we are well positioned for future growth

USEFUL ICONS IN THIS REPORT

This lower panel has been dedicated to assist with referencing. The reference will be found with an icon as shown below as well as where the information can be found.

P — Page reference
00 — Actual page where it can be found

WWW — Information on the web

Verimark's unique ability to consistently identify the best product innovations across the globe and turn these into "best sellers" and brand leaders in their product categories has ensured its success and market-leader position over the past 36 years.

OUR MISSION

To bring the best innovations from across the globe to consumers in South Africa and other selected territories.

OUR VISION

To be the best in each area of our business operations.

OUR PASSION

To search the world for, and develop, the best product innovations that enhance the lifestyles of our customers.

To provide our customers with the best possible service.

To provide our shareholders with excellent returns on their investment.

KEY MILESTONES

- Company founded with R5 000 in 1977. Number of employees = 2
- MJ van Straaten bought out his brother's 50% share of the business in 1993. Number of employees = ±30
- Revenue (ZAR) from zero in 1977 (founding) to R281 million at listing in 2005
- MJ van Straaten is elected finalist in SA Best Entrepreneur Award 1997 and 1999
- Verimark is selected as one of South Africa's Top 20 non-listed companies
- 2011 – 4th best growth on JSE over 12 months period
- 2013 – Consolidation of head office and distribution centre on one property. Number of employees: 1 212

1977	1984	1990	1992	1995	1999	2005	2011	2013
Verimark sells its first product at the Rand Easter Show	Introducing the first home exercise machine to South Africans	First company to distribute DRTV products through retail stores	Introducing store within a store concept at retail level	Exhibits the Verimark product range for the first time at the largest DRTV show in Las Vegas	CEO is elected as Finalist in SA Best Entrepreneur Awards	Listing on main board of the JSE Limited	Ranked fourth in the McGregor BFA's composite index that compares all companies on the JSE Limited	Relocation into new double the size, custom built warehouse and head office

FINANCIAL STATISTICS

	2013 %	2012 %
Sales growth	**0,7**	(2,3)
Gross margin	**36,4**	41,9
Operating margin	**3,7**	10,9
Return on shareholders' equity	**10,2**	29,1
	R'000	R'000
Revenue	**454 091**	451 150
Gross profit	**165 171**	188 825
Profit before tax	**15 245**	41 872
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**23 486**	56 393
Earnings attributable to owners	**8 891**	26 808
Operating profit	**16 587**	48 983
Headline earnings	**8 743**	26 838
Cash (utilised by)/generated from operations	**(1 668)**	37 241
Shareholders' equity	**87 449**	92 246
Total assets	**203 323**	155 443

ORDINARY SHARE PERFORMANCE

	cents	cents
Basic earnings per share	**8,5**	25,8
Headline earnings per share	**8,4**	25,8
Diluted earnings per share	**8,4**	25,3
Diluted headline earnings per share	**8,2**	25,4
Dividend per share	**–**	13,5

SHARE STATISTICS

	R	R
Listing price	**2,50**	2,50
Lowest price traded	**0,79**	1,00
Highest price traded	**1,34**	2,06
Closing price	**1,05**	1,05

EBITDA RECONCILIATION

EBITDA	**23 485 532**	56 392 577
Interest	**(1 341 306)**	(7 110 628)
Depreciation	**(6 580 763)**	(7 190 286)
Amortisation	**(318 124)**	(219 413)
Profit before tax	**15 245 339**	41 872 250

DEFINITIONS

EBITDA Calculated as operating profit before net finance income/(expense), taxation, depreciation and amortisation.

Headline earnings per share Net profit after taxation adjusted to exclude loss/profit on sale of fixed assets divided by the weighted average number of shares in issue at the end of the year.

Net asset value per share Net asset value is 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).

Operating profit Operating profit is net profit after depreciation and profit/loss after sale of assets but before net finance income/(expense) and taxation.

Return on shareholders' equity Profit/(loss) for the year as a percentage of average shareholders' equity.

Diluted headline earnings per share Ordinary shares are diluted by potential ordinary shares arising from share options warrants, convertible instruments (e.g. debentures convertible into ordinary shares), contracts, that may be settled in ordinary shares (share based payments).

Debt to equity Total interest-bearing debt divided by total equity.

ABOUT VERIMARK

The new Verimark home…

We started operating in 1977 and sold our first product at the Rand Easter Show that year. Over the next 36 years we pioneered many new business and product concepts and gained a reputation as the market leader in our industry.

Verimark has come a long way since then by being the first company to distribute DRTV products through retail stores, to pioneering the store within a store concept, to opening our own Verimark direct stores and to listing on the main board of the JSE.

The road was not without its challenges and some tough periods were encountered along the way. Our entrepreneurial spirit, the passion for innovation, creativity and operational efficiency, which made us successful in the past, helped us overcome each challenge that we faced.

To build brand awareness and sell our unique product range, a highly effective and integrated marketing strategy is used. This incorporates television and print advertising, as well as the use of in-store TV playback units and demonstrations. Our continuous advertising on television, together with in-store demonstrations of our products and online sales, which are all supported by the excellent service delivered by our sales staff and call centre, have made Verimark one of the most recognised multi-channel retailers in South Africa. The majority of our brands are rated best sellers in their particular product categories.

While Verimark's main area of operation is South Africa, our products are sold through our retail trading partners throughout Africa and through Verimark franchisees in Swaziland and Namibia.

We are proud and excited to have finally relocated into our newly built, double the size, head office and warehouse in Randburg in January 2013. The investment in our new warehouse management systems and the improved infrastructure noted above, will result in improved service levels, working capital management, operational efficiencies and cost savings.

SHAREHOLDING

5,58%	Verimark companies
54,51%	Directors
11,70%	Companies and other corporate
16,57%	Individuals
5,53%	Collective investment schemes
2,78%	Investment trusts and pension funds
3,33%	Banks and nominees

VERIMARK HOLDINGS LIMITED

100% owned subsidiaries	Controlled entities
Verimark Proprietary Limited	Verimark Employees Empowerment Trust
Verimark Singapore PTE Limited	Selcovest 35 Proprietary Limited
Creditvision Rental Finance Proprietary Limited	
Fullimput 173 Proprietary Limited	

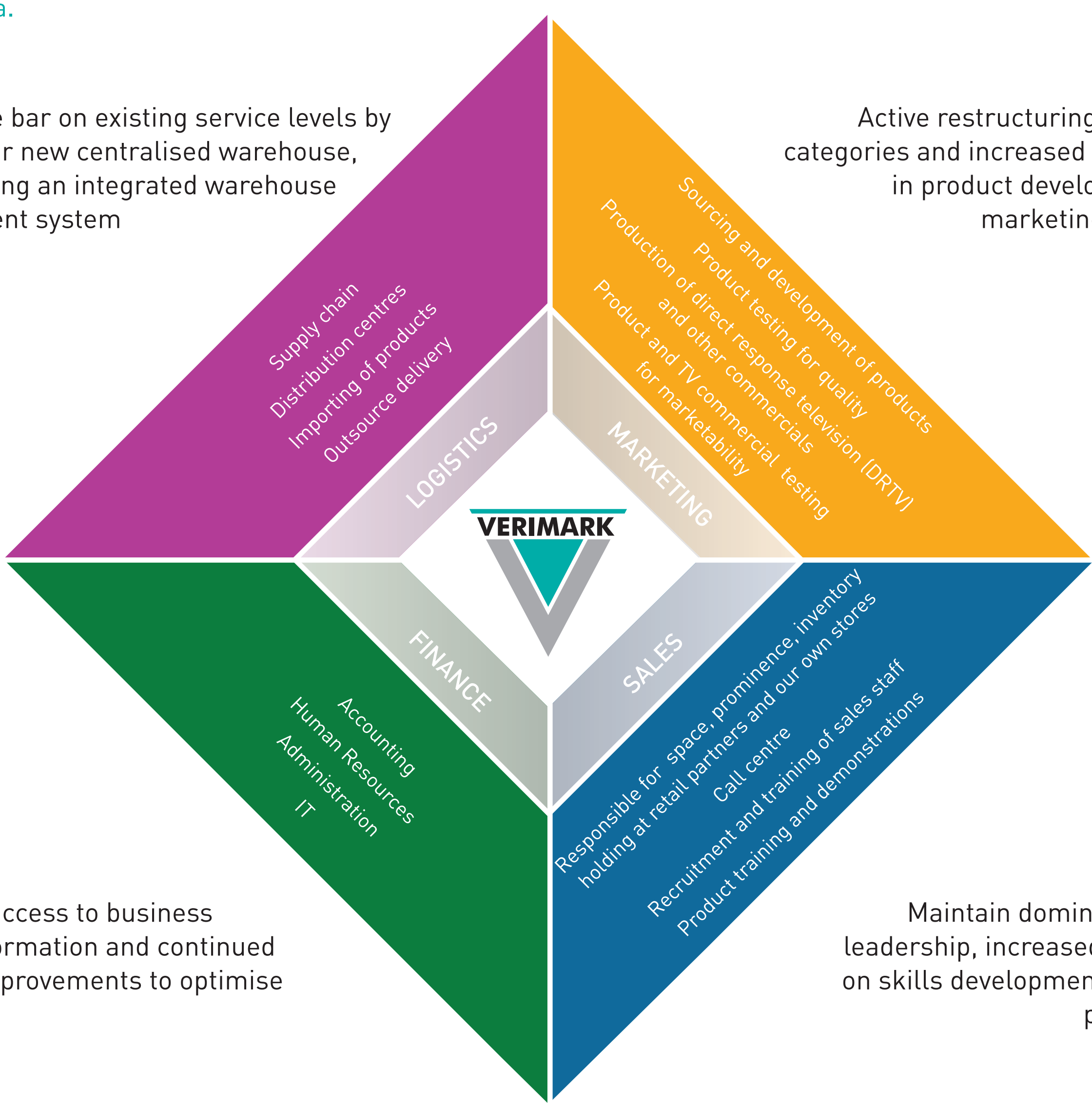
P 19 For further information on our green principles

THE VERIMARK BUSINESS MODEL

Our business model is very different from that of traditional retailers or suppliers to the retail trade. Our continuous advertising on television, together with in-store demonstrations of our products and online sales, which are all supported by the excellent service delivered by our sales staff and call centre, have made Verimark one of the most recognised multi-channel retailers in South Africa. The majority of our brands are rated best sellers in their particular product categories. We are headquartered at our new custom built warehouse and head office facility in Randburg, South Africa.

Raising the bar on existing service levels by utilising our new centralised warehouse, incorporating an integrated warehouse management system

Active restructuring of product categories and increased investment in product development and marketing capability



Improved access to business critical information and continued process improvements to optimise operations

Maintain dominant market leadership, increased emphasis on skills development and retail prominence

VERIMARK BUSINESS MODEL

1 PRODUCTS

- Sourced from across the globe
- Selection criteria: unique, superior quality, demonstrability, widest possible demographic demand
- Add new products every year
- Test for consumer response before roll-out
- Build into brand leaders over long term

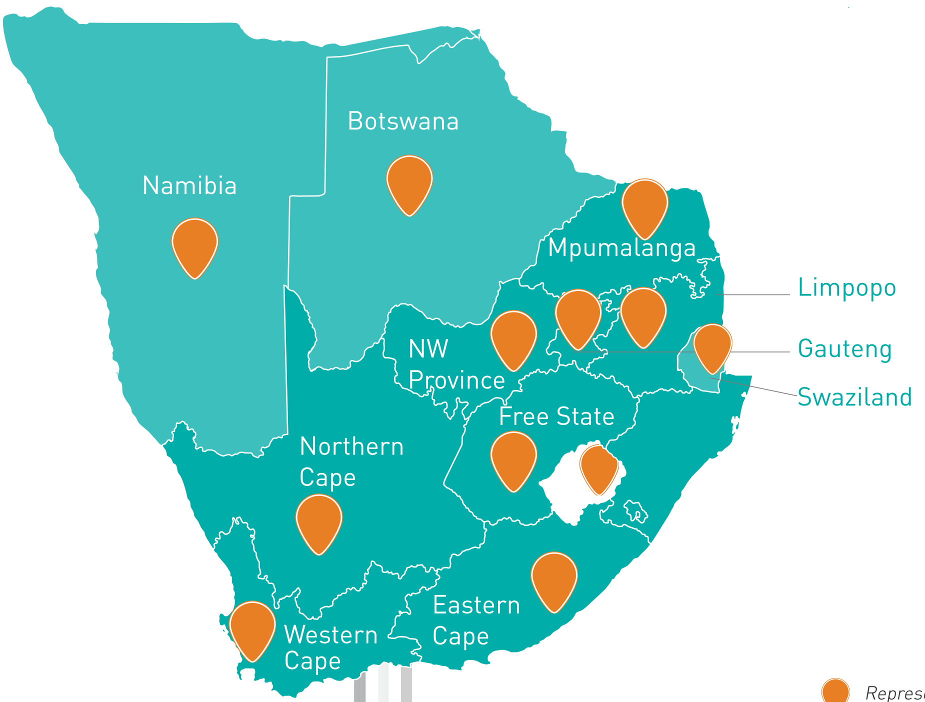
2 PROMOTION & ADVERTISING

- Conceptualise and produce DRTV commercials
- Test consumer response
- Roll out successfully tested products
- High frequency flighting of TV commercials – long and short form
- Print, in-store TV playback units and demonstrations

P 8 For further information on our positioned for growth strategy

THE VERIMARK SOUTHERN AFRICA FOOTPRINT

In addition to the Southern African footprint indicated below, Verimark continues to explore international opportunities on a case by case basis to expand its footprint.



Represents Verimark's business interest.

MANAGEMENT COMPOSITION

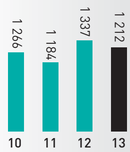
25% middle management are HDSA
59% junior management are HDSA
25% middle management are female of which 8% are HDSA
30% junior management are female of which 18% are HDSA

HDSA: Historically Disadvantaged South Africans.

HEALTH AND SAFETY

There have been no lost time injuries for 11 years.

EMPLOYEES



NEW WAREHOUSE AND OFFICES BUILT WITH GREEN PRINCIPLES IN MIND

- Solar powered geysers
- Specialised energy efficient warehouse design and lighting
- Latest technology energy efficient air conditioning systems

3

DISTRIBUTION

- Store within a store in retailers
- Verimark stores
- Shows and promotions
- Online shopping
- Call centres
- International

4

BUSINESS MODEL MAXIMISES PRODUCT SALES VOLUMES & RETURN ON INVESTMENT

P 19 For further information on our corporate accountability

Verimark to maximise the benefits of recent investment in our core operations to enhance future value

It is time to focus on maximising return on investments, finding innovative products and the right people to drive the strategy

GEARING FOR GROWTH

Over the last two years, Verimark has placed significant investment and resources in centralising its warehousing and head office operations. Our new headquarters were finally completed in January 2013 after months of unexpected delays, and all operations across four separate sites have now been successfully moved to one new site located in Randburg (in Johannesburg).

The Group is now in a position to focus its attention on growing the business locally as well as internationally, given its benchmark business model and product range.

The Group now plans to take full advantage of the recent investments in new systems, increased training capacity, as well as the improved warehousing and head office facilities. We expect to see cost and operational improvements within the next financial year.

INNOVATION LIES AT THE HEART OF WHAT WE DO

Superior innovation has been, and will be in the future, a key driver behind Verimark's success and our products. By effectively managing this we create long-term demand for our brands as well as improved profitability for Verimark. Products such as Bauer cast aluminium cookware, Genesis water filtration vacuum cleaners, Maxxus Home Exercisers and the Floorwiz range of cleaning products are good examples of our products that have remained in high demand over many years due to their appeal. Innovation remains a core focus for management and we will endeavour to optimise the wealth of Intellectual Property (IP) accumulated in the business over the past 36 years.

CONTINUED INVESTMENT IN PEOPLE AND SKILLS

We are currently recruiting specialist management skills in a number of departments within Verimark. We are on the lookout for dynamic, passionate and talented individuals to accelerate our future growth. Due to Verimark's unique business model and the wide variety of product categories that we house under our brand, as well as a significant shortage of "Verimark- specific" skills in the market, this will always be an ongoing process as the Group continues its growth strategy.

SALES FORCE

In addition to Verimark's already substantial investment in the training of its sales force, it is exploring the possibility of setting up a more formal training facility to further equip our sales team. Our new headquarters allow for increased training capacity within modern facilities. We are presently exploring external accreditation for the training department in order to give the future generation recognised skills in sales and marketing as well as work experience.

THE VERIMARK STRATEGY: POSITIONED FOR GROWTH

Ensure that Verimark remains product-focused as a business and continues to grow its dominance as the market leader

We are a product-focused business and innovation is our real differentiator

GROWING VERIMARK'S MARKETING AND PRODUCT DEVELOPMENT CAPACITY

By increasing the number of skilled and talented individuals in our marketing and new product development division, the level of new product introductions and focus on existing products which have continued to remain popular over many years can be further improved. This increased focus on sourcing relevant, demand-driven products will improve the 'speed to market' – giving consumers access to our latest innovations from across the globe as quickly as possible. The popularity of new products and the support provided by Verimark's extensive advertising and in-store demonstrations make the Verimark model attractive to retailers, given the resultant increase in consumer traffic into their stores.

TO ACCELERATE OUR 36-YEAR GROWTH RECORD, A BIGGER FOCUS WILL BE PLACED ON RECRUITING THE BEST AVAILABLE TALENT TO COMPLEMENT OUR EXISTING MANAGEMENT

To accelerate our 36-year growth and success as the market leader, Verimark is currently searching for the best talent with suitably impressive work and academic track record, to join our management team. In order to support our growth strategy, we are looking to increase the capacity and capability of various functions in the business.

Assess potential markets in which the Verimark model can be introduced – across Africa and in certain international markets

Replicating the Verimark model could bring further value-adding opportunities

A MEASURED APPROACH

We believe that there are a number of markets in Africa and abroad that could benefit from Verimark's combined direct-retail model, however expansion opportunities will be paced and considered on a case by case basis.

ASSESSING NEW MARKETS IN AFRICA AND ABROAD

The Group has, from time to time, been approached by potential partners in markets that may provide growth opportunities for the Group. In the past the executive team has been largely focused on creating the bedrock for stability in its home market – Southern Africa – as well as centralising its local operations. Verimark is now in a position to explore new markets and is in the process of identifying potential partners in certain strategic regions.

MULTIPLE BENEFITS

Verimark would consider expansion opportunities either where there is undeniable demand for our products, or where there are cost-saving opportunities and where there is strategic benefit for the Group such as positioning us closer to manufacturers and suppliers. We believe that there is demand from retailers for the store within a store approach, coupled with DRTV product positioning.

THE VERIMARK STRATEGY: POSITIONED FOR GROWTH (continued)

We are focused on optimising our home market (Southern Africa) operations

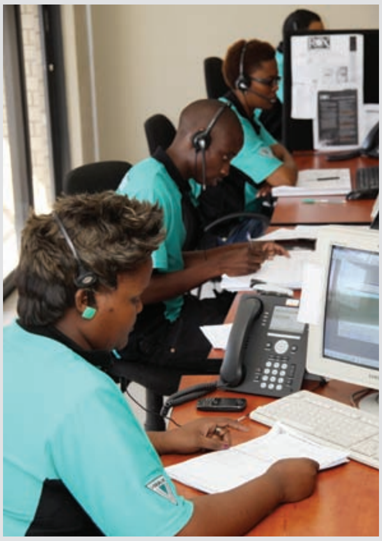
We will place extra emphasis on ensuring that costs are contained and that the local business increases in profitability

NEW IMPROVED IT AND WAREHOUSE MANAGEMENT SYSTEMS

It is important that we maintain tight control over inventory. The newly built warehouse together with recently implemented head-office IT and warehouse management systems should begin improving productivity, inventory accuracy and result in a more optimised and streamlined warehouse operation. Consolidating three distribution sites into one has not been without its challenges and we hope to be running at optimum levels within the first six months of this year.

IMPROVED "EASE" OF ORDERING PROCESSES FOR VERIMARK DIRECT STORES

We are currently extending our online and electronic data interchange (EDI) ordering system in order to make the process of delivering products and replacement parts to our various direct stores and service centres simpler and faster. We believe that this will have a positive impact on our service support and customer satisfaction.



TRUSTED BRANDS

HEALTH & BEAUTY	HOUSEWARE	COOKWARE	CLEANING
SSAGE	Genesis	Bauer Pro	Genesis
genie bra	TOBi	bastille	FLOORWiZ
STRUTZ	SHOGUN		HAUSMEISTER
	TWISTA		

WWW For further information on our products visit www.verimark.co.za

EXPLORING LOYALTY MECHANISMS

During the course of 2012, Verimark experimented with a co-branded loyalty store card.

The unsecured lending market has been negatively impacted by the growing pressure on consumers and Verimark is taking a cautious approach towards offering credit-related services to its customers. While we would want to have loyalty mechanisms in place in order to be suitably positioned to take advantage of an improvement in consumer spending going forward, for the time being we see it as prudent to retain a limited level of exposure.

IMPROVED SERVICE/REPAIR CENTRE OFFERING

Verimark prides itself on its customer service and sales support. We believe that Verimark should be readily available to its customers at any point in the product life cycle – from ordering the product to repair and maintenance. Quality is an essential part of the Verimark offering and we intend during the course of this year to upgrade and improve the service/repair centre offering and outlets in order to provide better support to our retail partners and provide an added level of convenience to the customer experience. Our upgraded centralised call centre will be able to address our customers' needs and to direct customers to their nearest Verimark approved/accredited service centre.

DIY

Pool Gobbler Pro
Mighty Sealer
Gorilla 8-in-1 Spray Gun
The Renovator

AUTOMOTIVE

Diamond Guard
Prolong Super Lubricants
Carwiz
Durablade

TOYS

i-Play
Stunt Racer

EXERCISE & FITNESS

Maxxus
Orbitrek Elite

WWW For further information on our products visit www.verimark.co.za

VERIMARK'S PERFORMANCE WILL BE LESS IMPACTED BY MACRO-ECONOMIC TRENDS AND FAR MORE BY OUR ABILITY TO INNOVATE AND BE CREATIVE

How would you summarise the 2013 year?

A This financial year was filled with much activity for the Company. I am pleased to report that after unexpected delays, we have now completed the relocation of our headquarters and the Company's offices as well as our warehousing facilities are now – once again – situated at a single site, after nearly two years of disruptions. The management team's resources were stretched as a result of operating from four separate sites and the subsequent move. There has been a significant amount of distraction from the core business, however, the fact that we now have a state-of-the-art central distribution and warehousing centre, which is more than double the size of our previous facilities, means that we are in a much better position to keep a keen eye on operations and costs. In addition, we are better equipped to take advantage of future growth opportunities.

During the last six months we have placed much of our focus on implementing new systems and processes that will better position the Company going forward. Introducing and installing new systems is never easy and it has highlighted certain inefficiencies in our operations and in the supply chain. I am confident, however, that our ability to better monitor in-house inventory levels as well as inventory carried by our retail partners will be substantially improved, moving forward.

It has been a tough year for the consumer however Verimark remains committed to sourcing the most appropriate and innovative products and making these available to consumers at competitive prices in order to not only maintain our dominant position as the market leader in our industry, but also grow our market share as we have done in the past.

How would you describe the financial performance over the past year?

A Verimark remained focused on staying competitive in a difficult trading environment. While we did see marginal growth in revenues, the weakening Rand, the cost inefficiencies in the operations and supply chain – as well as higher than normal inventory and spares write-offs – and the relocation of our main warehouse and offices all had a negative impact on the financial results for the year.

Given the exceptional depreciation of the Rand against the Dollar, our cost of product over the last two years increased by more than 40%. This impacted negatively on sales as well as margins, especially in the year under review.

Due to various supply challenges experienced during the year, sales were also lost due to out-of-inventory or delayed inventory receipts that resulted mainly from strategic decisions to replace certain key products. As a result of the above, revenue only grew by 0,7%.

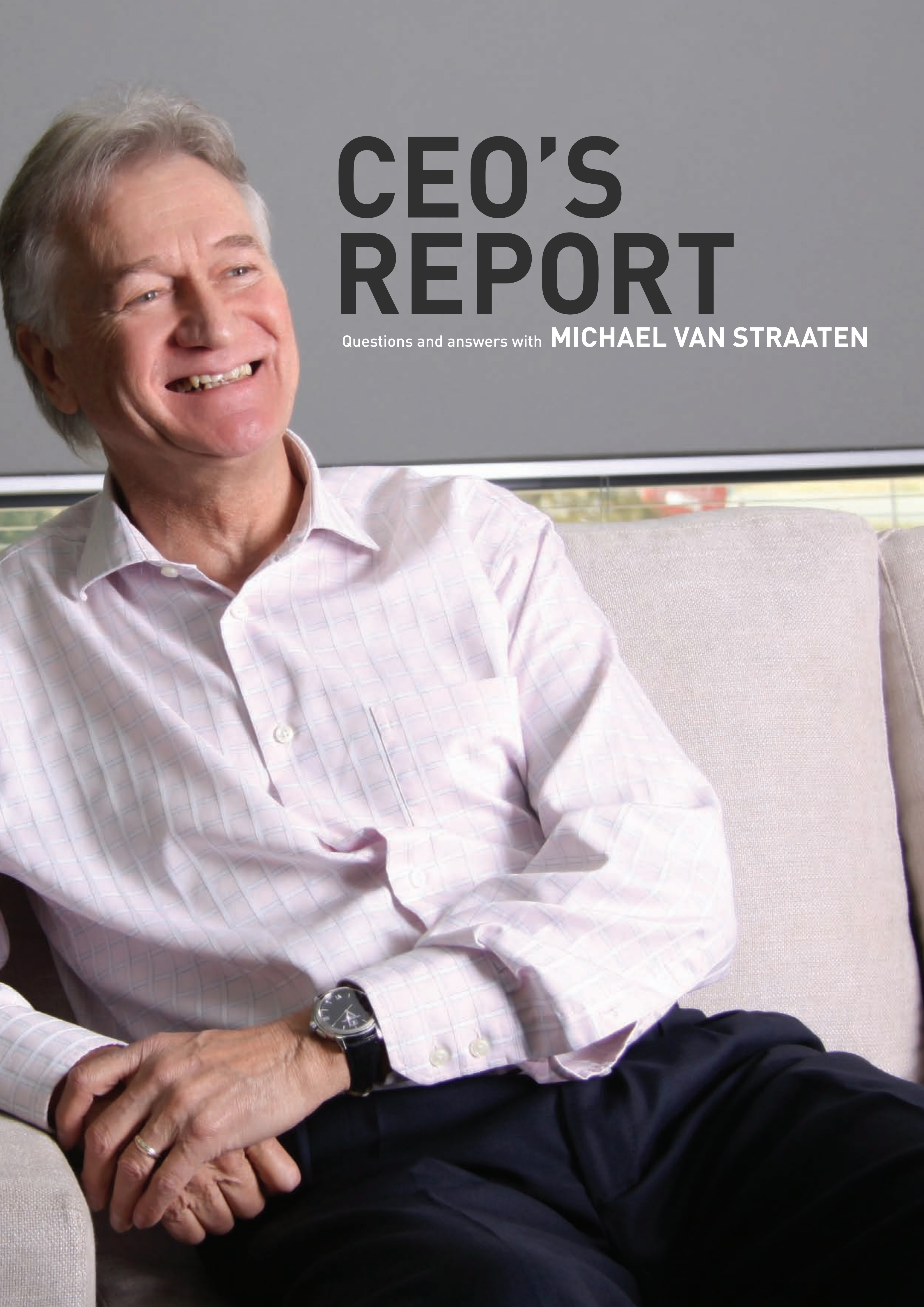
Despite the ongoing fluctuations, effective foreign exchange management resulted in net foreign exchange gains of R2,2 million (2012: R4,6 million loss) and reduced the net finance expenses to R1,3 million (2012: R7,1 million).

Gross margins of 36,4% (2012: 41,9%) came under pressure from the deterioration in the Rand exchange rate and the impact of inefficiencies within the supply chain. Now that the move to the new warehouse has been completed, coupled with improved inventory control systems, we expect to see an improvement in the year ahead. However, the extent of this improvement may be affected by further changes in the Rand exchange rate.

Selling and operating expenses increased by 6,3% for the year. Cost containment initiatives implemented in selling expenses, were offset by cost increases in the operating expenses. The increases in operating expenses were mainly due to the increased cost of operating out of four sites and the various costs associated with the delayed move to the new warehouse and office, which took place at the end of January 2013.

CEO'S REPORT

Questions and answers with **MICHAEL VAN STRAATEN**



CEO'S REPORT (continued)

What impact has the continued financial pressure on consumer spending had on the business?

A The Group has had to absorb a significant amount of the impact that resulted from the weakening Rand. This had a dampening effect on sales and gross margins for the year. It was seen as necessary to increase prices on certain products in July 2012; but not to the full extent of the Rand depreciation.

Going forward, we intend to focus on further streamlining our operations while improving the levels of service and the range and relevance of the products that we offer in order to mitigate the impact of economic strain on the consumer.

What effort is the Group making to differentiate itself from other retailers in an increasingly competitive market?

A As pointed out in the past, the Verimark business model is substantially different from that of typical retailers and suppliers to the retail trade. We have found that the majority of our retail partners recognise the benefits in terms of potential sales growth that Verimark's products deliver and we have built strong relationships with these retailers as a supplier and trading partner. Notwithstanding the "tightening up" of consumer spending, certain retailers have indicated that they would like to further improve Verimark's prominence and space in their stores to increase sales. This trend affirms our view that Verimark's performance will be less impacted by macro-economic trends and far more by our ability to innovate and be creative in terms of how we select and promote our products. For that reason, we will continue the focus on product innovation and finding the best talent to ensure optimal growth. Although it has been difficult to find the appropriate skills and talent, we are making progress.

The benefits of increased focus on product innovation will, over time, result in the earlier identification of products with greater sales potential or global track records, as well as quicker sourcing of those products. It will also result in us being able to create TV commercials and other essential marketing material faster in order to further optimise demand and sales. In summary, we will be able to get more products to market, quicker.

Even though only limited sales growth was achieved for the year under review, our research indicates that Verimark continues to maintain its dominant leadership position with over 60% market share in the direct response retailing market.

Where do you see the greatest opportunities for the Group going forward?

A All indications show that consumer spending is unlikely to show significant growth during the year ahead, however we will continue to capitalise on opportunities in the local markets. We will also be looking at possible opportunities in Africa as well as elsewhere in the world, where we can replicate the Verimark model.

We have unpacked the Verimark strategy for the year ahead in more detail on pages 8 to 11; however as a brief summary, there are five areas that we will focus on:

- Focusing on improving service levels, operational efficiencies and cost containment through maximising the benefits of the investments in our core operations;
- Ensuring that we remain product-focused as a business and defend our position as leading innovators;
- We are focused on our home market and will place extra emphasis on ensuring that costs are contained and that the local business grows and increases profitability;
- Assess potential regions in which the Verimark business model can be replicated across Africa and in other international markets; and
- In order to accelerate our 36-year growth record, a bigger focus will be placed on recruiting the best available talent to complement our existing management.

The Company has made significant investments over the past two years. We have improved operational efficiencies due to the new headquarter infrastructure, as well as introduced new systems and invested in our people. We believe, however, that we will be in a good position to reap the benefits of investments going forward.

APPRECIATION

I would like to thank the Board as well as the executive team for their support during what was a difficult year. Our management as well as our staff remain vital to this business and I would like to thank them for their continued dedication to building the Verimark brand.

Thank you to our customers for investing in our products, we hope that we have managed to enhance the way you live your life.

MJ van Straaten
Chief Executive Officer

23 May 2013

P 40 – 89 For further information on Group performance, see the annual financial statements

P 8 For further information on Group strategy and opportunities, see our positioned for growth strategy

In the home

SLUSHY MAGIC

The sensational Slushy Magic transforms any drink into a flavourful magical slushy! Simply freeze the magic cubes in the freezer, place them into your Slushy Magic cup, pour in your drink, and shake to make your slushy. No ice, no mess, no blender!

POPS A LOT

Healthy and delicious microwave popcorn! Enjoy the lightest... fluffiest... healthiest... microwave popcorn ever.

HAUSMEISTER

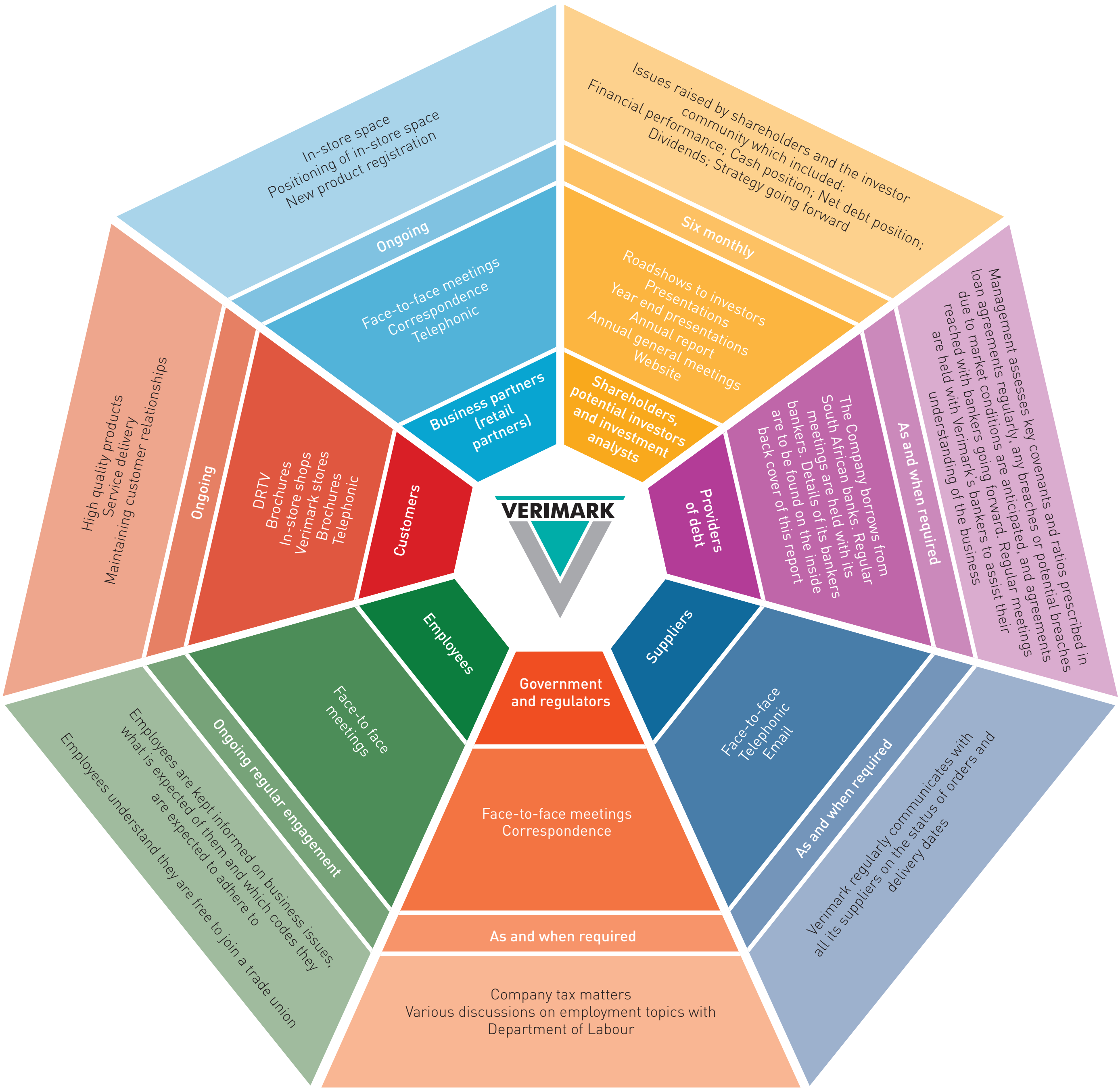
Vacuum and deep clean your home with the ultimate home cleaning system from Germany. Patented Aqua – seven stage filter system retains 99,99% of dust, dirt and allergens.

GENIE BRA

Genie Bra is made from Woven Everlast stretch fabric with a wide comfort band so it conforms to your shape and gives you the lift, shape and comfort you deserve!

STAKEHOLDER ENGAGEMENT

We engage, consult and listen throughout the year to what our stakeholders have to say to and about us. The key issues these individuals and groups raise are shown in the following table.



While Verimark fulfils its obligations as a corporate citizen by being a key contributor to the greater wellbeing of society in the form of direct and indirect employment opportunities, meeting customer demand, etc, it is of paramount importance that it maintains a robust stakeholder engagement process.

We are aware that our corporate reputation is based on how well Verimark functions against the legitimate interests and expectations of stakeholders and we rely on the contribution and support of an array of stakeholders for the continued success and sustainability of Verimark's business.

SUMMARY OF COMPANY RISKS

High-level risks and associated mitigation measures are shown in the following table:

Risk	Impact	Mitigation
ECONOMIC OUTLOOK		
Ongoing uncertain economic conditions may impact consumer confidence	This could negatively affect our ability to achieve our sales forecasts.	Verimark's direct sales business is not impacted to the same extent as the retail business during times of uncertainty. Introducing innovative products that are relevant to consumers greatly assists with mitigating the impact of uncertain economic conditions, while improved systems and processes limit the impact of cost increases on the Company.
PRODUCT OFFERING		
Failure to introduce suitable/ innovative new products	Will result in poor business performance.	Verimark has achieved historical success in establishing a core product range. Many of these have become brand leaders in their categories and produce ongoing sustainable levels of income for the Group each year. An established network of business partners and manufacturers, together with ongoing research for unique products at trade fairs and retail stores across the globe, assists us in continuously improving our product offering. Our success rate at selecting products is much higher than the average for our industry. In addition, the planned expansion of our product development and category management team will increase our ability to effectively identify new and innovative products and get them into the market faster.
PRODUCT COST		
Currency fluctuations of the Rand against the US Dollar (the currency of payment for most of our product purchases)	Adversely affects the purchase price of imported products.	Verimark continuously evaluates our foreign liabilities and pending-purchases exposure in order to establish whether forward cover is required. This is taken under expert advisement and we are comfortable with our foreign exposure strategy at present. In most cases – where it is applicable – we would adjust our selling prices when our product prices change.
SELLING CHANNELS		
Loss of in-store retail space and favourable in-store positioning	Could adversely affect our sales through retail outlets.	It is largely understood by retailers that the in-store positioning of Verimark products is essential to ensuring product sales. Given our proven sales record and strong relationships with our retail partners, it is understood that any reduction in space and/or prominence of Verimark branding will have a direct impact on their own sales of Verimark products.
OPERATIONAL RISK		
Any weakness in or failure of our systems, processes and controls	Any weakness or failure of system, processes and controls will negatively affect our ability to effectively manage our business, control inventory and contain costs.	A number of improvements have been made in Verimark's processes and systems. Further improvements in the internal audit function are expected once the Internal Audit manager vacancy has been filled and the outsourcing of the internal audit function has been completed.
Inadequate control of Group assets, in particular inventory	Inadequate control of Group assets could result in financial loss to the business.	High risk assets are assessed/identified on a continuous basis. Verimark has invested in systems and improved processes and believes that good progress has been made in mitigating this risk.

P 8 For further information on product and selling risk management, see our positioned for growth strategy

P 38 For further information on systems and process risk management, see Audit and Risk Committee report

SUMMARY OF COMPANY RISKS (continued)

Risk	Impact	Mitigation
OPERATIONAL RISK (continued)		
Inadequate distribution centre facilities	Lack of distribution facilities will impact on our ability to maintain our customer service levels and control inventory loss, etc.	We believe that this risk has been adequately mitigated and appropriately addressed. Verimark has relocated to its newly constructed, custom built premises in January 2013. The new facilities provide us with double the storage capacity as well as increased training and operational capabilities.
Supplier failure	Supplier failure could result in failure to meet sales targets because of lack of availability of inventory.	In most cases, Verimark has alternative suppliers for its products.
Inability to comply with legislation	New or amended health, safety and environmental legislation could result in increased costs and non-compliance could lead to fines.	Verimark complies with the various health, safety and environmental legislation in place in South Africa.
Energy and water supply risk	Energy and water supply shortages could adversely affect our ability to operate.	We are aware of the need to reduce our electricity and water consumption. Our new premises have been built with green principles in mind (see sustainability – environment, page 19).
Introduction of Consumer Protection Act (CPA) and its implications	The introduction of the new CPA allows consumers more rights against retailers and suppliers than before. This could result in an increase in costs to deal with consumer claims (legitimate and frivolous).	We have evaluated the impact and legal exposure of the Consumer Protection Act (CPA) on our business and whilst we believe it poses low risk to Verimark, we have made improvements in our systems and processes to minimise this risk further. We believe we have sufficient insurance in place to cover any additional risk the CPA may pose.
COST CONTROL		
Cost increases not controlled	Competitiveness and long-term profitability negatively affected by cost increases.	Due to the significant growth experienced in the past few years, certain cost inefficiencies were experienced. We have consolidated and completed our relocation into our new warehouse in January 2013, together with the investment in various information systems and processes, cost management should improve.
LABOUR AND KEY EMPLOYEES		
Succession planning	Business will be negatively impacted by lack of managerial skills and experience to maintain continuity of business performance.	It is important that Verimark retain and develop skills for its unique business model. Verimark continues to review and expand its management capability. Certain additional key appointments are expected in 2013.
BRAND AND REPUTATION		
External expectations relating to the Verimark brand, including products and its corporate reputation, not met	Should customers and stakeholders no longer trust the brand, sales could deteriorate and shareholder value lost.	Verimark maintains high standards of corporate governance, product stewardship and customer service to ensure it retains its positioning as a trusted brand. The Company is focused on improving product support service by increasing the number of franchised service outlets across the country in order to ensure that quality is maintained and product defaults are managed quickly.

P 5, 19 For further information on environmental issues, see About Verimark and corporate accountability

P 8 For further information on brand and reputation risk management see our positioned for growth strategy

P 8 For further information on product and selling risk management, see our positioned for growth strategy

P 38 For further information on systems and process risk management, see Audit and Risk Committee report

CORPORATE ACCOUNTABILITY

Verimark strives to improve its contribution to the socio-economic environment through responsible environmental practices and increased community involvement. We are committed to contributing to and promoting social transformation in the interest of nation building.

OUR ENVIRONMENT

- Due to the nature of our business, Verimark has little direct impact on the environment. Whilst we generally consume water and energy, our consumption is low. We generate limited emissions to air. Even though our carbon footprint is relatively small, our new head office and warehouse premises was built with green principles in mind:
  - The lighting installed in the warehouse uses specialised energy efficient systems
  - Solar heating has been used for water heating and staff hygiene facilities
  - The windows in the building are double glazed and together with new energy efficient air conditioner systems should result in further energy usage reductions.
- We will be investigating further energy savings projects during 2013.
- Our highest impact is generally in the form of waste (paper, cardboard and wood [pallets]). Where possible, for internal storage purposes, we attempt to reuse our cardboard boxes. Only once we believe that the cardboard can no longer be utilised, we have it collected for recycling.
- We generally only use pallets for internal warehouse storage and plan to undertake a pallet assessment review during 2013, where we will be assessing the cost, use, viability and environmental impact of using pallets made from recycled materials.

OUR EMPLOYEES

- One of the cornerstones of our success is the investment in training and equipping our employees to ensure that they can provide our customers with the highest level of service. We train in excess of 3 700 employees on an annual basis.
- In addition, we recruit approximately 600 seasonal employees over the peak season. We recruit employees from all walks of life, with the majority being young students and school leavers.
- We have a formal training centre with experienced trainers who provide in excess of 3 000 hours of training per annum.
- We pride ourselves on the fact that we provide these young employees with the opportunity to be trained in sales skills/techniques and product knowledge. Often one's first employment is quite daunting, but at Verimark we provide these young students the opportunity to increase their confidence and experience. Whether they remain at Verimark in the long term or not, they have been provided with a great foundation upon which to build their careers.
- R1,1 million was spent on training in 2013.
- 94% of employees trained are HDSAs and 57% are female.

TOTAL WORKFORCE

2013: 548	**2013:** 664
2012: 586	**2012:** 751
2011: 554	**2011:** 630
2010: 625	**2010:** 641

Category	2010	2011	2012	2013
Full-time	263	305	323	335
Part-time	1 003	879	1 014	877
Total	**1 266**	**1 184**	**1 337**	**1 212**

Category	2010	2011	2012	2013
HDSA	1 130	1 054	1 198	1 090
White	136	130	139	122
Total	**1 266**	**1 184**	**1 337**	**1 212**

OUR COMMUNITY

- Whilst we believe that our main benefit to the community is equipping first time employees and seasonal employees with the skills, techniques and confidence which provide an excellent foundation for future opportunities, we do engage in assisting various charitable causes.
- One of our shining examples was the Refilwe project undertaken during October 2012. Our employees committed to raising funding and in addition, contributed their own funds towards this project. The Company offered to match any amounts raised by the employees. One of our key service providers joined in on the challenge and R15 000 was handed over to Refilwe on 15 October 2012.
- Whilst our current assistance is provided on an ad-hoc basis, we will be designing and presenting our formal social and community policy to our Social and Ethics Committee in the forthcoming year.

BOARD OF DIRECTORS

Dr James T Motlatsi (60)
Independent Non-Executive Chairman
PhD Social Science
Appointed 1 July 2005
Committee: Audit and Risk, Remuneration, Social and Ethics

Shaun Beecroft (49)
Financial Director
BComm, CTA, CA(SA)
Appointed 6 December 2011
Committees: All by invitation

WWW Full CV's of the directors can be found at www.verimark.co.za

Michael J van Straaten (59)
Chief Executive Officer
BComm Hons, CA(SA)
Appointed 1 July 2005
Committees: All by invitation

Johann M Pieterse (62)
Independent Non-Executive Director
BCom CTA, MCompt, CA(SA)
Appointed 3 November 2005
Committee: Audit and Risk *(Chairman)*, Remuneration, Social and Ethics

Mitesh Patel (39)
Independent Non-Executive Director
BCompt (Hons), CA(SA)
Appointed 28 May 2012
Committee: Social and Ethics *(Chairman)*, Audit and Risk, Remuneration

WWW

Full CV's of the directors can be found at www.verimark.co.za

CHAIRMAN'S REPORT

DR JAMES T MOTLATSI

WE VALUE THE SUPPORT OF OUR LOYAL CUSTOMERS AS WELL AS NEW CUSTOMERS GAINED IN THE PERIOD

OVERVIEW

Ongoing instability in the global markets and muted growth prospects locally have continued to dampen the outlook for a sustained economic recovery in South Africa. Consumers continued to face cost pressures during the past year, which has impacted on disposable income and consumer confidence. The volatile exchange rate, the relocation of the main warehouse and head office were additional challenges faced by the Verimark management team.

The above challenges unfortunately negatively impacted on the sales revenue and group profitability.

DIVIDEND

Due to the lower level of profitability achieved and higher level of infrastructure investment in the financial year ended 28 February 2013, the Board considered it prudent that no final dividend (2012: R15 426 764 or 13,5 cents per share) be declared.

BOARD AND GOVERNANCE

Verimark recognises that sound governance can benefit long-term equity performance and enhanced shareholder value. The Board aims to achieve compliance with the increasing regulatory and legislative environment, whilst at the same time focusing on delivering sustainable performance to shareholders. This is an ongoing process and the Board will continue to explore methods to improve its performance with regard to all aspects of compliance and governance.

We continuously aim to improve our risk management processes and implement additional controls where we have identified risks. We will be presenting an improved internal audit process and framework to our Audit Committee during the forthcoming year.

A Social and Ethics Committee has been established in compliance with the Companies Act to address our ethics, empowerment and transformation requirements.

With South Africa's unemployment rate amongst the highest in the world, job creation opportunities are of top priority. Verimark continues to make a positive contribution in the training and employment of first-time job seekers, with approximately 3 700 employees (including new comers) attending training sessions during the past financial year.

DIRECTORATE

There were no changes to the Board since the issuance of our previous annual report. Verimark has a stable Board with three of the five members having tenure of more than seven years. The independent directors, including the Chairman, are classified as independent in terms of King III and the JSE Listings Requirements.

APPRECIATION

On behalf of the Board, I would like to thank Micke and his executive team for their leadership during this challenging year. I extend thanks to my fellow Board members for their valuable guidance and support during the year.

I wish to thank our 1 212 employees for their enduring commitment during a tough and challenging year. I would like to express our gratitude to our suppliers, advisers and business associates for their continued contribution to the business.

Dr JT Motlatsi
Chairman

23 May 2013

service

We are dedicated to enhancing the customer service experience.

support

Our warehouse and support functions are focused on providing services to the frontline customer-facing teams.

full team

Our training and development is concentrated on customer-facing employees, to increase the specialist product knowledge that enhances the customer service experience.

CORPORATE GOVERNANCE

Verimark is listed on the JSE Limited (JSE) and is subject to the JSE Listings Requirements, the guidelines contained in the Code of Corporate Practices and Conduct set out in the King III Report (the King Code), the Companies Act, No 71 of 2008 as amended (the Act), as well as any other legislation applicable to companies in South Africa. To the best of the Board's knowledge, Verimark has complied with the provisions set out in the JSE Listings Requirements. In addition, the Company supports the principles set out in the King Code. A report setting out how the Company has applied the 75 principles of the King Code during the period under review, and highlighting any exceptions, is set out on pages 30 and 31.

GOVERNANCE AND MANAGEMENT SYSTEMS

Verimark recognises that good corporate governance is key to the integrity of the organisation and its ability to manage risk and perform at optimum levels. It is for this reason that Verimark is committed to the highest levels of ethical and accountable business conduct.

BOARD BALANCE AND INDEPENDENCE

While the Board acts as the custodian of corporate governance within the organisation, a clear allocation of responsibilities among the directors of the Company ensures a balance of power and authority. At Board level, there is a clear division of responsibilities. The roles of the Board Chairman and the Chief Executive Officer are separated. The directors' contracts do not exceed three years, as recommended in the King Code, and no independent non-executive director has been with the Company for longer than 10 years. The independent non-executive directors are considered by the Board to be independent in mind, character and judgement. The structure of the Board is closely aligned to the recommendations of the King Code, with the three non-executive directors being independent. The independence of these directors is assessed annually. The Chair of the Board is an independent non-executive director.

THE BOARD'S GOVERNANCE ROLE

Good governance is effectively about strong leadership. The Board's role is to direct, govern and be in effective control of the Company.

The Board's Charter and the Company's Code of Ethics define the roles, responsibilities and behaviours of the Board in ensuring a successful, ethical and sustainable business.

The Board is required to make decisions on matters of a material and significant nature and is accountable for the Company's sustainability. The matters on which it makes decisions include the Company's financial and operating results, major acquisitions and disposals, considerable capital expenditure and the strategic direction of the business. It is also accountable for ensuring Verimark maintains a safe and healthy workplace, has a responsible approach to its product selection and the marketing of its products, complies with the Consumer Protection Act and takes steps to ensure that Verimark limits its impact on the environment as much as possible by its management of waste and its use of energy, in the form of electricity and fuel, and water.

The Audit and Risk Committee is responsible for assessing the risks which may impact on the ability of the Company to deliver in line with its strategy, while maintaining high standards of economic, environmental, social and governance practices.

For a list of the identified risks see pages 17 and 18.

Not only does the Board direct the development of the Company strategy but it is incumbent upon its members to assess the short- and long-term impacts of the strategy on all stakeholders.

Accountability rests with the Board for ensuring financial and legislative compliance, as well as the timeous identification and management of risk and opportunity.

BOARD COMPOSITION

The composition of the Board is shown in the following table:

	Position	First appointed	Attendance
Independent non–executive directors			
JT Motlatsi*	Chairman	1 July 2005	3/4
JM Pieterse	Director	3 November 2005	4/4
M Patel*	Director	28 May 2012	2/2
Executive directors			
MJ van Straaten	Chief Executive Officer	1 July 2005	4/4
S Beecroft	Financial Director	6 December 2011	4/4
SJ Preller (Company Secretary)	Company Secretary	12 May 2009	4/4

* Indicates historically disadvantaged.

CORPORATE GOVERNANCE (continued)

M Patel was appointed after certain meetings were held during the financial year.

The Board held four meetings during the past financial year. The Company Secretary acts as Secretary to the Board and its committees and attends all Board and Board committee meetings.

INDUCTION AND DEVELOPMENT

The Company Secretary assists the Chairman with the induction and orientation of directors, including arranging specific training, if required.

BOARD EXPERTISE

The Board needs the appropriate balance of skills and experience within its ranks to fulfil its mandate. The members of the Verimark Board have a wide range of skills and financial, technical and commercial expertise that can guide the decision-making of the Board. Biographies of the Board members are to be found on our website at www.verimark.co.za.

INDEPENDENT ADVICE

Individual directors may seek independent professional advice on any matter connected with the discharge of their responsibilities as directors, at the expense of the Company, after consulting with the Chairman or the Chief Executive Officer.

RETIREMENT AND RE-ELECTION OF DIRECTORS

One third of the non-executive directors retire by rotation every three years and may offer themselves for re-election by the shareholders at the Company's Annual General Meeting. Messrs J Pieterse and J Motlatsi retire and have advised that they are available for re-election. Their biographical details are provided on our website at www.verimark.co.za to enable shareholders to make an informed decision in respect of their possible re-election.

CHANGES TO THE BOARD

M Patel was appointed to the Board as an independent non-executive director with effect from 28 May 2012. His appointment was approved at the Annual General Meeting held on 4 October 2012.

BOARD COMMITTEES

While the Board remains accountable and responsible for the performance and affairs of the Company, it delegates certain functions to management and the Board committees who assist it with the discharge of its duties. Appropriate structures for this delegation are in place, as are appropriate monitoring and reporting systems.

Each Board committee acts within written terms of reference. The Chairman of each Board committee reports at each scheduled meeting of the Board and minutes of Board committee meetings are provided to the Board. All Board committees are chaired by independent directors. The majority of the members of each Board committee are independent directors.

A Social and Ethics Committee was established during the year and held its initial meeting on 23 August 2012.

All directors, and Chairmen of the Board committees are required to attend annual general meetings to answer any questions shareholders may raise.

The attendance of the directors at the Board committees is set out on page 27.

Committee roles and responsibilities

Audit and Risk Committee

The Audit and Risk Committee proposes the appointment of the external auditor and ensures the external auditors are independent. The external auditors attend the formal committee meetings and also have unrestricted access to the Chairman of the Audit and Risk Committee. The Audit and Risk Committee sets the principles for recommending the use of the external auditors for non-audit services, and is satisfied that the independence of the external auditors is not compromised by the present scale of non-audit related fees paid to them.

The Audit and Risk Committee meets to consider financial reporting issues and to advise the Board on a range of matters. The committee has approved terms of reference.

Through the Audit and Risk Committee, the Board regularly reviews processes and procedures to ensure the effectiveness of internal systems of control so that its decision-making capability and the accuracy of its reporting is maintained at a high level at all times. The committee also identifies and monitors non-financial aspects relevant to the businesses of the Group, including IT risk, and reviews appropriate non-financial information that goes beyond the assessment of financial and quantitative performance factors.

The committee reviews the half-yearly financial reports, the annual financial statements and the accounting policies of the Company and its subsidiaries.

The committee also satisfies itself that the Financial Director is an executive director and has the appropriate expertise and experiencee. In terms of section 94(7)(f) of the Act the Audit and Risk Committee report is set out on page 38 of this report.

Remuneration and Nomination Committee

The committee is responsible for approving executive remuneration, controlling the effectiveness of the Company's Human Resources policy, ensuring that remuneration levels and conditions of service of all employees are appropriate, that a succession plan is in place for directors, nominates successors for key positions in the Company, evaluates share option schemes and trusts, maintains a procedure for appointments to the Board and evaluates potential new directors. M Patel was appointed as a member of this committee on 28 March 2012.

Social and Ethics Committee

The committee is responsible for monitoring the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to

- social and economic development, including the Company's standing in terms of the goals and purposes of the ten principles set out in the United Nations Global Compact Principles, the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption, the requirements of the Employment Equity Act and the Broad-based Black Economic Empowerment Act;
- good corporate citizenship, including the promotion of equality, prevention of unfair discrimination and reduction of corruption, contribution to development of the communities in which the Group's activities are predominantly conducted, or within which its products or services are predominantly marketed; recording any sponsorship, donations and charitable giving; the environment, health and public safety (including the impact of the Company's activities and of its products or services); consumer relationships (including the Company's advertising, public relations

P 38 For further information on the Audit and Risk Committee

WWW Full CV's of the directors can be found at www.verimark.co.za

CORPORATE GOVERNANCE (continued)

and compliance with the consumer protection laws); and

- labour and employment, including the Company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; the Company's employment relationships, and its contribution toward the educational development of its employees.

The remuneration paid to the directors is disclosed in note 32 on page 85 of the annual financial statements in this report.

COMPANY SECRETARY

The Company Secretary is SJ Preller who plays a pivotal role in guiding and assisting the Board on the delivery of its mandate. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary is responsible for providing the Board, collectively, and directors, individually, with guidance on the discharge of their responsibilities in terms of legislative and regulatory requirements.

The directors have unlimited access to the advice and services of the Company Secretary. The Company Secretary ensures that the Board and its committees are supplied with comprehensive and timely information and that the directors have all the relevant information and facts they need to discharge their responsibilities.

The Board acknowledges that the Company Secretary s not independent and is in the process of appointing an independent Company Secretary.

The Board will evaluate the performance and competence of the Company Secretary together with the evaluation of the Chairman, the Board and its committees in 2013.

DIRECTORS' SHARE DEALINGS

The Group has an approved trading policy in terms of which dealing in the Group's shares by directors and employees is prohibited during closed periods.

The Company Secretary informs directors and employees in writing about the relevant provisions of the Securities Services Act and the prohibitions it contains regarding dealing in the Company's shares.

The directors of the Company keep the Company Secretary advised of all their dealings in securities. The Company Secretary monitors that the directors receive approval from the Chairman, or a designated director, for any dealings in securities and ensures adherence to closed periods for share trading.

CONFLICTS OF INTEREST

Directors are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors are obliged to recuse themselves from discussions or decisions on matters in which they have a conflicting interest. Directors are required to disclose their shareholding in the Company and other directorships they hold at least annually and as and when the changes occur.

During the financial year ended 28 February 2013, none of the directors had a significant interest in any contract or arrangement entered into by the Company or its subsidiaries, other than as disclosed in note 23 to the annual financial statements.

CODE OF ETHICS

The Group's values commit employees to high standards of integrity, behaviour and ethics in dealing with stakeholders.

The directors believe that the ethical standards of the Group, as stipulated in the Code of Ethics, are monitored and are being met. Where there is non-compliance the appropriate disciplinary action is taken, as Verimark responds to offences and prevents recurrence.

INTERNAL CONTROLS

Internal controls processes are in place to provide executives and the Board with reasonable assurance as to the integrity and reliability of the financial statements.

Responsibility for the adequacy and operation of these processes is delegated to the executive directors. These records and systems are designed to safeguard assets and prevent and detect fraud.

Management monitor the functioning of the internal control processes and make recommendations to executive directors and to the Audit and Risk Committee of the Board.

The establishment of Verimark's independent internal audit function was not finalised during the year ended 28 February 2013.

The board has elected to outsource the internal audit function and this process should be completed and implemented during the year ahead.

GOING CONCERN

The annual financial statements contained in this annual report have been prepared on the going concern basis.

The directors report that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the annual financial statements.

Attendance by directors at Board committee meetings is shown below:

	Audit and Risk Committee	Remuneration and Nomination Committee	Social and Ethics Committee
JT Motlatsi (Chairman of the Board)	1/4	1/1	0/1
JM Pieterse (Chairman of the Remuneration and Nomination Committee and the Audit and Risk Committee)	4/4	1/1	1/1
M Patel	2/2	N/A	1/1
MJ van Straaten*	4/4	1/1	1/1
S Beecroft*	4/4	1/1	1/1
SJ Preller* (Company Secretary)	4/4	1/1	1/1

* Denotes by invitation.

P 36 For further information on directors' share dealings, see the Directors' report

SOCIAL, ETHICS AND TRANSFORMATION REPORT

The Social, Ethics and Transformation Committee (committee) was established by the Board of Directors on 24 May 2012 in terms of section 72(4) of the Companies Act and operates in terms of written terms of reference approved by the Board.

The committee consists of non-executive directors Mr M Patel (chairman), Dr J Motlatsi and Mr J Pieterse and by invitation, executive directors Messrs MJ van Straaten and SR Beecroft.

The committee met once during the year under review to discharge its duties and responsibilities.

During its inauguration meeting the committee:

- provided its members with the background and terms of reference for the committee;
- considered, and was satisfied with, the Social and Ethics Committee charter;
- as a first step, considered and approved the implementation of an ethics hot line/ disclosure service; and
- considered the Group's community and social responsibility processes.

PLANS FOR THE 2013 REPORTING PERIOD

The committee has scheduled three meetings in the 2013 financial period during which it aims to refine its method of operating, further extend and develop its monitoring activities and consolidate its key role in facilitating the enhancement of the Group's governance.

The committee has requested that management arrange presentations on the status of the Group's status and progress in relation to the discharge of the responsibilities of the committee, these include:

- the Company's transformation progress, including BEE and Employment Equity plans;
- the Company's social responsibility/ community policy;
- feedback on any whistleblowing reports; and
- compliance with consumer protection laws such as the Consumer Protection Act.

The committee has access to any director or prescribed officers or employees of the Company. Where appropriate, they provide information or explanation necessary for the performance of the committee's functions.

CONCLUSION

No substantive non-compliance with legislation and regulation, or non-adherence to codes of best practice, relevant to the areas within the committee's mandate has been brought to its attention. Based on its monitoring activities to date, the committee has no reason to believe that any such non-compliance or non-adherence has occurred.

The committee recognises that the areas within its mandate are constantly evolving and that management's responses too will evolve as the environmental, social and governance agenda enjoys increased attention from stakeholders.

M Patel
Chairman

23 May 2013

P 19 For further information on the Company's BEE, employment equity and social responsibility policies, see corporate accountability

P 30 For further information on compliance with legislation and regulation, see the governance compliance assessment

helping you

RENOVATOR

With its variable speed and oscillating blade you can tackle all your home DIY tasks with ease. One tool does the job of dozens of conventional power tools.

GORILLA 8-IN-1 SPRAY GUN

With its eight different settings you can pressure clean tough dirt with ease... water delicate flowers with a gentle mist... and everything in between! The unique design tapers down to channel the water, creating maximum pressure for a spray of up to 15 meters. Gorilla easily connects onto any garden hose and with its adjustable flow regulator and built in soap or fertilizer dispenser.

MIGHTY SEALER

Mighty Sealer is the number one long lasting quick fix rubber sealant that sticks to almost any surface to seal, coat and protect for years. It works great on roofs, skylights, gutters, pipes and more to form a flexible watertight coating that you can even paint.

FLUFFWIZ

The most effective way to pick up lose hair on carpets and upholstery!

KING CODE OF GOVERNANCE COMPLIANCE ASSESSMENT

KEY

Applied	✓
Partially applied	★
Not applied	✗
Not applicable	–

The table below records the respects in which Verimark applies the principles of King III:

Chapter 1 – Ethical leadership and corporate citizenship	
The board should provide effective leadership based on an ethical foundation	✓
The board should ensure that the company is and is seen to be a responsible corporate citizen	✓
The board should ensure that the company's ethics are managed effectively [note 1]	★
Chapter 2 – Board and directors	
The board should act as the focal point for and custodian of corporate governance	✓
The board should appreciate that strategy, risk, performance and sustainability are inseparable	✓
The board and its directors should act in the best interests of the company	✓
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act (note 2)	–
The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	✓
The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	✓
Directors should be appointed through a formal process	✓
The induction and ongoing training and development of directors should be conducted through formal processes (note 3)	✗
The board should be assisted by a competent, suitably qualified and experienced company secretary	✓
The evaluation of the board, its committees and the individual directors should be performed every year (note 4)	★
The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓
A governance framework should be agreed between the group and its subsidiary boards	✓
Companies should remunerate directors and executives fairly and responsibly	✓
Companies should disclose the remuneration of each individual director and prescribed officer	✓
Shareholders should approve the company's remuneration policy	✓

Chapter 3 – Audit committees	
The board should ensure that the company has an effective and independent audit committee	✓
The audit committee members should be suitably skilled and experienced independent non-executive directors	✓
The audit committee should be chaired by an independent non-executive director	✓
The audit committee should oversee integrated reporting	✓
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities (note 8)	✓
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓
The audit committee should be responsible for overseeing of internal audit (note 7)	✗
The audit committee should be an integral component of the risk management process	✓
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓
The audit committee should report to the board and shareholders on how it has discharged its duties	✓
Chapter 4 – The governance of risk	
The board should be responsible for the governance of risk	✓
The board should determine the levels of risk tolerance	✓
The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓
The board should ensure that risk assessments are performed on a continual basis	✓
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
The board should ensure that management considers and implements appropriate risk responses	✓
The board should ensure continual risk monitoring by management	✓
The board should receive assurance regarding the effectiveness of the risk management process	✓
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓

KING CODE OF GOVERNANCE COMPLIANCE ASSESSMENT (continued)

KEY

Applied	✓
Partially applied	★
Not applied	✗
Not applicable	–

Chapter 5 – The governance of information technology	
The board should be responsible for information technology (IT) governance [note 5]	✓
IT should be aligned with the performance and sustainability objectives of the company	✓
The board should delegate to management the responsibility for the implementation of an IT governance framework [note 5]	✗
The board should monitor and evaluate significant IT investments and expenditure [note 5]	✗
IT should form an integral part of the company's risk management	✓
The board should ensure that information assets are managed effectively	✓
A risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓
Chapter 6 – Compliance with laws, rules, codes and standards	
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business [note 6]	★
Compliance risk should form an integral part of the company's risk management process	✓
The board should delegate to management the implementation of an effective compliance framework and processes	✓
Chapter 7 – Internal audit	
The board should ensure that there is an effective risk-based internal audit function [note 7]	✗
Internal audit should follow a risk-based approach to its plan [note 7]	✗
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management [note 7]	✗
The audit committees should be responsible for overseeing internal audit [note 7]	★
Internal audit should be strategically positioned to achieve its objectives [note 7]	★

Chapter 8 – Governing stakeholder relationships	
The board should appreciate that stakeholders' perceptions affect a company's reputation	✓
The board should delegate to management to proactively deal with stakeholder relationships	✓
The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	✓
Companies should ensure the equitable treatment of shareholders	✓
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓
Chapter 9 – Integrated reporting and disclosure	
The board should ensure the integrity of the company's integrated report	✓
Sustainability reporting and disclosure should be integrated with the company's financial reporting	✓
Sustainability reporting and disclosures should be independently assured [note 8]	✗

Notes

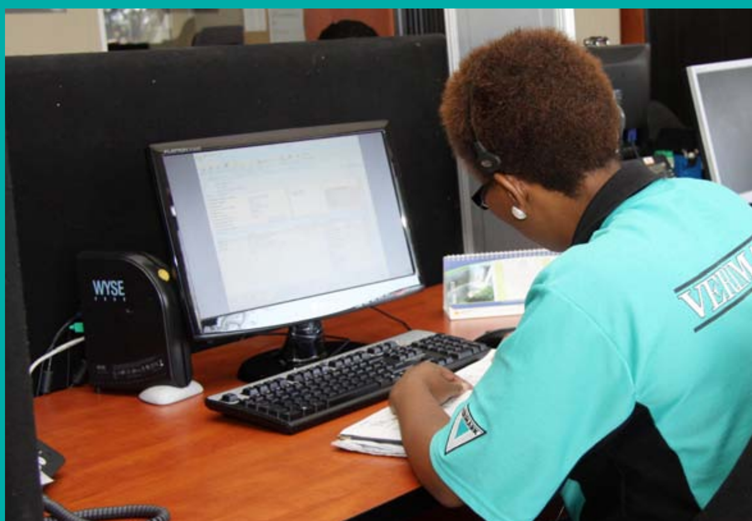
1. Whilst various processes and policies are in place (for e.g. a code of conduct), no formal assessment of the ethics performance is undertaken. This will be reviewed in the future.
2. It has not been necessary to consider business rescue proceedings.
3. Given the experience of the members of the Board, mentorship and professional development programmes have not been considered necessary.
4. No formal evaluation processes are in place. This will be implemented in the future.
5. A formalised IT governance framework has not yet been developed. This will be developed and proposed to the Audit and Risk Committee during 2013 and will include the formal IT expense and investment monitoring process.
6. Changes to the laws and regulations which materially impact the Company are brought to the attention of the board by the Financial Director.
7. The Group's internal audit is not fully functional and the current Internal Audit Manager role is vacant. The Company has decided to outsource this function and will complete the process during 2013.
8. The integrated/sustainability report is not independently assured. It is reviewed and approved by the Audit and Risk Committee.

Efficiencies

will be enhanced as a result of the significant investment in infrastructure that optimises benefits resulting from the scale of operations.

10 000m²

The new 10 000m² warehouse facility in Randburg and the newly implemented automated warehouse management system will contribute to the improvement in the management of working capital and increase productivity.



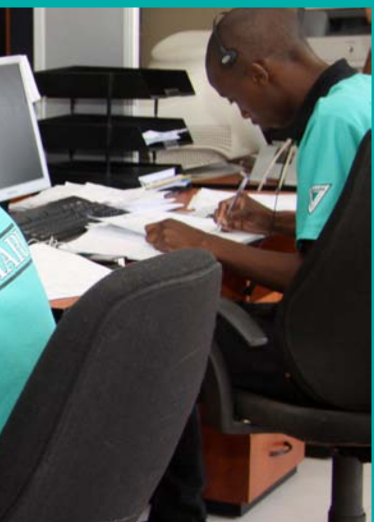
infrastructure

Growth

Providing room for growth.

Improvement

Offering continuous improvements.



Annual financial statements

The financial statements of Verimark Holdings Limited have been audited in compliance with section 30 of the Companies Act, 71 of 2008, of South Africa. Mr Shaun Beecroft (Financial Director, CA(SA)) was responsible for supervising the preparation of the financial statements.

These financial statements for the year ending 28 February 2013 were published on 27 May 2013.

DIRECTORS' REPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the Group and separate annual financial statements of Verimark Holdings Limited, comprising the statements of financial position at 28 February 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF THE GROUP AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The group and separate annual financial statements of Verimark Holdings Limited, as identified in the first paragraph, were approved by the Board of Directors on 23 May 2013 and are signed on its behalf by:

Dr JT Motlatsi
Chairman

23 May 2013

MJ van Straaten
Chief Executive Officer

23 May 2013

COMPANY SECRETARY'S CERTIFICATE

In terms of the Companies Act, No 71 of 2008, the Company Secretary, SJ Preller has certified that, to the best of his knowledge and belief, the Company has, in respect of the financial year reported upon, lodged with the Registrar of Companies all returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.

SJ Preller
Company Secretary

23 May 2013

DIRECTORS' REPORT

for the year ended 28 February 2013

The directors have pleasure in submitting their report for the financial year ended 28 February 2013.

NATURE OF BUSINESS

Verimark Holdings Limited (Verimark) is a retail company that sources, develops and distributes unique superior quality products in the housewares, exercise and fitness, health, DIY, automotive, educational toys and personal comfort categories, both locally and internationally.

FINANCIAL STATEMENTS

The net profit attributable to ordinary shareholders for the year ended 28 February 2013 amounted to R8,9 million (2012: R26,8 million). This translates into headline earnings per share of 8,4 cents (2012: 25,8 cents) per share based on the weighted average number of shares (net of treasury shares) in issue during the year.

The results and financial position of the Company and the Group are contained in the financial statements on pages 40 to 87 of the report.

GOING CONCERN

The financial statements have been prepared using the appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The directors have reasonable expectations that the Company and its subsidiaries have adequate resources to continue as going concerns in the foreseeable future.

INDEPENDENT AUDITOR

The independent auditor, KPMG Inc., will be re-appointed at the forthcoming annual general meeting. All non-audit services provided by KPMG Inc. are tabled and approved by the Audit and Risk Committee.

IMPAIRMENT OF INVESTMENT IN SUBSIDIARY REFLECTED IN THE COMPANY ACCOUNTS

The cumulative impairment loss against the investment in Verimark Proprietary Limited in the books of Verimark Holdings Limited (Company) amounts to R163 243 679.

On consolidation, the investment in the subsidiary is eliminated, and thus there is no effect on earnings as reported by the Group.

Due to the accounting principles applied for reverse listings per IFRS 3, the goodwill was not impacted by this impairment. Refer to notes 4 and 5 for further explanation.

SHARE CAPITAL AND SHARE PREMIUM

Details of the authorised and issued share capital and the share premium are provided in notes 11 and 12 of these financial statements.

The authorised and issued share capital has not changed during the current financial year. 4 000 000 issued shares are under the control of VEET (Verimark Employees Empowerment Trust) on behalf of previously disadvantaged employees. These shares are recognised as treasury shares. No shares have been granted to employees to date.

At the 2010 annual general meeting, a general authority was granted by shareholders to allow the Company to acquire its own shares in terms of the Companies Act. The directors consider it advantageous, for the Company, for this general authority to continue. Such authority will be used if the directors consider that it is in the best interests of the Company and shareholders to effect such acquisitions having regard to prevailing circumstances and cash resources of the Company. Shareholders will be asked to consider a similar special resolution to this effect at the forthcoming annual general meeting.

During 2011 the Company, through its subsidiary Verimark Proprietary Limited, repurchased 2 980 870 of its issued shares for a consideration of R3 735 925, bringing the total number of shares to 6 380 870 and the total cost to R5 373 405. No shares were purchased during the year ended 28 February 2013. These shares are treated as treasury shares in the Group financial statements.

DIVIDENDS

Due to the lower level of profitability achieved in the financial year ended 28 February 2013, the Board considered it prudent that no final dividend in relation to the 28 February 2013 results (2012: R15 426 764 or 13,5 cents per share) be declared at a meeting on 30 March 2013.

This was not in line with the dividend policy of 50% of profit attributable to owners of the Company.

The policy will be reassessed on an ongoing basis as and when dividends become due and payable.

DIRECTORS AND COMPANY SECRETARY

The names of the directors and Company Secretary are:

EXECUTIVE DIRECTORS

MJ van Straaten
Chief Executive Officer

SR Beecroft
Financial Director

NON-EXECUTIVE DIRECTORS

Dr JT Motlatsi
Independent Non-Executive Chairman

JM Pieterse
Independent Non-Executive Director, Audit and Risk Committee and Remuneration Committee Chairman

M Patel
Independent Non-Executive Director, Social and Ethics Committee Chairman

COMPANY SECRETARY

SJ Preller

CHANGES TO THE BOARD

Mitesh Patel was appointed as an independent non-executive director on 28 May 2012.

In terms of the Company's memorandum of incorporation, each year, one-third of Verimark's directors retire and their re-election is subject to the approval of shareholders at the annual general meeting. All new appointments will be confirmed by shareholders at the annual general meeting.

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

In terms of Verimark's BBBEE initiative in 2006, Teba Development purchased 11,5 million shares in Verimark, 4 million of which were held for the benefit of Verimark employees. The purchase was funded by the Van Straaten Family Trust and facilitated through Mirror Ball. In terms of the agreement with Teba Development, 4 million shares were transferred to the control of the Verimark Employees Empowerment Trust (VEET). The total BBBEE shareholding remains unchanged at 10,1%.

In terms of IFRS 2 *Share Based Payment*, no costs have been recognised in terms of this transfer of shares as, to date, no shares have been granted to the envisaged employees in terms of the Verimark BBBEE initiative.

DIRECTORS' REPORT (continued)

for the year ended 28 February 2013

IFRS 2 SHARE BASED PAYMENT TRANSACTION

On 1 March 2010 certain key managers of Verimark Proprietary Limited were issued 3 050 000 shares of Verimark Holdings Limited. Management's effective holding is 2,54% (2012: 2,67%). This is treated as a cash settled share based payment transaction in Verimark Proprietary Limited and an equity settled share based payment transaction in the Group Financial Statements of Verimark Holdings Limited.

The members of management who will benefit from this transaction are M Adam, T Bezuidenhout, N du Plessis, R du Plessis, C Hoadley, H Lourens and D Rabie. These managers are considered to be key management and as such are treated as related parties to the Company for purposes of IAS 24 *Related Party Transaction*, disclosures. Z Adam resigned in February 2013 and according to the rules of the scheme forfeited all benefits. The number of options have consequently reduced to 2 900 000 shares.

DIRECTORS' SHAREHOLDING

At 28 February 2013, the directors and their associates (as defined in terms of the JSE Listings Requirements) had the following direct and indirect beneficial interest in the share capital of the Company:

	Direct	Indirect	Total number of shares held	Percentage of issued share capital
Director				
MJ van Straaten and associates	–	60 500 000	60 500 000	52,94
SR Beecroft and associates	–	–	–	–
Dr JT Motlatsi and associates	–	–	–	–
JM Pieterse and associates	–	1 791 525	1 791 525	1,57

INTEREST OF DIRECTORS IN CONTRACTS

During the financial year, no contracts were entered into in which directors and officers of the Company had an interest which significantly affected the Group.

LITIGATION

The Company engages in a certain level of litigation in its ordinary course of business. The directors have considered all pending litigation and are of the opinion that, unless specifically provided for, none of these claims will result in a loss to Verimark Proprietary Limited.

SUBSIDIARIES AND CONTROLLED ENTITIES

SUBSIDIARIES

Verimark Proprietary Limited (Reg. No. 1989/006800/07).

Creditvision Rental Finance Proprietary Limited (Reg. No. 2002/021355/07).

Fullimput 173 Proprietary Limited (Reg. No. 1999/008624/07).

Verimark Singapore PTE Limited (Reg. No. 201224523D).

CONTROLLED ENTITIES

Verimark Employees Empowerment Trust (Trust No. IT2016/07) (VEET).

Selcovest 35 Proprietary Limited (Reg. No. 2005/018106/07) (Selcovest.

These are controlled entities as they are considered special purpose entities (SPEs).

The Group established the special purpose entities in the form of VEET and Selcovest for BBBEE purposes, as explained in the paragraph dealing with broad based black economic empowerment. The Group does not have any direct or indirect shareholdings in these entities.

In terms of IAS 27 and SIC 12, these SPEs have been consolidated into the financial results of the Group as it has been ascertained that control of the SPEs rests with Verimark as Verimark has the ability to appoint the Trustees and directors of VEET and Selcovest, respectively. In addition, it is envisaged that Verimark would benefit from the Empowerment Trust by being able to retain and promote skills from its workforce. Verimark is also entitled to benefit from any surplus (after discharging its liabilities) in the Trust upon its termination by the Trustees.

The directors draw attention to the fact that the risk of the repayment of the preference share liability of R17 012 124 (2012: R15 857 342) does not lie with the Group. The liability remained unpaid at 17 March 2010 (expected settlement date) and although the Van Straaten Family Trust holds the rights, title and interest to the issued share capital of Selcovest as security for the preference share liability, no action has been taken by the Van Straaten Family Trust to date. Should the Van Straaten Family Trust act on the guarantee, this will result in the treasury shares reflected in the Group being used to settle the preference share liability. This will decrease the current liabilities and increase the equity of the Group. In addition the annual interest charge would cease. Refer to notes 11, 12 and 15 for further details.

Due to the consolidation of these SPEs, there is a recognition of the cumulative redeemable preference share liability as discussed above and a resultant reduction from the issued share capital of R13 337 and share premium of R10 890 621.
The cumulative preference dividend of R1 694 782 (2012: R1 086 459) has been recognised as interest payable in the profit and loss of the Group. (Refer to notes 11, 12, 15 and 21.)

We draw attention to the fact that the preference share liability is currently classified as short term as it was due for repayment on 17 March 2010. The Van Straaten Family Trust at the date of this report has not recalled the preference share liability as it is still the intention to continue with the BBBEE initiative.

DIRECTORS' REPORT (continued)

for the year ended 28 February 2013

The attributable interest of the Group in the aggregate net profits/(losses) after taxation of the subsidiaries and controlled entities is:

	2013 **R**	2012 R
Verimark Proprietary Limited	**12 706 124**	30 393 974
Creditvision Rental Finance Proprietary Limited	**(1 142)**	(356)
Verimark Singapore PTE Limited	**246 693**	–
Fullimput 173 Proprietary Limited	**–**	–
Verimark Employee Empowerment Trust	**–**	–
Selcovest 35 Proprietary Limited	**(1 176 272)**	(2 307 577)

BORROWING POWERS

As defined by the memorandum of incorporation, the borrowing powers of the directors shall allow them to exercise all powers of the Company to borrow money, to mortgage or encumber its undertaking and property or any part thereof, and to issue debenture stock (whether secured or unsecured) and other securities (with special privileges, if any, as to allotment of shares, attending and voting at general meetings, appointment of directors otherwise than may be sanctioned by a general meeting) whether outright as a security for any debt, liability obligation of the Company or any third party. For the purposes of this provision, the borrowing powers of the Company shall be unlimited.

SUBSEQUENT EVENTS

No event which is material to the understanding of this report has occurred between the financial period end and the date of this report.

BUSINESS AND REGISTERED ADDRESS POSTAL ADDRESS

50 Clairwood Avenue, Ext 55 Hoogland, Randburg 2122.

PO Box 78260, Sandton 2146.

Signed on behalf of the Board:

Dr JT Motlatsi
Chairman

Johannesburg
23 May 2013

MJ van Straaten
Chief Executive Officer

Johannesburg
23 May 2013

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee of Verimark Holdings Limited (the committee) is pleased to present its report for the financial year ended 28 February 2013. The committee is independent and was appointed by the shareholders at the annual general meeting held on 4 October 2012. The committee discharges both its statutory and Board delegated responsibilities as outlined below.

The composition of the committee complies with the requirements of the Companies Act, No 71 of 2008. The committee consists of three independent non-executive directors and meets at least four times per annum as per its Terms of Reference. The Group Chief Executive Officer and Financial Director attend all meetings by invitation. Furthermore, external auditor and other assurance providers are invited to meetings.

To the best of its knowledge, the committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

Considering information and explanations provided by management and discussions held with the external auditors on the results of the audit, the committee concluded and advised the Board that it has no reason to believe that there were any material breakdowns in the design and operating effectiveness of internal financial controls during this financial year which have not been addressed or are in a process of being addressed. The financial records can thus be relied on for preparing financial statements.

As required by the JSE Limited Listings Requirement 3.84(h), the Audit and Risk Committee has satisfied itself that Shaun Beecroft, the Financial Director during the current financial year, has appropriate experience and expertise.

Based on presentations by KPMG, the committee has satisfied itself that the external auditor, KPMG, was independent of the Group, as set out in section 90(2)(c) of the Companies Act, No 71 of 2008, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditor that internal governance processes within KPMG support and demonstrate their claim to independence.

The committee nominates for approval at the annual general meeting, KPMG, as the external auditor and Mr J Wessels as the designated auditor, for the 2014 financial year. The committee has further satisfied itself that the audit firm and designated auditor are accredited to appear on the JSE List of Accredited Auditors.

The committee considered the disclosures in the integrated annual report and performed an oversight function of the integrated reporting process and recommended it to the Board for approval.

The committee considered the Group's combined assurance framework to the integrated reporting process. As the combined assurance framework is still in the process of being formalised and recognising that it is work-in-progress, the committee concluded that additional external assurance on the sustainability disclosures contained in the 2013 Integrated Annual Report would not be appropriate until such time as the process has been embedded.

The Audit and Risk Committee has evaluated the group and separate financial statements of Verimark Holdings Limited for the year ended 28 February 2013 and based on the information provided to the Audit and Risk Committee, considers that it complies, in all material respects with the requirements of the various Acts governing disclosure and reporting in the group and separate financial statements. The Audit and Risk Committee therefore recommends the adoption of the group and separate financial statements by the Board.

JM Pieterse
Chairman, Audit and Risk Committee

23 May 2013

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Verimark Holdings Limited

We have audited the group financial statements and financial statements of Verimark Holdings Limited, which comprise the statements of financial position at 28 February 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 40 to 87.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Verimark Holdings Limited at 28 February 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 28 February 2013, we have read the Directors' report, the Audit and Risk Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Per J Wessels
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown, Johannesburg

23 May 2013

GROUP STATEMENT OF FINANCIAL POSITION

as at 28 February 2013

	Note	GROUP 2013 R	GROUP 2012 R
ASSETS			
Non-current assets		**36 211 845**	31 255 665
Plant and equipment	3	**18 577 743**	14 298 052
Intangible assets	4	**14 426 479**	14 662 960
Deferred taxation asset	6	**3 207 623**	2 294 653
Current assets		**167 111 579**	124 187 028
Inventories	7	**87 494 520**	62 641 191
Trade and other receivables	8	**77 809 834**	49 187 776
Prepayments		**353 718**	211 358
Cash and cash equivalents	10	**1 453 507**	12 146 703
Total assets		**203 323 424**	155 442 693
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company		**87 448 631**	92 246 445
Share capital	11	**346 420**	346 420
Share premium	12	**21 378 068**	21 378 068
Foreign currency translation reserve		**13 233**	–
Share based payment reserve	13	**1 124 077**	787 925
Retained earnings		**64 586 833**	69 734 032
Non-current liabilities		**5 944 059**	5 645 307
Interest-bearing borrowings	14	**5 944 059**	5 645 307
Current liabilities		**109 930 734**	57 550 941
Preference share liability	15	**17 012 124**	15 857 342
Trade and other payables	17	**59 325 810**	31 023 956
Current portion of interest-bearing borrowings	14	**3 479 809**	3 688 770
Taxation payable		**1 649 876**	2 651 296
Bank overdraft	10	**28 463 115**	4 329 577
Total liabilities		**115 874 793**	63 196 248
Total equity and liabilities		**203 323 424**	155 442 693

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2013

	Note	GROUP 2013 R	2012 R
Revenue from sale of merchandise	18	**454 091 053**	451 149 634
Cost of sales		**(288 920 448)**	(262 324 739)
Gross profit		**165 170 605**	188 824 895
Other income	19	**1 806 129**	1 699 956
Selling expenses		**(42 099 657)**	(47 412 969)
Other operating expenses		**(108 290 432)**	(94 129 004)
Operating profit before finance income and finance expense	20	**16 586 645**	48 982 878
Finance income	21	**6 390 769**	8 140 634
Finance expense	21	**(7 732 075)**	(15 251 262)
Profit before taxation		**15 245 339**	41 872 250
Taxation expense	22	**(6 367 191)**	(15 064 408)
Profit for the year		**8 878 148**	26 807 842
Other comprehensive income			
Foreign currency translation reserve movement		**13 233**	–
Total comprehensive income for the year attributable to owners of the Company		**8 891 381**	26 807 842
Earnings per share			
Basic earnings per share (cents)	30	**8,5**	25,8
Diluted earnings per share (cents)	30	**8,4**	25,3

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2013

	Share capital R	Share premium R	Share based payment reserve R	Foreign currency translation reserve R	Retained earnings R	Total R
GROUP						
Balance at 1 March 2011	346 420	21 378 068	392 883	–	58 508 962	80 626 333
Total comprehensive income for the year						
Profit for the year	–	–	–	–	26 807 842	26 807 842
Transactions with owners recorded in equity						
Share based payment transaction	–	–	395 042	–	–	395 042
Contributions by and distributions to owners of the Company						
Dividend paid to shareholders	–	–	–	–	(15 582 772)	(15 582 772)
Balance at 29 February 2012	**346 420**	**21 378 068**	**787 925**	**–**	**69 734 032**	**92 246 445**
Total comprehensive income for the year						
Profit for the year	**–**	**–**	**–**	**–**	**8 878 148**	**8 878 148**
Other comprehensive income				**13 233**		**13 233**
Transactions with owners recorded in equity						
Share based payment transaction	**–**	**–**	**336 152**	**–**	**–**	**336 152**
Contributions by and distributions to owners of the Company						
Dividend paid to shareholders	**–**	**–**	**–**	**–**	**(14 025 347)**	**(14 025 347)**
Balance at 28 February 2013	**346 420**	**21 378 068**	**1 124 077**	**13 233**	**64 586 833**	**87 448 631**

GROUP STATEMENT OF CASH FLOW

for the year ended 28 February 2013

	Note	GROUP 2013 R	2012 R
Cash flows from operating activities			
Cash (utilised by)/generated from operations	24.1	**(1 668 300)**	37 241 358
Finance income received		**6 390 769**	8 140 634
Finance expense paid		**(6 015 801)**	(13 584 787)
Income taxation paid	24.2	**(8 281 581)**	(14 453 126)
Dividend paid	24.3	**(14 025 347)**	(15 582 772)
Net cash (outflows)/inflows from operating activities		**(23 600 260)**	1 761 307
Cash outflows from investing activities		**(10 754 773)**	(7 870 231)
Acquisitions of plant and equipment to expand operations		**(11 576 575)**	(7 595 472)
Acquisitions of intangible assets to maintain operations		**(81 643)**	(603 361)
Proceeds from disposal of plant and equipment		**903 445**	328 602
Cash outflows from financing activities		**(471 701)**	(2 742 917)
Loans receivable collected		**–**	232 000
Interest-bearing borrowings repaid		**(5 046 264)**	(3 934 314)
Interest-bearing borrowings raised		**5 114 563**	1 559 397
Preference share liability repaid		**(540 000)**	(600 000)
Net decrease in cash and cash equivalents		**(34 826 734)**	(8 851 841)
Cash and cash equivalents at beginning of year		**7 817 126**	16 668 967
Cash and cash equivalents at end of year	24.4	**(27 009 608)**	7 817 126

COMPANY STATEMENT OF FINANCIAL POSITION

as at 28 February 2013

		COMPANY	
	Note	2013 R	2012 R
ASSETS			
Non-current assets		**120 024 778**	120 024 064
Investment in subsidiary companies	5	**120 024 778**	120 024 064
Current assets		**513 380**	515 145
Loan receivable	9	**158 898**	158 898
Cash and cash equivalents	10	**354 482**	356 247
Total assets		**120 538 158**	120 539 209
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company		**107 271 711**	108 736 488
Share capital	11	**380 908**	380 908
Share premium	12	**316 702 119**	316 702 119
Accumulated losses		**(209 811 316)**	(208 346 539)
Current liabilities		**13 266 447**	11 802 721
Amounts owing to subsidiary company and other related party	16	**13 056 867**	11 634 545
Trade and other payables	17	**209 580**	168 176
Total equity and liabilities		**120 538 158**	120 539 209

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2013

		COMPANY	
	Note	2013 R	2012 R
Dividends received	18	**15 426 764**	17 140 849
Other operating expenses		**(1 464 777)**	(1 268 057)
Impairment of investment in subsidiary company		**–**	(51 422 547)
Profit/(loss) before taxation		**13 961 987**	(35 549 755)
Taxation expense		**–**	–
Profit/(loss) for the year		**13 961 987**	(35 549 755)
Other comprehensive income		**–**	–
Total comprehensive income for the year attributable to owners of the Company		**13 961 987**	(35 549 755)

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2013

	Share capital R	Share premium R	Accumulated losses R	Total R
COMPANY				
Balance at 1 March 2011	380 908	316 702 119	(155 655 935)	161 427 092
Total comprehensive income for the year				
Loss for the year	–	–	(35 549 755)	(35 549 755)
Contributions by and distributions to owners of the Company				
Dividend paid to shareholders	–	–	(17 140 849)	(17 140 849)
Balance at 29 February 2012	**380 908**	**316 702 119**	**(208 346 539)**	**108 736 488**
Total comprehensive income for the year				
Profit for the year	**–**	**–**	**13 961 987**	**13 961 987**
Contributions by and distributions to owners of the Company				
Dividend paid to shareholders	**–**	**–**	**(15 426 764)**	**(15 426 764)**
Balance at 28 February 2013	**380 908**	**316 702 119**	**(209 811 316)**	**107 271 711**

COMPANY STATEMENT OF CASH FLOW

for the year ended 28 February 2013

	Note	COMPANY 2013 R	2012 R
Profit/(loss) before taxation		**13 961 987**	(35 549 755)
Impairment of investment in subsidiary company		**–**	51 422 547
Cash generated from operating activities		**13 961 987**	15 872 792
Loan receivable written off		**–**	1 773
Decrease in prepayments		**–**	38 855
Increase in trade and other payables		**41 404**	13 197
Cash inflows from operating activities		**14 003 391**	15 926 617
Dividend paid	24.3	**(15 426 764)**	(17 140 849)
Net cash outflows from operating activities		**(1 423 373)**	(1 214 232)
Cash inflows from financing activities		**1 421 608**	1 230 138
Loans receivable collected		**–**	232 000
Loans received from subsidiary company and other related party		**1 421 608**	998 138
Net (decrease)/ increase in cash and cash equivalents		**(1 765)**	15 906
Cash and cash equivalents at beginning of year		**356 247**	340 341
Cash and cash equivalents at end of year	24.4	**354 482**	356 247

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2013

1. ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Verimark Holdings Limited (the Company) is a company domiciled in South Africa. The address of the Company's registered office is included in the directors' report. The Group financial statements, comprising Verimark Holdings Limited and its subsidiaries (together referred to as the Group), and the Company financial statements incorporate the principal accounting policies, set out below. Hereafter, the Company separate financial statements and Group financial statements are collectively referred to as the financial statements. Where reference is made to "the Group" in the accounting policies, it should be interpreted as referring to the Company where the context requires, and unless otherwise noted.

1.2 BASIS OF PREPARATION

1.2.1 Statement of compliance

The Group and separate financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, No 71 of 2008.

The financial statements were authorised for issue by the Board of Directors on 23 May 2013.

1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and the valuation of share based payments which are measured at fair value. The methods used to measure fair values are discussed further in note 2.

1.2.3 Functional and presentation currency

The financial statements are presented in South African Rand (Rand), which is the Company's functional currency. All financial information has been rounded to the nearest Rand.

1.2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.3.18.

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group and Company to all periods presented in these financial statements.

1.3.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, transactions and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Investments in subsidiary companies are carried at cost less impairment losses in the separate financial statements of the Company.

Special purpose entities

The Group has established special purpose entities (SPEs) for BBBEE purposes. The Group does not have any direct or indirect shareholding in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the risks incident to the SPE's activities, and

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3.1 Basis of consolidation (continued)

retaining the majority of the residual or ownership risks related to the SPE or its assets.

Accounting policies

Accounting policies of subsidiaries and special purpose entities have been changed where necessary to align them with the policies adopted by the Group.

1.3.2 Revenue

Revenue from the sale of merchandise is measured at the fair value of the consideration received or receivable, excluding value added tax and is net of discounts and rebates allowed.

Revenue is recognised when substantially all the risks and rewards of ownership transfer (which is on the date of delivery or the date when funds are received for cash sales), flow of economic benefits is probable, the associated costs and possible return of the merchandise can be estimated reliably, the amount of revenue can be measured reliably and there is no continuing management involvement with the merchandise.

The Group receives a once off franchise fee for new franchise arrangements. This fee is received upfront upon the conclusion of a franchise agreement. The revenue is recognised when the agreement has been concluded and the franchise fee is received or receivable.

Dividend income is recognised in profit or loss on the date that the right to receive payment is established. In the Company's separate financial statements, dividend income is regarded as revenue.

Other income consists of Skills Development Levy refunds for training provided and ad hoc fees charged to franchisees which are recognised on receipt of funds.

1.3.3 Finance income/(expense)

Finance income/(expense) comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, gains and losses on derivative instruments that are recognised in profit or loss and dividends (interest) on preference shares classified as liabilities.

Interest income and interest expense is recognised in profit or loss as it accrues, using the effective interest method. Foreign exchange gains and losses are recognised when currency gains and losses occur. Interest on preference shares is recognised as it accrues using the effective interest method. Foreign exchange gains and losses are reported on a gross basis.

1.3.4 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends until 31 March 2012.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In respect of dividends declared up to 31 March 2012, secondary tax on companies (STC) is provided at a rate of 10% on the amount by which dividends declared by the Company exceed dividends received. STC is recognised as part of the current tax charge in the statement of comprehensive income when the related dividend is declared. To the extent that it is probable that the entity with STC credits will declare dividends of its own, against

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3.4 Income tax expense (continued)

which unutilised STC credits may be utilised, a deferred tax asset is recognised for such STC credits.

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The Company withholds dividends tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge, but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised as the gross amount with the related withholding tax recognised as part of the tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

1.3.5 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and for the effects of all dilutive potential ordinary shares.

1.3.6 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.The operating segment's operating results are reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

1.3.7 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and recognised net within "other income" in profit or loss.

Borrowing costs

The Company capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset.

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Capital work in progress

Capital work in progress comprises assets that are being assembled (development in stores) and which are not yet ready for the required use. Capital work in progress is transferred to Company owned store equipment once assembly is complete. Capital work in progress is not depreciated.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Depreciation is recognised on the depreciable amount of an item of plant and equipment.

The depreciable amount is the difference between the cost of an item of plant and equipment and its residual value.

Residual value is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of age and in the condition expected at the end of its useful life. The useful lives for the current and comparative periods were:

Computer equipment	3 years
Manufactured structures and handling equipment	4 – 5 years
Motor vehicles	4 – 5 years
Office furniture and equipment	5 – 10 years
Shop fittings	3 years
Company owned (Co-owned) stores equipment	3 years
Media equipment	2 years

The residual values, if not insignificant, depreciation method and useful lives of plant and equipment are reviewed at each

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3.7 Plant and equipment (continued)

financial year end and adjusted if appropriate.

1.3.8 Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Goodwill is measured at cost less any accumulated impairment losses.

Other intangibles

Software and trademarks that are acquired by the Group, and which have a finite useful life, are measured at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite, from the date they are available for use. The useful lives are as follows:

Computer software	3 years
Trademarks	10 years

The residual values, if not insignificant, amortisation method and useful lives of intangible assets are reviewed at each financial year end and adjusted if appropriate.

1.3.9 Impairment of assets

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at reporting date. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined at the cash-generating unit (CGU) level to which the asset belongs. A CGU is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets on a pro-rata basis. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value, less costs to sell. In assessing value in use, the estimated future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill with an indefinite useful life is allocated to cash-generating units and is tested for impairment at each reporting date and whenever there is an indication that goodwill has been impaired.

An impairment loss is recognised in profit or loss when the carrying amount exceeds its recoverable amount. An impairment loss in respect of goodwill is not reversed.

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor.

The Group considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment. In assessing impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted by management's judgement as to whether actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against receivables.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3.9 Impairment of assets (continued)

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.3.10 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing inventories to their present location and condition and is determined using the weighted average cost method. Net realisable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.3.11 Leases

Operating leases – lessee

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against profit or loss on a straight-line basis over the period of the lease. The leased assets are not recognised on the statement of financial position.

Finance leases – lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the future minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease made under finance leases are apportioned between finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.3.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

1.3.13 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Non-derivative financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade and other receivables, loans receivable and cash and cash equivalents.

Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are recognised at amortised cost using the effective interest method less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and other financial institutions, as well as short-term call deposits with financial institutions.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial liabilities

The Group initially recognises financial liabilities (secured and unsecured liabilities) on the date that they are originated. All other liabilities are recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire, or when there is a substantial modification of the original terms.

Non-derivative financial liabilities comprise loans and borrowings, bank overdrafts, trade and other payables and preference shares. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3.13 Financial instruments (continued)

are measured at amortised cost, using the effective interest method.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes therein are recognised in profit or loss as they arise.

The Group holds derivative financial instruments, in the form of forward exchange contracts. Hedge accounting is not applied to these derivative instruments which economically hedge monetary assets and liabilities denominated in foreign currencies.

Offset

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.3.14 Share capital

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings or share premium.

1.3.15 Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains and losses arising on translation are credited to or charged to profit or loss.

1.3.16 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rand at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rand at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

1.3.17 Employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution funds are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

1. ACCOUNTING POLICIES (continued)

1.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3.17 Employee benefits (continued)

result of past service provided by the employee and the obligation can be estimated reliably.

Share based payment transactions

The grant date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. The expense is measured at grant date and recognised over the vesting period in profit or loss.

Share based payment arrangements in which the Group receives goods or services as consideration for its equity instruments are accounted for as equity settled share based payment transactions.

1.3.18 Estimations and judgements applied by directors in applying the accounting polices

The following estimations and judgements have been exercised in applying the accounting polices:

Impairment of investment in subsidiary company

Management continuously considers the recoverability of the investment in and loans to the subsidiaries. The fair value of the investment is determined by reference to the quoted share price at the reporting date or an appropriate valuation technique (usually discounted cash flow). If the value of any investment has decreased below the carrying amount of the investment, the value is written down to recoverable amount.

Impairment of long outstanding trade receivables, including returns and credit risks

Management identifies impairment of trade receivables, including returns and credit notes, on an ongoing basis. The estimation of the requirement for impairment is based on the current collectability of the trade receivables, as well as management's experience of the collection history of trade receivables. The fair value of trade receivables is estimated at the present value of future cash flows discounted at the present market rate of interest at the reporting date. Management believes that the allowance for impairment is conservative and there are no significant trade receivables that are doubtful and have not been impaired.

Impairment of goodwill

Goodwill is assessed for impairment indicators at each reporting date. Impairment indicators include such events as a decline in the earnings of the underlying subsidiary, diminution in investment value, reduction of quoted share price, etc. Where such an indication of impairment exists the goodwill is assessed for impairment. Impairment losses on goodwill are not reversed.

Impairment of inventory

Obsolete inventory is identified on a continuous basis and an impairment loss is raised when necessary. This identification is based on physical inspection as well as the rate of sale relative to the inventory quantity on hand. Once identified, such inventory will be offered to customers at a discount. Un-saleable inventory is scrapped and the scrap value recovered where possible.

1.3.19 New standards and interpretations not yet adopted

A number of standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2013, and have not been applied in preparing these financial statements. These standards are disclosed in note 31 to the financial statements.

2. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods that follow below. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

2.1 TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables with a useful life of less than one year approximates the amortised cost less impairment losses discounted at the effective rate of interest at the reporting date.

2.2 LOANS AND BORROWINGS REPAYABLE ON DEMAND

The fair value of interest-free borrowings that are repayable on demand cannot be reliably determined. The notional amount is deemed to reflect fair value.

2.3 CASH AND CASH EQUIVALENTS

The notional amount of cash and cash equivalents is deemed to reflect the fair value.

2.4 TRADE AND OTHER PAYABLES

The fair value of trade and other payables with a useful life of less than one year is measured at

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

2. DETERMINATION OF FAIR VALUES (continued)

2.4 TRADE AND OTHER PAYABLES (continued)

amortised cost, using the effective rate of interest at the reporting date.

2.5 INTEREST-BEARING BORROWINGS

The notional amount of interest-bearing liabilities is deemed to reflect the fair value as the applicable interest rate approximates market rates at each reporting date.

2.6 NON-DERIVATIVE FINANCIAL INSTRUMENTS

Fair value which is determined for financial statement purposes is calculated based on the present value of the principal asset and interest cash flows discounted at the market rate of interest at the reporting date.

2.7 DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of forward exchange contracts are based on current market related currency exchange rates, taking into account appropriate contractual forward prices.

2.8 SHARE BASED PAYMENT TRANSACTIONS

The fair value of the employee share purchases is measured using the Monte Carlo simulation method. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on a valuation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected repayments, expected term of the instrument, expected dividends and the risk-free rate.

Service and non-market conditions attached to the transaction are not taken into account in determining fair value.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

3. PLANT AND EQUIPMENT

	Computer equipment R	Manufacturing structures and handling equipment R
GROUP		
Cost		
Balance at 1 March 2012	**2 172 354**	**2 031 564**
Additions	**304 301**	**3 119 134**
Disposals	**(9 659)**	**–**
Transfers	**308 763**	**1 483 607**
Balance at 28 February 2013	**2 775 759**	**6 634 305**
Balance at 1 March 2011	1 830 413	1 847 508
Additions	359 615	184 056
Disposals	(17 674)	–
Transfers	–	–
Balance at 29 February 2012	2 172 354	2 031 564
Accumulated depreciation and impairment losses		
Balance at 1 March 2012	**1 602 946**	**1 420 021**
Disposals	**(9 659)**	**–**
Depreciation for the year	**352 999**	**477 780**
Balance at 28 February 2013	**1 946 286**	**1 897 801**
Balance at 1 March 2011	1 311 254	1 247 199
Disposals	(4 684)	–
Depreciation for the year	296 376	172 822
Balance at 29 February 2012	1 602 946	1 420 021
Carrying amounts		
At 28 February 2013	**829 473**	**4 736 504**
At 29 February 2012	569 408	611 543

SECURITY

The above moveable assets (except for motor vehicles, media equipment and shop fittings) have been ceded in favour of Absa Bank Limited in terms of General Notarial and Special Covering Bonds limited to R10 000 000 (see note 10).

LEASED ASSETS

The Company leases motor vehicles, media equipment and shop fittings under instalment sale agreements from Absa Bank Limited and Wesbank, a division of FirstRand Bank Limited. The leased assets secure the lease obligations (see note 14).
At 28 February 2013, the carrying value of leased motor vehicles is R1 182 211 (2012: R2 403 786), of media equipment is Rnil (2012: R1 793 219), of shop fittings is R264 079 (2012: R345 833) and manufacturing structures and handling equipment is R4 319 988 (2012: Rnil).

ASSESSMENT OF USEFUL LIVES, RESIDUAL VALUE AND DEPRECIATION METHODS

During the year ended 28 February 2013, the Group conducted a review of the estimated useful lives, residual values and depreciation methods of plant and equipment. There were no changes required.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	Office furniture and equipment R	Motor vehicles R	Co-owned stores equipment R	Media equipment R	Shop fittings R	Capital work in progress R	Total R
	4 164 094	**5 474 289**	**4 242 855**	**6 018 829**	**14 945 496**	**821 373**	**39 870 854**
	753 931	**–**	**70 266**	**285 483**	**2 296 683**	**4 828 420**	**11 658 218**
	–	**(2 234 549)**	**(104 804)**	**(1 923)**	**(13 732)**	**(172 130)**	**(2 536 797)**
	307 439	**–**	**623 941**	**801 769**	**–**	**(3 607 162)**	**(81 643)**
	5 225 464	**3 239 740**	**4 832 258**	**7 104 158**	**17 228 447**	**1 870 501**	**48 910 632**
	3 920 351	4 604 730	3 932 826	4 688 122	12 106 621	354 904	33 285 475
	244 467	1 041 906	929 888	1 159 750	2 888 964	786 826	7 595 472
	(724)	(172 347)	(691 717)	(77 542)	(50 089)	–	(1 010 093)
	–	–	71 858	248 499	–	(320 357)	–
	4 164 094	5 474 289	4 242 855	6 018 829	14 945 496	821 373	39 870 854
	3 448 379	**2 689 241**	**2 614 771**	**4 067 692**	**9 729 752**	**–**	**25 572 802**
	–	**(1 714 114)**	**(96 646)**	**(153)**	**(104)**	**–**	**(1 820 676)**
	185 338	**1 027 677**	**863 459**	**1 546 005**	**2 127 505**	**–**	**6 580 763**
	3 633 717	**2 002 804**	**3 381 584**	**5 613 544**	**11 857 153**	**–**	**30 332 889**
	3 282 401	1 429 144	2 315 430	2 178 830	7 321 183	–	19 085 441
	–	(53 858)	(571 145)	(71 512)	(1 726)	–	(702 925)
	165 978	1 313 955	870 486	1 960 374	2 410 295	–	7 190 286
	3 448 379	2 689 241	2 614 771	4 067 692	9 729 752	–	25 572 802
	1 591 747	**1 236 936**	**1 450 674**	**1 490 614**	**5 371 294**	**1 870 501**	**18 577 743**
	715 715	2 785 048	1 628 084	1 951 137	5 215 744	821 373	14 298 052

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

4. INTANGIBLE ASSETS

	Goodwill R	Trademarks R	Computer software R	Total R
GROUP				
Cost				
2013				
Balance at beginning of year	**13 996 651**	**200 000**	**2 238 366**	**16 435 017**
Additions	**–**	**–**	**81 643**	**81 643**
Disposals	**–**	**–**	**–**	**–**
Balance at end of year	**13 996 651**	**200 000**	**2 320 009**	**16 516 660**
2012				
Balance at beginning of year	13 996 651	200 000	1 706 193	15 902 844
Additions	–	–	603 361	603 361
Disposals	–	–	(71 188)	(71 188)
Balance at end of year	13 996 651	200 000	2 238 366	16 435 017
Accumulated amortisation and impairment losses				
2013				
Balance at beginning of year	**–**	**200 000**	**1 572 057**	**1 772 057**
Amortisation for the year	**–**	**–**	**318 124**	**318 124**
Disposals	**–**	**–**	**–**	**–**
Balance at end of year	**–**	**200 000**	**1 890 181**	**2 090 181**
2012				
Balance at beginning of year	–	200 000	1 360 553	1 560 553
Amortisation for the year	–	–	219 413	219 413
Disposals	–	–	(7 909)	(7 909)
Balance at end of year	–	200 000	1 572 057	1 772 057
Carrying amounts				
At 28 February 2013	**13 996 651**	**–**	**429 828**	**14 426 479**
At 29 February 2012	13 996 651	–	666 309	14 662 960

IMPAIRMENT TESTING OF CASH-GENERATING UNITS CONTAINING GOODWILL

Goodwill arose on 1 July 2005 when Verimark Holdings Limited acquired all of the shares in Verimark Proprietary Limited in terms of a reverse listing. A consideration of R275 000 000, satisfied by the issue of 110 000 000 ordinary shares, was paid.

In terms of IFRS 3 (2004) *Business Combinations* for acquisitions before 1 January 2010, the legal subsidiary is recognised as the accounting parent. The financial effects of the transaction are disclosed in the consolidated annual financial statements. The goodwill arises on consolidation in terms of reverse listing principles. Refer to note 28 for further explanation.

For the purpose of impairment testing, the entire goodwill amount is allocated to the Company's operating subsidiary, Verimark Proprietary Limited (Verimark) (cash-generating unit (CGU)). The recoverable amount of Verimark was based on a value in use calculation performed by the directors based on a five-year forecast.

No impairment of goodwill has been identified in the current financial year.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

4. INTANGIBLE ASSETS (continued)

The following key assumptions were made in the fair value determination:

- Revenue growth year 1 – 5 ranging between 4% and 15%
- Terminal growth rate of 5%
- Cost of equity 20,39%
- After tax cost of debt 6,12%
- Weighed cost of capital (WACC) 18,91%
- Tax rate of 28%

The value in use valuation reflected a CGU value of R246 million which is greater than the carrying value of the investment and related goodwill.

A sensitivity analysis of the value in use calculation showed that no impairment was required at 28 February 2013 even if the WACC and terminal growth rates were adjusted.

Valuation sensitivity analysis

		WACC		
		17,91%	**18,91%**	**19,91%**
	4%	252 309 129	234 683 931	219 352 460
Terminal growth rate	5%	265 483 573	245 723 381	228 695 461
	6%	280 870 474	258 473 136	239 381 876

	COMPANY	
	2013	2012
5. INVESTMENT IN SUBSIDIARY COMPANIES		
Number of shares held		
– Verimark Proprietary Limited	**116**	116
– Creditvision Rental Finance Proprietary Limited	**1**	1
– Verimark Singapore PTE Limited	**100**	–
	%	%
Percentage holding		
– Verimark Proprietary Limited	**100**	100
– Creditvision Rental Finance Proprietary Limited	**100**	100
– Verimark Singapore PTE Limited	**100**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	COMPANY 2013 R	COMPANY 2012 R
5. INVESTMENT IN SUBSIDIARY COMPANIES (continued)		
Verimark Proprietary Limited		
– Opening balance	119 985 944	171 408 491
– Impairment	–	(51 422 547)
Closing balance	119 985 944	119 985 944
Reconciliation of original cost		
Original cost	283 229 623	283 229 623
Total impairment	(163 243 679)	(163 243 679)
Carrying value	119 985 944	119 985 944
Creditvision Rental Finance Proprietary Limited		
– Cost of shares	1	1
– Loan to subsidiary company	38 119	38 119
Closing balance	38 120	38 120
Verimark Singapore PTE Limited		
– Cost of shares	714	–
Closing balance	714	–
Net investment in subsidiary companies	120 024 778	120 024 064

The directors have valued the investment in Verimark Proprietary Limited at the market share price of Verimark Holdings Limited. This is greater than the net asset value of the subsidiary company. The valuation of the investment is reviewed on an ongoing basis.

	GROUP 2013 R	GROUP 2012 R
6. DEFERRED TAXATION ASSET		
Balance at beginning of year	2 294 653	2 642 399
Current year movement per statement of comprehensive income	912 970	(347 746)
– net deductible temporary differences	912 970	(347 746)
Balance at end of year	3 207 623	2 294 653

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

6. DEFERRED TAXATION ASSET (continued)

Deferred tax at rate of 28% (2012: 28%) comprises temporary differences arising on:

	Assets R	Liabilities R	Total R
2013			
– Leave pay accrual	876 414		876 414
– Doubtful debts allowance	129 472		129 472
– Prepayments		(82 809)	(82 809)
– Lease straight-line accruals	299 028		299 028
– Depreciation/wear and tear on shop fittings	1 658 827		1 658 827
– Share based payment liability	312 437		312 437
– Unearned inter company profits	14 254		14 254
	3 290 432	(82 809)	3 207 623
2012			
– Leave pay accrual	687 994	–	687 994
– Doubtful debts allowance	129 472	–	129 472
– Prepayment	–	(59 180)	(59 180)
– Lease straight-line accrual	174 202	–	174 202
– Depreciation/wear and tear on shop fittings	1 362 165	–	1 362 165
	2 353 833	(59 180)	2 294 653

	GROUP		COMPANY	
	2013 R	2012 R	2013 R	2012 R
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following:				
Tax losses	2 920 134	2 800 480	2 556 231	2 556 212

As a result of the legal parent company being expected to mainly earn non-taxable income in the form of dividends in the future, a deferred tax asset has not been recognised in respect of the estimated assessable loss of R10 429 051 (2012: R10 001 713) for the Group and R9 129 397 (2012: R9 129 328) for the Company.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	GROUP 2013 R	GROUP 2012 R
7. INVENTORIES		
Merchandise	**78 884 324**	59 271 692
Merchandise in transit	**17 797 802**	5 899 537
Impairment of inventory	**(9 187 606)**	(2 530 038)
	87 494 520	62 641 191

SECURITY

Refer to note 10 for security provided over banking facilities.

Refer to note 20 for details of inventory written off during the year.

	GROUP 2013 R	GROUP 2012 R
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	**67 955 582**	44 226 502
Sundry debtors	**2 586 024**	391 978
Advance payments made to foreign suppliers	**7 672 206**	4 612 775
Staff receivables	**6 684**	33 399
Franchise loans receivable	**159 723**	390 407
Deposits	**46 146**	149 246
Impairment of trade receivables	**(616 531)**	(616 531)
	77 809 834	49 187 776

SECURITY

Trade receivables have been ceded as security for banking facilities (refer to note 10).

	COMPANY 2013 R	COMPANY 2012 R
9. LOAN RECEIVABLE		
Verimark Employees Empowerment Trust	**158 898**	158 898
The loan is unsecured, interest-free and repayable on demand.		
	158 898	158 898
Less: Current portion	**(158 898)**	(158 898)
Long-term portion included in non-current assets	**–**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
10. CASH AND CASH EQUIVALENTS				
Bank balances and cash on hand	**1 453 507**	12 146 703	**354 482**	356 247
Bank overdraft	**(28 463 115)**	(4 329 577)	**–**	–
	(27 009 608)	7 817 126	**354 482**	356 247

The following security and facilities have been provided in respect of banking facilities provided to the Group:

COMPANY AND SPEs

- None.

VERIMARK PROPRIETARY LIMITED (LEGAL SUBSIDIARY)

Absa Bank Limited

Security

- Cession of linked life policies in the amount of R20 000 000 (on the life of MJ van Straaten);
- Cession of trade receivables; and
- General Notarial and Special Covering Bonds over moveable assets in the amount of R10 000 000.

In addition, the gearing calculated as interest-bearing debt to shareholders' funds must be maintained at 100% or lower at all times. The value of trade receivables ceded to the bank, current to 90 days, must at all times at least be equal to the General Banking Facility of R30 000 000. These conditions have been met in the current and prior period.

Refer to note 24.4 for split between bank balances and cash on hand.

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
11. SHARE CAPITAL				
Authorised				
200 000 000 ordinary shares of 0,3333 cents each	**666 667**	666 667	**666 667**	666 667
Issued				
114 272 328 (2012: 114 272 328) ordinary shares of 0,3333 cents each	**381 024**	381 024	**380 908**	380 908
4 000 000 (2012: 4 000 000) treasury shares of 0,3333 cents each held by VEET	**(13 337)**	(13 337)	**–**	–
6 380 870 (2012: 6 380 870) treasury shares of 0,3333 cents each held by Verimark Proprietary Limited	**(21 267)**	(21 267)	**–**	–
	346 420	346 420	**380 908**	380 908
Shares				
Number of shares at beginning of year	**114 272 328**	114 272 328	**114 272 212**	114 272 212
Treasury shares held by VEET	**(4 000 000)**	(4 000 000)	**–**	–
Treasury shares held by Verimark Proprietary Limited	**(6 380 870)**	(6 380 870)	**–**	–
Number of shares held externally at end of year	**103 891 458**	103 891 458	**114 272 212**	114 272 212

The unissued share capital is under the control of the directors. All issued shares are fully paid up.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
12. SHARE PREMIUM				
Premium on total issued shares	**37 620 827**	37 620 827	**316 702 119**	316 702 119
Repurchase of own shares (treasury shares)				
– VEET	**(10 890 621)**	(10 890 621)	**–**	–
– Verimark Proprietary Limited	**(5 352 138)**	(5 352 138)	**–**	–
Balance at end of year	**21 378 068**	21 378 068	**316 702 119**	316 702 119

13. SHARE BASED PAYMENT RESERVE

On 1 March 2010 the Group established a share based payment scheme whereby certain key members of management were granted share options in Verimark Holdings Limited.

Management were given an indirect shareholding through Verimark Proprietary Limited. Management's effective holding is 2,54% (2012: 2,67%). This is treated as a cash settled share based payment in Verimark Proprietary Limited as Verimark has not granted its own shares to its employees. The scheme is therefore valued at each reporting date which is 28 February in Verimark Proprietary Limited. The scheme is treated as an equity settled share based payment transaction in the Group.

An expense has been recognised in Verimark Proprietary Limited as it will be receiving the services and benefits of the share based payment scheme over the service period.

The share based payment scheme is to be settled by physical delivery of shares as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of grant
Share grant to key management on 1 March 2010	2 900 000	Five years service, payment of 10% of annual bonus received by employees as well as dividends received relating to the shares to be taken as repayment of grant loan.	5 years

The value of the share based payment scheme has been based on the following factors:

	2013 R	2012 R
Fair value at grant date	**1 969 811**	1 969 811
Spot price on grant date	**0,67**	0,67
Option price	**0,65**	0,65
Spot price on valuation date	**1,5**	1,5
	%	%
Expected volatility	**78,46**	78,46
Expected dividend yield	**5,09**	5,09
Risk-free interest rate	**7,38**	7,38
Option life	**5 years**	5 years
	R	R
Reserve and expense		
Opening balance of reserve	**787 925**	392 883
Movement for the year	**336 152**	395 042
Closing balance of reserve	**1 124 077**	787 925

The fair value of the share based payment at grant date was determined using the Monte Carlo simulation valuation technique, which is in line with standard market practice.

The shares were valued as options due to management not sharing in any downside risks.

The expected volatility is based on a historical period equal to the remaining contractual life of the options.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

14. INTEREST-BEARING BORROWINGS

	GROUP 2013 R	GROUP 2012 R
SECURED LOCAL LOANS		
Investec Bank Limited	**4 715 587**	5 021 572
The loan bears interest at prime less 2%. The loan has been secured by the residential property of a director, Mr MJ van Straaten.		
The loan is repayable on 8 September 2023. The loan facility allows full repayment and drawdown at the discretion of the directors during the 20 year period.		
Wesbank, a division of FirstRand Bank Limited	**4 379 549**	4 005 265
Instalment sale agreements, bearing interest at prime less 1% and are repayable over approximately 36 months (2012: 36 months). The loans are secured by the financed motor vehicles, media equipment and shop fittings (refer to note 3).		
Van Straaten Family Trust	**328 732**	307 240
The loan bears interest at a variable rate of 78% of the prime interest rate. The loan was repayable on 17 March 2010 (refer to note 15).		
Balance at end of year	**9 423 868**	9 334 077
Less: Current portion	**(3 479 809)**	(3 688 770)
– Investec Bank Limited	**(329 725)**	(312 285)
– Wesbank, a division of FirstRand Bank Limited	**(2 821 352)**	(3 069 245)
– Van Straaten Family Trust	**(328 732)**	(307 240)
Long-term portion included in non-current liabilities	**5 944 059**	5 645 307

15. PREFERENCE SHARE LIABILITY

	GROUP 2013 R	GROUP 2012 R
Balance at beginning of year	**15 857 342**	15 370 883
Interest for the year	**1 694 782**	1 086 459
Repayment (dividend)	**(540 000)**	(600 000)
Balance at end of year	**17 012 124**	15 857 342
Less: Short-term portion included in current liabilities	**(17 012 124)**	(15 857 342)
Long-term portion included in non-current liabilities	**–**	–

The rights of redeemable preference shares are discussed below. Interest is calculated cumulatively at a variable rate of 78% of the prime interest rate. The preference shares were fully repayable by the first business day following 17 March 2010. As a result the preference share liability is classified as short-term.

1 000 variable rate cumulative redeemable non-participating preference shares with a par value of R0,01 each and a premium of R10 999,99 per share and including, without limitation, all concomitant and any outstanding preference dividend, undeclared dividends, unpaid dividends and arrear interest, as the case may be, were issued to the Van Straaten Family Trust by Selcovest 35 Proprietary Limited (Selcovest). The consideration received was utilised by Selcovest to purchase 4 000 000 ordinary shares in Verimark Holdings Limited. The redeemable preference shares are classified as liabilities as Selcovest (a controlled entity of the Group) cannot avoid an obligation to pay dividends declared and to redeem the preference shares on redemption date. Holders of the redeemable preference shares receive a cumulative dividend which is payable at the discretion of Selcovest, resulting from dividends received by Selcovest on its investment in Verimark Holdings Limited.

The ordinary shareholders of Selcovest do not have the right to retain any dividends until such time as the preference shares are fully redeemed. Thereafter the preference shares do not have the right to participate in any additional dividends declared to ordinary shareholders. The preference shares do not carry any voting rights. The investment held by VEET in Selcovest stands as a guarantee to the Van Straaten Family Trust for the redemption of the preference shares on redemption date.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	COMPANY	
	2013 R	2012 R
16. AMOUNTS OWING TO SUBSIDIARY COMPANY AND OTHER RELATED PARTY		
Verimark Proprietary Limited	12 907 154	11 484 832
Selcovest 35 Proprietary Limited	149 713	149 713
	13 056 867	11 634 545

The loans are unsecured, interest-free and repayable on demand.

	GROUP		COMPANY	
	2013 R	2012 R	2013 R	2012 R
17. TRADE AND OTHER PAYABLES				
Trade payables	45 692 585	19 098 801	–	–
Accruals	4 957 866	4 318 103	209 580	168 176
Payroll accruals	4 529 697	3 836 900	–	–
Commissions	1 459 644	1 438 199	–	–
Royalties and licence fees	1 398 624	908 544	–	–
Store opening and space rentals	219 435	801 257	–	–
Straight-line accrual	1 067 959	622 152	–	–
Closing balance	59 325 810	31 023 956	209 580	168 176
18. REVENUE				
Sale of merchandise	454 091 053	451 149 634	–	–
Dividend income from subsidiary	–	–	15 426 764	17 140 849
	454 091 053	451 149 634	15 426 764	17 140 849
19. OTHER INCOME				
Other income (refer to note 1.3.2)	1 618 805	1 741 801	–	–
Profit/(loss) on disposal of plant and equipment and intangible assets	187 324	(41 845)	–	–
	1 806 129	1 699 956	–	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

20. OPERATING PROFIT BEFORE FINANCE INCOME AND FINANCE EXPENSE

	GROUP 2013 R	GROUP 2012 R
Operating profit before finance income and finance expense is arrived at after charging/(crediting):		
Amortisation of computer software (intangible assets)	318 124	219 413
Auditor's remuneration	1 057 000	1 391 961
– current year	700 000	779 000
– prior year under–provision	90 000	547 961
– other services		
– PWC	63 000	40 000
– NEXIA SAB-T	174 000	–
– KPMG	30 000	25 000
Bad debts expensed	171 084	161 908
Depreciation on plant and equipment	6 580 763	7 190 286
Directors' emoluments for services as directors	6 299 547	10 078 538
Employee costs	67 478 612	58 799 987
Reversal of impairment of trade receivables	–	(1 575 781)
Impairment of inventory	14 865 782	9 849 400
– inventory losses	2 176 065	2 754 374
– inventory scrapped	6 032 059	7 983 332
– impairment allowance created/(reversed)	6 657 658	(888 306)
Operating lease charges:	22 776 954	19 940 326
– property	21 004 521	18 920 599
– motor vehicles	754 264	866 729
– other office equipment	572 362	582 111
– lease straight-lining	445 807	(429 113)
Retirement benefits contributions	4 065 452	3 696 160
Share based payment expense (refer to note 13)	336 152	395 042

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	GROUP 2013 R	GROUP 2012 R
21. FINANCE (INCOME)/EXPENSE		
Finance income		
Foreign exchange gains – realised	(6 322 216)	(8 085 659)
Interest income from financial assets	(68 553)	(54 975)
	(6 390 769)	(8 140 634)
Finance expense		
Foreign exchange losses – realised	4 088 098	12 098 814
Foreign exchange losses – unrealised	–	559 246
Interest expense from financial liabilities	1 927 703	1 485 973
Interest on preference shares – unrealised	1 694 782	1 086 459
Interest on loan (VSFT) – unrealised	21 492	20 770
	7 732 075	15 251 262
Net finance expense/(income)	1 341 306	7 110 628
22. TAXATION EXPENSE		
South African normal taxation		
Current taxation	5 823 626	13 098 290
– current year expense	5 823 626	12 120 921
– prior year underaccrual	–	977 369
Secondary tax on companies	1 456 535	1 618 372
Deferred taxation	(912 970)	347 746
– current year (credit)/charge	(912 970)	347 746
Total income taxation	6 367 191	15 064 408

Reconciliation of tax rate	%	%
Current year's charge as a percentage of profit before taxation	41,8	36,0
Non-deductible expenditure	0,9	–
Assessed tax losses	(5,1)	(1,8)
Prior year under-provision	–	(2,3)
Secondary tax on companies	(9,6)	(3,9)
Standard taxation rate	28,0	28,0

Provision for taxation for the Company has not been made as no taxable income was earned during the current year. This is consistent with prior year.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

23. RELATED PARTY TRANSACTIONS

23.1 IDENTITY OF RELATED PARTIES

Details of subsidiary companies and controlled entities are disclosed in note 5.

Details of shareholders are included in note 36.

The directors of the Company are Mr MJ van Straaten, Mr SR Beecroft, Dr JT Motlatsi, Mr JM Pieterse and Mr M Patel. Managers subject to the share based payment transaction are considered key management. Details of the share based payment transaction are included in note 13.

Directors' emoluments are disclosed in notes 20 and 32.

At 28 February 2013, the directors and their associates (as defined in terms of the JSE Listings Requirements) had the following direct and indirect beneficial interest in the share capital of the Company:

Director	Direct	Indirect	Total number of shares held	Percentage of issued share capital
MJ van Straaten and associates	–	60 500 000	60 500 000	52,94
SR Beecroft and associates	–	–	–	–
Dr JT Motlatsi and associates	–	–	–	–
JM Pieterse and associates	–	1 791 525	1 791 525	1,57

Details of security provided by directors are disclosed in note 14.

In terms of Verimark's BBBEE initiative in 2006, Teba Development purchased 11,5 million shares in Verimark, 4 million of which were held for the benefit of Verimark employees. The purchase was funded by the Van Straaten Family Trust and facilitated through Mirror Ball. In terms of the agreement with Teba Development, 4 million shares were transferred to the control of the Verimark Employees Empowerment Trust (VEET). The total BBBEE shareholding remains unchanged at 10,1%.

There are no post-employment benefits, service contracts or termination benefits for directors.

	COMPANY 2013 R	COMPANY 2012 R
23.2 RELATED PARTY TRANSACTIONS		
23.2.1 Loans to/(from) subsidiary companies		
Creditvision Rental Finance Proprietary Limited		
Closing balance	38 119	38 119
The loan is unsecured, interest-free and has no fixed terms of repayment (refer to note 5).		
Verimark Proprietary Limited		
Opening balance	(11 484 832)	(10 486 694)
Advances from subsidiary	(1 422 322)	(998 138)
Closing balance	(12 907 154)	(11 484 832)

Refer to note 16.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
23. RELATED PARTY TRANSACTIONS (continued)				
23.2 RELATED PARTY TRANSACTIONS (continued)				
23.2.2 Loans receivable – Motor Vision Proprietary Limited				
HW Bonsma (retired non-executive director)				
Opening balance	–	233 773	–	233 773
Payment received	–	(232 000)	–	(232 000)
Amount written off	–	(1 773)	–	(1 773)
Long-term portion of loan receivable	–	–	–	–
The loan was made to H Bonsma, a retired non-executive director. The loan was unsecured, interest-free and repayable in full by 31 August 2011.				
23.2.3 Other related party loans				
Selcovest 35 Proprietary Limited				
Closing balance			(149 713)	(149 713)
Refer to note 16.				
Verimark Employee Empowerment Trust				
Closing balance			158 898	158 898
The loan is unsecured, interest-free and repayable on demand. Refer to note 9.				
Van Straaten Family Trust				
Opening balance	(307 240)	(286 470)		
Interest accrued	(21 492)	(20 770)		
Closing balance	(328 732)	(307 240)		
Refer to note 14.				
23.2.4 Directors and key management purchases of goods				
SR Beecroft	4 050	1 223		
TP Bezuidenhout	955	4 161		
N du Plessis	–	375		
R du Plessis	2 547	739		
C Hoadley	–	2 638		
MJ van Straaten	19 566	56 436		
	27 118	65 572		

Sale of goods to directors is done at a discount of 67% and sale of goods to key management is done at a discount of 25% for goods with a selling price below R1 000 and 20% for goods with a selling price above R1 000.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

23. RELATED PARTY TRANSACTIONS (continued)

23.2 RELATED PARTY TRANSACTIONS (continued)

23.2.5 The following employees participate in the share incentive scheme referred to in note 13:

	2013 Number of shares	2012 Number of shares
M Adam	150 000	150 000
Z Adam	–	150 000
T Bezuidenhout	150 000	150 000
N du Plessis	150 000	150 000
R du Plessis	2 000 000	2 000 000
C Hoadley	150 000	150 000
H Lourens	150 000	150 000
D Rabie	150 000	150 000
	2 900 000	3 050 000

	GROUP		COMPANY	
	2013 R	2012 R	2013 R	2012 R
23.2.6 Directors and key management personnel compensation				
Directors				
Short-term employee benefits	6 299 547	10 078 538	270 693	273 651
Post-employment benefits	–	–	–	–
Other long-term benefits	–	–	–	–
Termination benefits	–	–	–	–
Share based payment benefits	–	–	–	–
	6 299 547	10 078 538	270 693	273 651
Key management				
Short-term employee benefits	5 525 936	4 718 855	–	–
Post-employment benefits	–	–	–	–
Other long-term benefits	–	–	–	–
Termination benefits	–	–	–	–
Share based payment benefits	336 152	395 042	–	–
	5 862 088	5 113 897	–	–
	12 161 635	15 192 435	270 693	273 651

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

		GROUP	
		2013 R	2012 R
24.	**NOTES TO THE CASH FLOW STATEMENT**		
24.1	**CASH (UTILISED BY)/GENERATED FROM OPERATIONS**		
	Profit before taxation	15 245 339	41 872 250
	Adjustment for:		
	– amortisation of computer software	318 124	219 413
	– depreciation on plant and equipment	6 580 763	7 190 286
	– (profit)/loss on disposal of plant and equipment and intangible assets	(187 324)	41 845
	– finance income	(6 390 769)	(8 140 634)
	– finance expense	7 732 075	15 251 262
	– unrealised foreign exchange gain	–	(559 246)
	– increase in inventory impairment	6 657 568	–
	– increase in straight-lining accrual	445 807	–
	– foreign currency translation movement	13 233	–
	– share based payment expense	336 152	395 042
	– loan receivable written off	–	1 773
		30 750 968	56 271 991
	Increase in inventories	(31 510 897)	(2 367 219)
	(Increase)/decrease in trade and other receivables	(28 622 058)	13 355 261
	(Increase)/decrease in prepayments	(142 360)	56 758
	Increase/(decrease) in trade and other payables	27 856 047	(30 075 433)
		(1 668 300)	37 241 358
24.2	**TAXATION PAID**		
	Amount owing at beginning of year	(2 651 296)	(2 387 760)
	Current year charges	(7 280 161)	(14 716 662)
	Amount owing at end of year	1 649 876	2 651 296
		(8 281 581)	(14 453 126)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
24. NOTES TO THE CASH FLOW STATEMENT (continued)				
24.3 DIVIDEND PAID				
Amount owing at beginning of year	–	–	–	–
Current year charge	(14 025 347)	(15 582 772)	(15 426 764)	(17 140 849)
Amount owing at end of year	–	–	–	–
	(14 025 347)	(15 582 772)	(15 426 764)	(17 140 849)
24.4 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Bank balances	1 384 488	12 084 683	354 482	356 247
Bank overdraft	(28 463 115)	(4 329 577)	–	–
Cash on hand	69 019	62 020	–	–
	(27 009 608)	7 817 126	354 482	356 247
25. RETIREMENT BENEFITS				
The Group provides retirement benefits for all its permanent employees through defined contribution pension and provident schemes which are subject to the Pension Funds Act, 1956 as amended. The Group contributes 6,67% and employees contribute 5%. The total value of contributions to the above schemes was	4 065 452	3 696 160		

	GROUP 2013 R	GROUP 2012 R
26. COMMITMENTS		
26.1 FUTURE OPERATING LEASE COMMITMENTS ENTERED INTO BY THE GROUP		
Motor vehicles and office equipment		
– payable within one year	2 112 088	630 350
– payable between year 2 and 5	3 957 067	1 620 164
	6 069 155	2 250 514
Property		
– payable within one year	14 719 994	12 644 217
– payable between year 2 and 5	35 545 560	32 740 379
	50 265 554	45 384 596

The Group leases various motor vehicles under operating leases which expire after 24 to 36 months. Office equipment under operating leases is leased for a period of 60 months and these contracts expire on various dates.

The leases for property include Company owned stores, regional offices and the head office premises. The period of the new head office lease is from 1 September 2012 to 31 August 2022 with a 7% escalation in the rental payment for the first five years and 6% in the last five years. Verimark may terminate the lease after five years.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

	GROUP 2013 R	GROUP 2012 R
26. COMMITMENTS (continued)		
26.2 FUTURE INSTALMENT SALE COMMITMENTS ENTERED INTO BY THE GROUP		
Motor vehicles and office equipment		
– payable within one year	**2 821 352**	3 069 245
– payable between year 2 and 5	**1 558 197**	936 020
	4 379 549	4 005 265

	Future minimum lease payments 2013 R	Interest 2013 R	Present value of minimum lease payments 2013 R	Future minimum lease payments 2012 R	Interest 2012 R	Present value of minimum lease payments 2012 R
Finance lease liabilities						
Less than one year	**3 050 566**	**229 214**	**2 821 352**	3 257 909	188 664	3 069 245
Between one and five years	**1 598 735**	**40 538**	**1 558 197**	969 395	33 375	936 020
Total	**4 649 301**	**269 752**	**4 379 549**	4 227 304	222 039	4 005 265

The Group leases motor vehicles and certain media equipment under instalment sale agreements which expire after 24 and 36 months.

	GROUP 2013 R	GROUP 2012 R
26.3 FUTURE OPERATING LEASE COMMITMENTS ENTERED INTO FOR PROPERTY OCCUPIED BY FRANCHISEES		
Property		
– payable within one year	**1 017 956**	719 811
– payable between year 2 and 5	**524 444**	704 211
	1 542 400	1 424 022

Verimark Proprietary Limited, in certain instances, enters into lease agreements with landlords for and on behalf of its franchisees. The terms and conditions of the leases, as signed by Verimark Proprietary Limited, are agreed to by the franchisees in terms of their individual franchise agreements. The amounts charged by the landlords are on-charged to the franchisees as appropriate.

26.4 ADVERTISING COMMITMENTS

The Group has an advertising commitment with its biggest customer for the period 1 April 2012 to 31 March 2013. The amount still to be expensed after the financial year end amounts to R462 041 (2012: R471 852).

26.5 CAPITAL COMMITMENTS

Capital expenditure authorised but not yet contracted for amounts to R13 872 350 (2012: R21 006 776) in respect of assets to be acquired to expand operations of the Company. Included in the amount is R240 000 (2012: R2 490 000) in respect of intangible assets. These acquisitions will be financed through finance received from instalment sale agreements and cash generated from operations.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

26. COMMITMENTS (continued)

26.6 GUARANTEES

- Absa Bank Limited issued R1 000 000 (2012: R1 000 000) guarantee in favour of Oracle Airtime Sales (DSTV) on behalf of the Group.
- Absa Bank Limited holds guarantees by Verimark Proprietary Limited amounting to R978 545 (2012: R1 135 119) in respect of operating lease rentals.
- Import letters of credit – Rnil (2012: Rnil).

Guarantee in respect of preference shares

The investment held by VEET in Selcovest 35 Proprietary Limited stands as guarantee to the Van Straaten Family Trust for the repayment of the preference share liability.

27. FINANCIAL INSTRUMENTS

27.1 OVERVIEW

The Group's activities expose it to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency risk and interest rate risk).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Audit and Risk Committee and Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management is carried out by the management team under policies approved by the Board of Directors, and includes the overall risk management covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

27.2 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a significant customer which represents approximately 74% (2012: 71%) of the trade receivables balance at year end. Refer to note 27.7.

The Group has policies to ensure that sales of products are made to customers with an appropriate credit history. An established credit policy exists under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review of creditworthiness includes external ratings when available and in some cases bank references.

The majority of the Group's customers are established retail houses and this further limits exposure to credit risk. More than 85% of the Group's customers have been transacting with the Group for more than five years and losses have occurred infrequently. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are specific loss components that relate to individually significant exposures as well as provision for returns post year end, relating to pre year end sales.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

27. FINANCIAL INSTRUMENTS (continued)

27.2 CREDIT RISK (continued)

Bank balances

The Group limits its exposure to credit risk by banking with reputable financial institutions. Management do not expect any counterparty to fail to meet its obligations.

27.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group receives sales revenue on a monthly basis and uses it to reduce its borrowings as well as earn interest income once deposited in the bank account. The Group ensures that it has sufficient cash on demand or overdraft facilities to meet expected operational expenses, including the servicing of financial obligations. In addition the Group maintains the following lines of credit with financial institutions:

Facilities

- General banking facility – R30 000 000
- Credit card facility – R350 000
- Fleet card facility – R400 000
- Guarantee facility – R2 750 000
- Letters of credit – R6 000 000
- Absa vehicle and commercial asset finance – credit line – R1 000 000
- Forward exchange contract facility – R60 000 000
- Forward exchange settlement limit – R10 000 000

Date of review for all banking facilities is August 2013.

The Group is currently in a cash negative position of R27,0 million (2012: positive R7,8 million). The Group's credit (overdraft) facility with ABSA Bank is monitored and renegotiated where necessary. The facility is available for use when required.

The Group prepares cash flow forecasts on a regular basis to monitor cash flows and is experienced in managing cyclical flows.

The Group makes use of bankers' acceptances where necessary. In future the Group will continue to convert overseas suppliers to using "cash against documents" instead of "letters of credit" for foreign imports.

27.4 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

27.4.1 Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the functional currency, the South African Rand (ZAR). The currency in which these transactions are primarily denominated is the US Dollar (USD) and the Singapore Dollar (SGD).

The Group enters into forward exchange contracts to limit exposure to foreign currency transactions.

The Group's foreign bank accounts are denominated in USD and SGD. These are maintained to facilitate easier purchases of transactions denominated in foreign currency and to limit currency risk.

27.4.2 Interest rate risk

The Group's interest rate risk arises from borrowings (loans, instalment sale agreements and preference shares). The Group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a variable rate basis.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

27. FINANCIAL INSTRUMENTS (continued)

27.5 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to maintain an optimal capital structure to reduce the cost of capital. Loan finance relates mostly to interest-bearing loans obtained from reputable financial institutions.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and also the level of dividends paid to ordinary shareholders.

The Board of Directors monitors the shareholder spread in order to improve investor relations.

The Board intends to benefit previously disadvantaged employees by allocating Group shares to these selected employees through VEET. This Trust currently holds 3,5% (2012: 3,5%) of the Group equity. No grants have as yet been made to employees in terms of this Trust. These shares are classified as treasury shares in the Group's results.

There were no changes in the Group's approach to capital management during the year. The Group is subject to certain externally imposed requirements. Refer to notes 10, 14 and 15 for further details.

The Board also ensures compliance with the covenants required by ABSA Bank as part of the facilities granted to the Group.

The capital structure of the Group consists of equity and debt, which includes borrowings net of cash and cash equivalents.

27.6 SUMMARY OF FINANCIAL ASSETS/(LIABILITIES) CLASSIFICATION

The fair values of financial assets and liabilities approximate the carrying amounts shown in the statement of financial position and are carried as follows:

	28 February 2013 R	29 February 2012 R
GROUP		
Trade and other receivables	**70 091 482**	44 033 777
Cash and cash equivalents	**1 453 507**	12 146 703
Interest-bearing borrowings	**(5 944 059)**	(5 645 307)
Preference share liability	**(17 012 124)**	(15 587 342)
Trade and other payables	**(59 325 810)**	(30 149 465)
Current portion of interest-bearing borrowings	**(3 479 809)**	(3 688 770)
Bank overdraft	**(28 463 115)**	(4 329 577)
COMPANY		
Loans receivable	**158 898**	158 898
Cash and cash equivalents	**354 482**	356 247
Amounts owing to subsidiary company and other related party	**(13 056 867)**	(11 634 545)
Trade and other payables	**(209 580)**	(168 176)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

27. FINANCIAL INSTRUMENTS (continued)

27.7 CREDIT RISK

	GROUP		COMPANY	
	2013 R	2012 R	2013 R	2012 R
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure and was:				
Loan receivable	–	–	158 898	158 898
Trade and other receivables	70 091 482	44 033 777	–	–
Cash and cash equivalents	(27 009 608)	7 817 126	354 482	356 247
	43 081 874	51 850 903	513 380	515 145
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	66 922 789	44 226 502		
Foreign – Singapore	1 032 793	–		
	67 955 582	44 226 502		
Trade receivables excluding any impairment				
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
Retailer customer	66 395 927	41 579 439		
Franchisee customer	1 559 655	2 647 063		
	67 955 582	44 226 502		

The Group's most significant customer, a domestic retailer, accounts for R55 063 725 (2012: R31 375 381) of the trade receivables' carrying amount at 28 February 2013. Normal trading terms are 30 to 60 days, depending on the type of customer. No trade terms have been renegotiated during the year.

The directors do not consider there to be any associated credit risk with sundry debtors or franchise loans receivable.

	2013		2012	
	Gross R	Impairment R	Gross R	Impairment R
GROUP				
Impairment losses				
The ageing of trade receivables at the reporting date was:				
Not past due	64 453 180	–	40 635 032	–
Past due 30 to 120 days	3 369 049	(133 353)	3 491 186	(516 247)
Past due more than 120 days	133 353	(483 178)	100 284	(100 284)
Total	67 955 582	(616 531)	44 226 502	(616 531)

Based on historic default rates and the Group's returns policy, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 120 days. The amount provided for in the past due 30 to 120 days relates to specific customer claims that the Group is in the process of resolving. This balance includes the Group's most significant customers and relates to customers that have good trade records.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

27. FINANCIAL INSTRUMENTS (continued)

27.7 CREDIT RISK (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	GROUP 2013 R	GROUP 2012 R
Balance at beginning of year	(616 531)	(2 192 312)
Impairment allowance raised	–	(391 917)
Impairment allowance reversed	–	1 967 698
Balance at end of year	**(616 531)**	(616 531)

The impairment allowance has been raised against trade receivables that are considered to be impaired due to uncollectable amounts and credit claims.

The Group believes that the amounts that are past due by more than 30 days, and which have not been provided for, are still collectable, based on historic payment behaviour and underlying customer credit ratings.

No other financial assets are considered to be impaired.

27.8 LIQUIDITY RISK

Profile of loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. The terms and conditions of outstanding loans were as follows:

				28 February 2013		29 February 2012	
	Currency	Nominal interest rate*	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
GROUP							
Secured bank loans – Investec	ZAR	Prime – 2%	2023	4 715 587	4 715 587	5 021 572	5 021 572
Secured bank loans – Wesbank	ZAR	Prime –1%	2013/14	4 379 549	4 379 549	4 005 265	4 005 265
Interest-bearing loan – VSFT	ZAR	78% of prime	2010	328 732	328 732	307 240	307 240
Redeemable preference shares	ZAR	78% of prime	2010	17 012 124	17 012 124	15 857 342	15 857 342
Total liabilities				**26 435 992**	**26 435 992**	25 191 419	25 191 419

Refer to notes 3, 10 and 14 for the security provided for the bank loans. Refer to note 15 for further information on the preference share liability and guarantee thereon.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

27. FINANCIAL INSTRUMENTS (continued)

27.8 LIQUIDITY RISK (continued)

Profile of loans and borrowings (continued)

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount R	Contractual cash flows R	6 months or less R	6 to 12 months R	>1 year R
GROUP					
28 February 2013					
Non-derivative financial liabilities					
Redeemable preference shares	17 012 124	*	*	*	*
Secured loans	9 423 868	11 290 545	2 123 257	1 798 479	7 368 809
Trade and other payables	58 257 851	58 257 851	58 257 851	–	–
	84 693 843	69 548 396	60 381 108	1 798 479	7 368 809
29 February 2012					
Non-derivative financial liabilities					
Redeemable preference shares	15 857 342	*	*	*	*
Secured loans	9 334 077	14 755 974	2 380 152	1 830 560	10 545 262
Trade and other payables	30 149 465	30 149 465	30 149 465	–	–
Derivative financial liabilities					
Other forward exchange contracts:					
Outflow	–	22 925 800	22 925 800	–	–
	55 340 884	67 831 239	55 455 417	1 830 560	10 545 262

* Contractual cash flows for the redeemable preference share liability cannot be determined with certainty as the holders receive a dividend at the discretion of Selcovest 35 Proprietary Limited, resulting from dividends received on its investment in Verimark Holdings Limited. The preference shares were repayable on 17 March 2010, and have not been recalled for payment by the Van Straaten Family Trust. It is uncertain when cash flows will take place. The liability is reduced by dividends as and when they are received. These however cannot be projected.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

27. FINANCIAL INSTRUMENTS (continued)

27.8 LIQUIDITY RISK (continued)

Profile of loans and borrowings (continued)

	Carrying amount R	Contractual cash flows R	6 months or less R	6 to 12 months R	>1 year R
COMPANY					
28 February 2013					
Non-derivative financial liabilities					
Trade and other payables	**209 580**	**209 580**	**209 580**	**–**	**–**
Amounts owing to subsidiary companies and other related party loans	**13 056 867**	**13 056 867**	**–**	**13 056 867**	**–**
	13 266 447	**13 266 447**	**209 580**	**13 056 867**	**–**
29 February 2012					
Non-derivative financial liabilities					
Trade and other payables	168 176	168 176	168 176	–	–
Amounts owing to subsidiary companies and other related party loans	11 634 545	11 634 545	–	11 634 545	–
	11 802 721	11 802 721	168 176	11 634 545	–

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly on indirectly.

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Level 2				
Forward exchange contracts	**–**	548 649	**–**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

27. FINANCIAL INSTRUMENTS (continued)

27.9 MARKET RISK

27.9.1 Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk stated in South African Rand was as follows:

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Bank and cash balances	**(12 754 529)**	11 686 870	**–**	–
Gross exposure at year end	**(12 754 529)**	11 686 870	**–**	–
Forward exchange contracts for future purchases	**–**	22 925 800	**–**	–

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2013 R	2012 R	**2013 R**	2012 R
GROUP				
US Dollar	**8,87**	7,35	**8,84**	7,53
Singapore Dollar	**7,15**	–	**7,14**	–

Sensitivity analysis

A 10 percent strengthening/weakening of the South African Rand (ZAR) against the currencies noted above at 28 February 2013 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit/loss and equity
GROUP	
28 February 2013	
Rand effect	**561 419**
29 February 2012	
Rand effect	928 141

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

27. FINANCIAL INSTRUMENTS (continued)

27.9 MARKET RISK (continued)

27.9.2 Interest rate risk

Profile

At the reporting date the interest rate profile of the Group and Company's interest-bearing financial instruments was:

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Variable rate instruments				
Financial assets	**1 384 488**	12 084 683	**354 482**	356 247
Financial liabilities	**(54 899 107)**	(29 520 996)	**–**	–
	(53 514 619)	(17 436 313)	**354 482**	356 247

No financial assets or liabilities are exposed to fixed interest rates.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2012.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
GROUP				
28 February 2013				
Variable rate instruments	**(535 146)**	**535 146**	**(3 545)**	**3 545**
Cash flow sensitivity (net)	**(535 146)**	**535 146**	**(3 545)**	**3 545**
29 February 2012				
Variable rate instruments	(174 363)	174 363	(3 562)	3 562
Cash flow sensitivity (net)	(174 363)	174 363	(3 562)	3 562

27.10 CAPITAL MANAGEMENT

The debt to adjusted capital ratio at the end of the reporting period was as follows:

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Total liabilities	**115 874 793**	63 196 248	**13 266 447**	11 802 721
Less: Cash and cash equivalents	**(1 453 507)**	(12 146 703)	**(354 482)**	(356 247)
	114 421 286	51 049 545	**12 911 965**	11 446 474
Total equity	**87 448 631**	92 246 445	**107 271 711**	108 736 488
Adjusted debt to capital ratio	**1,3**	0,55	**0,12**	0,11

Refer to note 27.5 for details on how the entity manages its capital.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

28. APPLICATION OF IFRS 3 (2004) AND REVERSE LISTING – PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In a reverse acquisition, the acquirer is the entity whose equity interest has been acquired (the legal subsidiary) and the issuing entity (the legal parent) is the acquiree. Although legally the issuing entity is regarded as the parent and the entity whose equity interests have been acquired is regarded as the subsidiary, the legal subsidiary is the acquirer as it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

Consolidated financial statements prepared following a reverse listing are issued under the name of the legal parent, but are a continuation of the financial statements of the legal subsidiary (i.e. the acquirer for accounting purposes). Because such group financial statements represent a continuation of the financial statements of the legal subsidiary:

- The assets and liabilities of the legal subsidiary are recognised and measured in those group financial statements at their pre combination carrying amounts;
- The retained earnings and other equity balances recognised in the group financial statements are the retained earnings and other equity balances of the legal subsidiary, immediately before the business combination; and
- The amount recognised as issued equity instruments in the group financial statements shall be determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination. However the equity structure appearing in the consolidated financial statements (that is the number and type of equity instruments issued) reflects the equity structure of the legal parent, including the equity instruments issued by the legal parent to effect the combination.

Reverse acquisition accounting applies only in the group financial statements. Therefore, in the legal parent's separate financial statements, the investment is accounted for in accordance with the requirements in IAS 27 *Consolidated and Separate Financial Statements* on accounting for investments in an investor's separate financial statements.

29. SEGMENTAL INFORMATION

During the year the Group expanded to Singapore where a company was started. Per IFRS 8 *Operating Segments* the operations of the Group are now split between South Africa and Foreign.

	South Africa R	Foreign R	Group elimination R	Total R
Revenue	453 633 008	2 273 393	(1 815 348)	454 091 053
Profit before tax	15 049 557	246 693	(50 911)	15 245 339
Profit for the year	8 668 111	246 693	(36 656)	8 878 148
Segment assets	203 113 695	3 434 560	(3 224 831)	203 323 424
Segment liabilities	115 874 793	3 173 920	(3 173 920)	115 874 793

The Group has assessed external customers and determined that a customer in the retail sector which constitutes 74% (2012: 71%) is the only major customer due to the amount of revenue received and the amount of expenses included in profit or loss. External revenue is categorised per similar group of products as follows:

- Cookware and kitchenware – Bauer, Bastille, Twista, Shogun;
- Home cleaning – Genesis, Floorwiz, Microwiz, Big Green Extreme, Shark;
- Health and fitness – Maxxus, Orbitrek, V-ssage, Iron Gym;
- DIY and automotive – Diamond Guard, Prolong, Durablade, Pool Gobbler;
- Educational and fun toys – i-Play; and
- Beauty – Pentagon, Cami Secret, Genie Bra.

These products are distributed countrywide to all customers with no geographical differentiation. Refer to note 27.7 for further details and information on the Group's major customers.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

30. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after tax of R8 878 148 (2012: R26 807 842) attributable to the ordinary shareholders and a weighted average of 103 891 458 (2012: 103 891 458) ordinary shares in issue during the year.

The calculation of headline earnings is based on the net profit attributable to ordinary shareholders of R8 743 275 (2012: R26 837 970) and a weighted average of 103 891 458 (2012: 103 891 458) ordinary shares in issue during the year.

	GROUP	
	2013 **R**	2012 R
Profit per statement of comprehensive income	**8 878 148**	26 807 842
Adjustments:		
(Profit)/loss on sale of assets	**(187 324)**	41 845
Tax effect	**52 451**	(11 717)
Headline earnings	**8 743 275**	26 837 970
Weighted average shares reconciliation		
Number of shares at beginning of year	**114 272 328**	114 272 328
Treasury shares held by VEET	**(4 000 000)**	(4 000 000)
Treasury shares held by Verimark Proprietary Limited weighted for the period	**(6 380 870)**	(6 380 870)
Weighted average number of shares held externally at end of year	**103 891 458**	103 891 458
Share options dilutive portion	**2 094 538**	1 924 393
Diluted weighted average shares	**105 985 996**	105 815 851
Basic earnings per share	**8,5**	25,8
Headline earnings per share	**8,4**	25,8
Diluted basic earnings per share	**8,4**	25,3
Diluted headline earnings per share	**8,2**	25,4

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

31. INTERNATIONAL FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of the financial statements of Verimark Holdings Limited for the year ended 28 February 2013, the following Standards and Interpretations were in issue but not yet effective

	Standard/Interpretation	Effective date
IAS 1 amendment	*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*	Annual periods beginning on or after 1 July 2012*
IFRS 7 amendment	*Disclosures – Offsetting Financial Assets and Financial Liabilities*	Annual periods beginning on or after 1 January 2013*
IFRS 10 amendment	*Consolidated Financial Statements*	Annual periods beginning on or after 1 January 2013*
IFRS 10 and IFRS 12 amendment	*Consolidated Financial Statements and Disclosure of Interests in Other Entities: Transition Guidance*	Annual periods beginning on or after 1 January 2013*
IFRS 13	*Fair Value Measurement*	Annual periods beginning on or after 1 January 2013*
IAS 19 (revised)	*Employee Benefits*	Annual periods beginning on or after 1 January 2013*
IAS 27	*Separate Financial Statements (2011)*	Annual periods beginning on or after 1 January 2013*
IFRS 9	*Financial Instruments*	Annual periods beginning on or after 1 January 2015*
Seven individual amendments to five standards	*Improvements to International Financial Reporting Standards 2012*	Annual periods beginning on or after 1 January 2013*

* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

The directors are of the opinion that the impact of the application of the above Standards and Interpretations cannot be reasonably estimated as at 23 May 2013.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

31. INTERNATIONAL FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

AMENDMENT TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

The Company will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. The amendment will be applied retrospectively and the comparative information will be restated. The amendment is effective for periods beginning on or after 1 July 2012.

IAS 27 (2011) SEPARATE FINANCIAL STATEMENTS

IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

The adoption of IAS 27 (2011) will not have a significant impact on the Company's separate financial statements. The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS, IFRS 12 DISCLOSURES OF INTERESTS IN OTHER ENTITIES (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees (see note 7 and 8).

IFRS 12 brings together in a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

IFRS 13 FAIR VALUE MEASUREMENT

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values (see note 28). IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Group and Company will adopt this standard for the financial year commencing 1 January 2015. The adoption of IFRS 9(2010) is expected to have an impact on the Group and Company's financial assets, but not any impact on the Group and Company's financial liabilities.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

32. DIRECTORS' EMOLUMENTS

	Basic salary R	Allowances and other benefits R	Incentive bonuses R	Pension and medical aid contributions R	Total R
GROUP					
28 February 2013					
Executive directors paid by subsidiary					
MJ van Straaten+	3 832 360	139 566	–	423 690	4 395 616
SR Beecroft*	1 467 376	4 050	–	161 812	1 633 238
	5 299 736	143 616	–	585 502	6 028 854
Non-executive directors paid by Company					
JM Pieterse	108 413	–	–	–	108 413
JT Motlatsi	112 680	–	–	–	112 680
M Patel	49 600	–	–	–	49 600
	270 693	–	–	–	270 693
Total	5 570 429	143 616	–	585 502	6 299 547
29 February 2012					
Executive directors paid by subsidiary					
MJ van Straaten+	3 482 281	176 436	4 600 000	394 879	8 653 596
SR Beecroft*	342 685	1 223	–	39 757	383 665
SJ Preller**	530 819	3 821	147 000	85 986	767 626
	4 355 785	181 480	4 747 000	520 622	9 804 887
Non-executive directors paid by Company					
JM Pieterse	128 841	–	–	–	128 841
JT Motlatsi	144 810	–	–	–	144 810
	273 651	–	–	–	273 651
Total	4 629 436	181 480	4 747 000	520 622	10 078 538

+ Director of the subsidiary Verimark Proprietary Limited and Verimark Holdings Limited.
* Appointed on 6 December 2011 as Financial Director.
** Appointed as Acting Financial Director on 1 March 2011 and resigned on 6 December 2011.

There are no prescribed officers in the Group.

Refer to note 23.2.4 for additional disclosure on transactions with directors.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

33. SUBSEQUENT EVENTS

No event which is material to the understanding of this report has occurred between the financial period end and the date of this report.

34. GOING CONCERN

The financial statements have been prepared using the appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The directors have reasonable expectations that the Company and its subsidiaries have adequate resources to continue as going concerns in the foreseeable future.

35. DIVIDENDS

Due to the lower level of profitability achieved in the financial year ended 28 February 2013, the Board considered it prudent that no final dividend in relation to the 28 February 2013 results (2012: R15 426 764 or 13,5 cents per share) be declared at a meeting on 30 March 2013.

This was not in line with the dividend policy of 50% profit attributable to owners of the Company.

The policy will be reassessed on an ongoing basis as and when dividends become due and payable.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

36. SHAREHOLDER SPREAD

	Number of share holders	% of share holders	Number of shares	% of shares in issue
Public shareholders				
Companies and other corporate	60	4,79	13 357 012	11,70
Individuals	1 106	88,34	18 935 510	16,57
Collective investment schemes	11	0,88	6 321 569	5,53
Investment trusts and pension funds	62	4,95	3 176 221	2,78
Banks and nominees	10	0,80	3 809 621	3,33
	1 249	**99,76**	**45 599 933**	**39,91**
Non-public shareholders				
Directors	2	0,16	62 291 525	54,51
Companies	1	0,08	6 380 870	5,58
Total	**1 252**	**100,00**	**114 272 328**	**100,00**
SIZE OF SHAREHOLDING				
Public shareholders				
1 – 1 000	355	28,35	164 060	0,15
1 001 – 10 000	542	43,29	2 671 953	2,34
10 001 – 100 000	315	25,16	9 973 958	8,73
100 001 – 1 000 000	29	2,32	5 765 486	5,05
1 000 001 and over	8	0,64	27 024 476	23,63
Non-public shareholders				
1 – 1 000	0	0,00	0	0,00
1 001 – 10 000	0	0,00	0	0,00
10 001 – 100 000	0	0,00	0	0,00
100 001 – 1 000 000	0	0,00	0	0,00
1 000 001 and over	3	0,24	68 672 395	60,10
Total	**1 252**	**100,00**	**114 272 328**	**100,00**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2013

36. SHAREHOLDER SPREAD (continued)

	Number of share holdings	% of share holding	Number of shares	% of shares in issue
GEOGRAPHICAL HOLDINGS BY OWNER				
South Africa	1 236	98,72	109 657 236	95,96
Mauritius	1	0,08	3 699 124	3,24
Namibia	5	0,40	601 510	0,53
Belgium	1	0,08	81 621	0,07
United Kingdom	2	0,16	79 687	0,07
Greece	1	0,08	59 250	0,05
Germany	1	0,08	59 000	0,05
Other countries	5	0,40	34 900	0,03
Total	**1 252**	**100,00**	**114 272 328**	**100,00**

MAJOR SHAREHOLDERS

The Van Straaten Family Trust and Prime Rentals CC hold 53% of the issued share capital of the Company. The beneficiaries of the Trust and the members of the Close Corporation are the CEO, MJ van Straaten and his family. Selcovest 35 Proprietary Limited and Verimark Proprietary Limited hold 3,5% and 5,58% respectively of the issued share capital of the Company. To the best of the directors' and the Company's knowledge, the following shareholders hold 5% or more of the Company's issued share capital. No changes occurred between the end of the financial year and the date of issuing the annual report.

	% of issued shares	Number of shares
Beneficial shareholders holding 5% or more of the issued share capital		
The Van Straaten Family Trust and Prime Rentals CC	52,94	60 500 000
Mirror Ball Investments 49 Proprietary Limited	6,56	7 500 000
Verimark Proprietary Limited	5,58	6 380 870
Momentum Investments	5,07	5 798 052
Total number of shareholders		**1 252**
Total number of shares in issue		**114 272 328**
Volume traded during the period		**21 674 802**
Ratio of volume traded to shares issued (%)		**18,97**
Share price performance		
Opening price 1 March 2012		R1,04
Closing price 28 February 2013		R1,05
Closing high for the period		R1,34
Closing low for the period		R0,79

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Verimark members will be held in the boardroom at the offices of Verimark, 50 Clairwood Avenue, Ext 55 Hoogland, Randburg, 2122 on Thursday, 1 August 2013 at 14:00.

Shareholders or their proxies may participate in the meeting by way of a teleconference call and, if they wish to do so:

- must contact the Company Secretary (by email at the address siegfriedp@verimark.co.za) by no later than 14:00 on Monday, 29 July 2013 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

This notice of meeting includes the attached proxy form.

ATTENDANCE AND VOTING

In terms of section 59(1)(a) and (b) of the Companies Act, No 71 of 2008, as amended (the Act), the Board of Directors (Board) has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the annual general meeting, ie the notice record date (being the date on which a shareholder must be registered in the Company's share register in order to receive notice of the annual general meeting) as Friday, 17 May 2013; and
- participate in and vote at the annual general meeting, ie the meeting record date (being the date on which a shareholder must be registered in the Company's share register in order to participate in and vote at the annual general meeting) as Friday, 26 July 2013.

If you are a registered shareholder as at the meeting record date, you may attend the annual general meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the Company) to represent you at the annual general meeting. Any appointment of a proxy may be effected by using the attached proxy form and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the attached proxy form.

If you are a beneficial shareholder and not a registered shareholder as at the meeting record date:

- and wish to attend the annual general meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your Central Securities Depository Participant (CSDP) or broker;
- and do not wish to attend the annual general meeting, but would like your vote to be recorded at the annual general meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached proxy form.

Please note that all participants at the annual general meeting will be required to provide reasonably satisfactory identification to the chairman of the annual general meeting, before being entitled to participate in or vote at the annual general meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passport.

PURPOSE OF THE MEETING

The purpose of this meeting is to:

- present the Directors' Report and the audited annual financial statements of the Group for the year ended 28 February 2013;
- present the Audit and Risk Committee report;
- present the Social and Ethics Committee report;
- consider any matters raised by shareholders; and
- consider and if deemed fit, pass, with or without modification, the resolutions set out below:

In order for a proposed ordinary resolution to be approved by shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting.

In order for a proposed special resolution to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting.

In addition, the purpose of this annual general meeting is to further consider any matters raised by shareholders to consider and if deemed fit, to pass, with or without modification, the resolutions set out below:

ORDINARY RESOLUTION NUMBER 1 – ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS

That the annual financial statements for the Company and the Group for the year ended 28 February 2013, including the Directors' report and the Auditors' report therein, be adopted.

ORDINARY RESOLUTION NUMBER 2 – RE-APPOINTMENT OF AUDITORS

To re-appoint KPMG Inc. (KPMG) upon the recommendation of the Audit and Risk Committee as the independent registered auditors of the Group and to note Mr J Wessels as the individual determined by KPMG to be responsible for performing the functions of the auditor and who will undertake the audit of the Company for the ensuing financial year.

ORDINARY RESOLUTION NUMBER 3 – RE-ELECTION OF DIRECTORS

To re-elect Mr J Pieterse and Dr J Motlatsi as directors by way of separate resolutions, who retire in accordance with the provisions of the Memorandum of Incorporation at this annual general meeting, and being eligible, offer themselves for election.

ORDINARY RESOLUTION NUMBER 4 – RE-APPOINTMENT OF DIRECTOR

To elect Mr M Patel as director who was appointed by the Board on 28 May 2012 and who retires in accordance with the Memorandum of Incorporation and is eligible and available for re-election.

ORDINARY RESOLUTION NUMBER 5 – ELECTION OF THE AUDIT AND RISK COMMITTEE MEMBERS

Subject to the approval of ordinary resolutions number 3 and 4 above, to elect, by way of separate resolutions, Mr J Pieterse (Chairman), Dr J Motlatsi and Mr M Patel as members of the Audit and Risk Committee until the next annual general meeting.

The Board is satisfied that the above mentioned directors are suitably skilled and experienced independent non-executive directors and that they collectively have the appropriate experience and qualifications to fulfil their Audit and Risk Committee obligations as set out in section 94 of the Act.

A brief *curriculum vitae* of the directors set out in ordinary resolutions numbers 3 to 5

NOTICE OF ANNUAL GENERAL MEETING (continued)

reflecting their experience and qualifications, is provided on page 20 of the integrated annual report and on our website and forms an integral part of this notice of annual general meeting.

ORDINARY RESOLUTION NUMBER 6 – GENERAL AUTHORITY TO ISSUE SHARES, AND TO SELL TREASURY SHARES, FOR CASH

To authorise the directors of the Company and/or any of its subsidiaries from time to time, by way of a general authority, to:

- allot and issue shares or options in respect of all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company;
- issue shares for cash, to such person/s on such terms and conditions and at such times as the directors in their discretion deem fit, subject to the following limitations:
  - the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
  - any such issue may only be made to public shareholders as defined by the JSE Listings Requirements and not to related parties;
  - the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 20% (twenty percent) of the number of issued ordinary shares;
  - this general authority is valid until the earlier of the Company's next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given;
  - an announcement giving full details, including the impact on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share, and, if applicable, diluted earnings per share and diluted headline earnings per share, will be released when the Company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
  - in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares; and
  - whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

In terms of the JSE Listings Requirements, a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of ordinary resolution number 6 for it to be approved, excluding the Designated Adviser and the controlling shareholders together with their associates.

ORDINARY RESOLUTION NUMBER 7 – ADVISORY ENDORSEMENT

To consider and endorse, by way of a non-binding advisory vote, the Remuneration Policy of the Company (which excludes the fees payable to non-executive directors for their services as directors of the Company), set out in the Integrated Annual Report on page 86, for the financial year ended 28 February 2013, in accordance with the provisions of the King III Report.

SPECIAL RESOLUTION NUMBER 1 – APPROVAL OF NON-EXECUTIVE DIRECTORS' ATTENDANCE FEES

To approve the annual fees payable to the non-executive directors for their services as directors of the Company for the period 1August 2013 until the next annual general meeting as follows:

Committee	Chairman attendance fees R	Members attendance fees R
Board	26 000	9 550
Audit and Risk Committee	19 650	6 950
Remuneration and Nomination Committee	19 650	6 950
Social and Ethics Committee	19 650	6 950
Annual general meeting	26 000	9 550

Fees are per meeting attended.

SPECIAL RESOLUTION NUMBER 2 – FINANCIAL ASSISTANCE IN TERMS OF SECTIONS 44 AND 45 OF THE ACT

That the Board may authorise the Company (for a period of two years from the date on which this resolution is passed), to the extent required in terms of sections 44 and/or 45 of the Act, subject to compliance with the requirements of the Act, the Memorandum of Incorporation and the JSE Listings Requirements, to provide any direct or indirect financial assistance to any of its present or future subsidiaries and/or any other company or entity that is or becomes a related or inter-related company to Verimark or the Group.

Reason for and effect of this special resolution

The reason for and effect of this special resolution is that, from time to time, the Company may be required to provide any direct or indirect financial assistance to any of its present or future subsidiaries and/or any other company or entity that is or becomes a related or inter-related company to Verimark or the Group.

SPECIAL RESOLUTION NUMBER 3 – ACQUISITION OF OWN SECURITIES

That the mandate given to the Company (or any of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the Company's own securities, upon such terms and conditions

NOTICE OF ANNUAL GENERAL MEETING (continued)

and in such amounts as the directors may from time to time decide, but subject to the Company's Memorandum of Incorporation, the provisions of the Companies Act No 71 of 2008 (the Act) and the Listings Requirements of JSE Limited (JSE Listings Requirements) be extended, provided that:

- Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- At any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- This general authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution (whichever period is shorter);
- An announcement be published as soon as the Company has cumulatively repurchased 3% (three percent) of the initial number (the number of that class of shares in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- Repurchases by the Company, and/or its subsidiaries, in aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued share capital as at the date of passing this special resolution or 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- Repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- Repurchases may not be made by the Company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- The Company may not enter the market to proceed with the repurchase of its ordinary shares until the Company's sponsor has confirmed the adequacy of the Company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE.

ORDINARY RESOLUTION NUMBER 8 – AUTHORITY TO IMPLEMENT RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

That any director or Company Secretary of the Company be authorised to do all such things, perform all acts and sign all such documentation as may be required to give effect to the ordinary and special resolutions adopted at this annual general meeting.

The directors, after considering the effect of the maximum repurchase permitted, must be of the opinion that if such repurchase is implemented:

- The Company and the Group will be able, in the ordinary course of business, to pay their debts for a period of 12 months after the date of this notice;
- The assets of the Company and the Group will be in excess of the liabilities of the Company and the Group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements for a period of 12 months after the date of this notice;
- The share capital and reserves will be adequate for the ordinary business purposes of the Company and the Group for a period of 12 months after the date of this notice; and
- The working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice.

The reason for the passing of the above special resolution is to grant the Company a general authority in terms of the Act for the acquisition by the Company or any of its subsidiaries of securities issued by the Company, which authority shall be valid until the earlier of the next annual general meeting, or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company; provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this general meeting. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire securities issued by the Company.

The following information, which is required by the JSE Listings Requirements with regard to the resolution granting a general authority to the Company to repurchase its securities, appears on the pages of the financial statements to which this notice of general meeting is annexed, as indicated below:

Directors and management	page 20
Major shareholders	page 88
Directors' interests in securities	page 36
Share capital	page 61
Responsibility statement	page 34
Material changes	page 37

LITIGATION

There are no legal or arbitration proceedings, either pending or threatened against the Company or its subsidiaries, of which the Company is aware, which may have, or have had in the recent past, being at least the previous 12 months, a material effect on the financial position of the Company or its subsidiaries.

SOLVENCY AND LIQUIDITY STATEMENT

The Board of Directors of the Company confirm that the Company will not enter into a transaction to repurchase shares in terms of special resolution number 3 unless the:

a) Company and its subsidiaries (collectively the Group) will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of that distribution or repurchase;

b) assets of the Company and the Group, valued in accordance with the accounting policies used in the latest audited Group annual financial statements, will exceed the liabilities of the Company and the Group for a period of 12 months after the date of that distribution or repurchase;

c) share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of that distribution or repurchase; and

d) working capital available to the Company and the Group will be adequate for the ordinary business purposes for a period

NOTICE OF ANNUAL GENERAL MEETING (continued)

of 12 months after the date of that distribution or repurchase.

The directors of the Company hereby state that the:

a) intention of the directors of the Company is to utilise the authority if, at some future date, the cash resources of the Company are in excess of its requirements. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and will ensure that any such utilisation is in the interests of the shareholders; and

b) method by which the Company intends to repurchase its securities and the date on which such repurchase will take place, has not yet been determined.

JSE LIMITED LISTINGS REQUIREMENTS [S14.10]

In terms of the JSE Listings Requirements, any shares currently held by the Verimark Share Incentive Scheme will not have their votes at the annual general meeting taken into account in determining the results of voting on special resolution number 3 and ordinary resolution number 6.

SJ Preller
Company Secretary

23 May 2013

SHAREHOLDERS' DIARY

Financial year-end	28 February
Announcement of annual results	27 May 2013
Annual general meeting	1 August 2013
Announcement of interim results	October 2013
Interim dividend declaration	October 2013
Final dividend Board approval	23 March 2013

ADMINISTRATION

VERIMARK HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number: 1998/006957/06
Share code: VMK
ISIN: ZAE000068011

DIRECTORS

Dr JT Motlatsi (Chairman)*
MJ van Straaten (Chief Executive Officer)
S Beecroft (Financial Director)
JM Pieterse*
M Patel*
*Independent Non-Executive

COMPANY SECRETARY

SJ Preller

REGISTERED OFFICE

50 Clairwood Avenue,
Ext 55 Hoogland
Randburg 2122
PO Box 78260, Sandton 2146

BANKERS

Absa Bank Limited
3rd Floor, ABSA Towers East
170 Main Street, Johannesburg 2001

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

AUDITORS

KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown 2193
Private Bag 9, Parkview 2122

SPONSOR

Grindrod Bank Limited
Building Three, 1st Floor
Commerce Square
39 Rivonia Road
Sandhurst
PO Box 78011, Sandton 2146

FORM OF PROXY

VERIMARK HOLDINGS LIMITED

(Registration number 1998/006957/06)
(Incorporated in the Republic of South Africa)
(Verimark or the Company)
JSE Share Code: VMK | ISIN Code: ZAE000068011

TO BE COMPLETED BY REGISTERED CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH OWN-NAME REGISTRATION ONLY

For use in respect of the annual general meeting of the Company to be held at 50 Clairwood Avenue, Ext 55 Hoogland, Randburg 2122 on Thursday, 1 August 2013 at 14:00. Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full name in block letters) ____________________

of (address) ____________________

Telephone (work) ____________ (home) ____________ (mobile) ____________

being the registered owner/s of ____________ ordinary shares in the Company hereby appoint

____________________ or failing him/her

____________________ or failing him/her,

the chairperson of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

* Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast; unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

	Number of votes		
	For	Against	Abstain
Ordinary resolution number 1 – Adoption of the annual financial statements			
Ordinary resolution number 2 – Re-appointment of auditors			
Ordinary resolution number 3 – Re-election of directors			
3.1 Mr J Pieterse			
3.2 Dr J Motlatsi			
Ordinary resolution number 4 – Re-appointment of Mr M Patel as director			
Ordinary resolution number 5 – Election of Audit and Risk Committee members			
5.1 Mr J Pieterse (Chairman)			
5.2 Dr J Motlatsi			
5.3 Mr M Patel			

FORM OF PROXY (continued)

	Number of votes		
	For	Against	Abstain
Ordinary resolution number 6 – General authority to issue shares and to sell treasury shares for cash			
Ordinary resolution number 7 – Advisory endorsement			
Special resolution number 1 – Approval of non-executive directors' attendance fees			
1.1 Board Chairman			
1.2 Board member			
1.3 Audit and Risk Committee Chairman			
1.4 Audit and Risk Committee member			
1.5 Remuneration and Nominations Committee Chairman			
1.6 Remuneration and Nominations Committee member			
1.7 Social and Ethics Committee Chairman			
1.8 Social and Ethics Committee member			
1.9 Annual general meeting Chairman			
1.10 Annual general meeting member			
Special resolution number 2 – Financial assistance			
Special resolution number 3 – Acquisition of own shares			
Ordinary resolution number 8 – Authority to implement resolutions			

Signed this ______________________________ day of ______________________ 2013

Signature ____

Assisted by (if applicable) ____

NOTES TO THE FORM OF PROXY

SUMMARY OF HOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS SET OUT IN SECTIONS 56 AND 58 OF THE ACT INCLUDING INSTRUCTIONS AND NOTES TO THE PROXY FORM

1. Section 56 grants voting rights to holders of beneficial interests in certain circumstances, namely if the beneficial interest includes the right to vote on the matter, and the person's name is on the Company's register of disclosures as the holder of a beneficial interest. A person who has a beneficial interest in any securities that are entitled to be voted on by him/her, may demand a proxy appointment from the registered holder of those securities, to the extent of that person's beneficial interest, by delivering such a demand to the registered holder, in writing, or as required by the applicable requirements of a CSDP.
2. A proxy appointment must be in writing, dated and signed by the person appointing a proxy.
3. This proxy form will not be effective at the meeting unless received at the Company's transfer office, Computershare Investor Services Proprietary Limited (Computershare) by no later than 14:00 on Tuesday, 30 July 2013. If a shareholder does not wish to deliver this proxy form to that address, it may also be posted, at the risk of the shareholder, to Computershare, PO Box 61051, Marshalltown 2107).
4. This form is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the meeting. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form, or may appoint a representative in accordance with paragraph 12 below.

   Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker, must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.
5. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this proxy form at the meeting record date unless a lesser number of shares is inserted.
6. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the proxy form and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him in this proxy form by delivering to the Company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy in this proxy form.
7. Unless revoked, the appointment of a proxy in terms of this proxy form remains valid until the end of the meeting, even if the meeting or part thereof is postponed or adjourned.
8. If:

8.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting or any resolution; or

8.2 the shareholder gives contradictory instructions in relation to any matter; or

8.3 any additional resolution/s which are properly put before the meeting; or

8.4 any resolution listed in the proxy form is modified or amended,

then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 8.1 to 8.4, then the proxy shall comply with those instructions.

9. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this proxy form will not be effective unless:

9.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or

9.2 the Company has already received a certified copy of that authority.

10. The chairman of the meeting may, in his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
11. Any alternations made in this proxy form must be initialled by the authorised signatory/ies.
12. This proxy form is revoked if the shareholder who granted the proxy:

12.1 gives written notice of such revocation to the Company, so that it is received by the Company by not later than 14:00 on Tuesday, 30 July 2013; or

12.2 subsequently appoints another proxy for the meeting; or

12.3 attends the meeting himself in person.

13. All notices which a shareholder is entitled to receive in relation to the Company shall continue to be sent to that shareholder and shall not be sent to the proxy.
14. If duly authorised, companies and other corporate bodies who are shareholders of the Company having shares registered in their own names may, instead of completing this proxy form, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of

NOTES TO THE FORM OF PROXY (continued)

that representative. That notice will not be effective at the meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the Company's transfer office, at the address provided below by no later than 14:00 on Tuesday, 30 July 2013. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder, to Computershare, PO Box 61051, Marshalltown 2107.

15. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.

16. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

TRANSFER SECRETARIES' OFFICE

Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

purple.frog

VERIMARK HOLDINGS LIMITED
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Randburg 2122

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