INTEGRATED ANNUAL REPORT 2016
FOR THE YEAR ENDED 29 FEBRUARY

VERIMARK

VERIMARK HOLDINGS LIMITED

Featuring some of our **new products** inside

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Responsibility: The Audit and Risk Committee and the Board of Directors acknowledge their responsibility to ensure the integrity of the integrated report. The directors collectively confirm that the integrated report accurately represents the integrated performance of the group. The Audit and Risk Committee has oversight for the preparation of the integrated report and recommended the report for approval by the Board of Directors.

This integrated report has been approved by the Verimark Board of Directors on 20 May 2016 and has been signed on its behalf by the Chairman, Dr JT 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 Mr MJ van Straaten (michaelv@verimark.co.za).

OUR MISSION

To bring the best own-developed and **sourced innovations** from across the globe to consumers in **South Africa** and other **selected** territories.

OUR VISION

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

- Innovation and product development
- Marketing and sales
- Warehouse and distribution
- Finance

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.

Philosophy

OPERATIONAL EXCELLENCE

Verimark pursues operational excellence through continuously managing its costs and, at the same time, optimising business processes across functional and organisational boundaries to allow the group to operate efficiently and effectively.

MARKET OPPORTUNITIES

While South Africa remains the core market for Verimark, we are in the process of reactivating the supply of our success-proven products and TV commercials to the international market.

OUR TALENT POOL

Management creates value and generates a return on investment for our business. To further accelerate our 39 year growth and success as the market leader, Verimark is continuously searching for the best talent to complement our management team.

Genesis Hydrovac Plus

Wet or dry vacuuming, hard surface, upholstery and carpet cleaning? The Genesis Hydrovac takes it all in its stride with huge suction power and water filtration for the cleanest clean!

GENESIS REVOLUTIONARY HOMEWARE

NEW IMPROVED!

The ultimate water filtration vacuum

To clean easier and better than ever before!

About this report: Verimark's integrated report covers the group's South African and international operations for the period from 1 March 2015 to 29 February 2016. As a group we aim to provide our shareholders and the broader investment community with accurate, balanced and transparent reporting to enable them to make an informed view of the group's performance. There has been no change in the scope and boundary of the report, nor has there been any significant change to the structure, ownerships or products since last year.

The group has again published abridged financial statements. The complete integrated report is available on the group's corporate website W www.verimark.co.za and can be requested in print format from the Company Secretary (see corporate information on P 108).

The content of this report has been reviewed by the directors and management, but has not been externally assured. Assurance of the annual financial statements and abridged financial statements has been provided by the external auditor, KPMG. The consolidated report further incorporates the data on all other entities as prescribed by International Financial Reporting Standards (IFRS).

Our reporting is based on the requirements as set out in the revised Code of and Report on Governance Principles for South Africa (King III), the JSE Listings Requirements, IFRS, the Companies Act 71 of 2008 as amended and the draft guidelines on integrated reporting provided by the Integrated Reporting Committee (IRC) of South Africa.

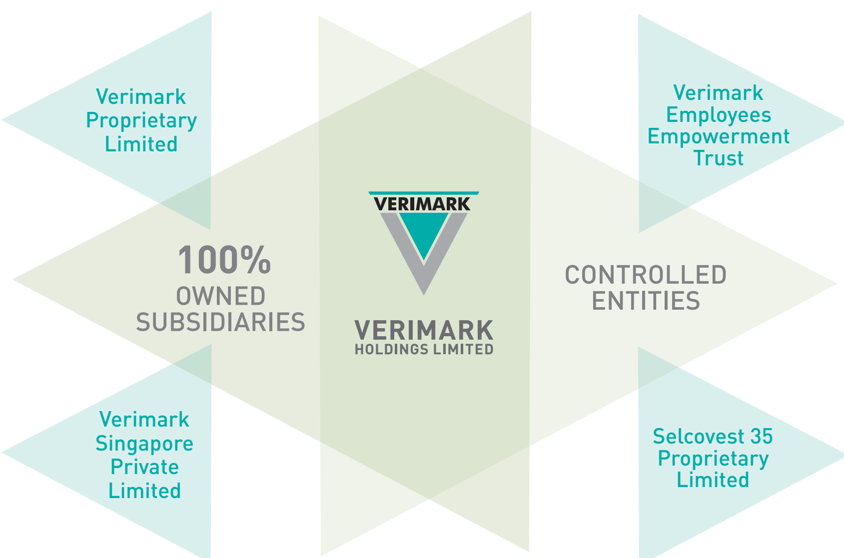
ABOUT Verimark

Verimark has, over its **successful 39 year history**, developed a number of **trusted brands** that appear in most households in South Africa. Trusted brands such as Bauer, Bastille, Genesis and Shogun are a few examples of these familiar names to our consumers.

Verimark continues to create value by increasing sales through innovation, differentiation and improving profitability through supply chain optimisation.

Why choose Verimark?

- Verimark is the largest seller and distributor of direct response television products (DRTV) in Southern Africa.
- Verimark is the largest television advertiser in the DRTV industry and continues to be amongst the leading advertisers on television in South Africa.
- Verimark utilises its well-developed product strategy to consistently provide a source of new high quality products and innovation.
- Verimark has an extensive retail footprint which extends not only to 79 Verimark Direct outlets, but also to in excess of 1 700 individual stores of our major retail customers such as Game, Makro, Shoprite/Checkers, Pick n Pay and the like.
- Verimark has a purpose built centralised distribution centre based in Randburg, Gauteng which, together with its improved systems and distribution capability, ensures efficient delivery to its customers.
- Consumer satisfaction is ensured through an extensive Verimark warranty, money back guarantees and after sales customer service via our nationwide Verimark approved service centres.



OUR operational footprint

Verimark Direct: 79 stores
Retail customers: 1 792

INTERNATIONAL

NAMIBIA
Verimark Direct: 1
Retail customers: 16

BOTSWANA
Verimark Direct: 1
Retail customers: 5

SWAZILAND
Verimark Direct: 3
Retail customers: 1

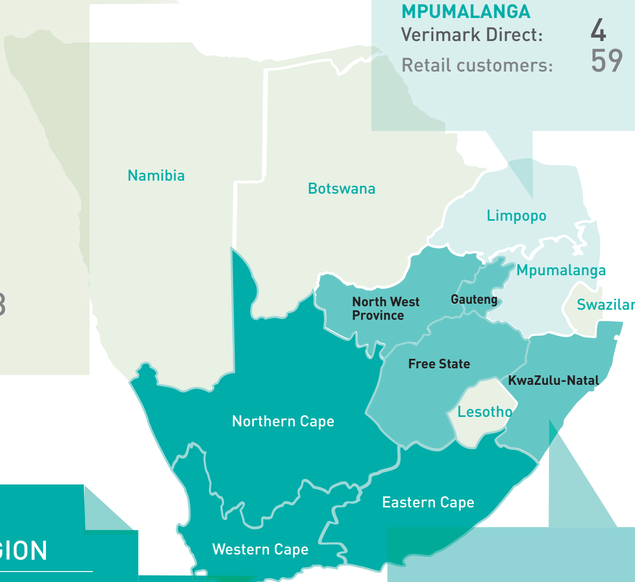
LESOTHO
Verimark Direct: 1
Retail customers: 1

ZAMBIA
Retail customers: 13

RSA NORTH REGION

LIMPOPO
Verimark Direct: 1
Retail customers: 47

MPUMALANGA
Verimark Direct: 4
Retail customers: 59



RSA CAPE REGION

NORTHERN CAPE
Verimark Direct: 2
Retail customers: 31

EASTERN CAPE
Verimark Direct: 3
Retail customers: 180

WESTERN CAPE
Verimark Direct: 16
Retail customers: 252

RSA CENTRAL REGION

GAUTENG
Verimark Direct: 32
Retail customers: 806

KWAZULU-NATAL
Verimark Direct: 11
Retail customers: 285

NORTH WEST
Verimark Direct: 2
Retail customers: 39

FREE STATE
Verimark Direct: 2
Retail customers: 57

HOUSEWARE

COOKWARE

CLEANING

DIY

TOYS

HEALTH & BEAUTY

EXERCISE & FITNESS

SOME OF OUR new products

Genesis Multi Vortex Vacuum

THE VACUUM THAT CLEANS BETTER AND FASTER WITH ITS PATENTED MULTI-VORTEX SYSTEM AND 6-STAGE BAGLESS FILTRATION TECHNOLOGY...

The unique multi-six stage Vortex filtration system of the revolutionary new Genesis Multi-Vortex vacuum cleaner gives you cleaning power like never before.

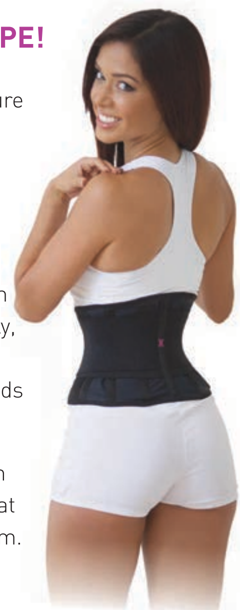
Unlike ordinary single cyclonic vacuums that only filter large dust particles, the Genesis features fifteen Vortex tubes to filter even the finest dust. Air is then further filtered through a sponge filter, a micro-woven filter and finally a micro-particle filter to ensure only clean, fresh air is released.

The most important part of a vacuum's cleaning performance is suction power and the vacuum's ability to effectively maintain that suction power will depend on the effectiveness of its filtration system. Genesis utilises a new patented, multi-stage, bagless Vortex system that effectively filters dust without restricting the airflow with inferior filters like bags.

With Genesis Multi-Vortex you can clean quicker, for longer and better than before. The tank and the filters are all washable.

Miss Belt

INSTANT HOURGLASS SHAPE!



The Miss Belt shapes your ideal figure in just two easy steps:

Step 1: Compresses and supports, and

Step 2: Slims your waist instantly.

The secret is in the dual compression technology; Miss Belt tucks your belly, slims your waist, supports your back and shapes your figure. In just seconds you can have a slimmer waist.

Miss Belt is easily adjustable and can be worn over or under your clothes; at home, walking, working, or at the gym.

i-Play Flying Ball

THE LATEST FLYING FUN FOR EVERYONE!

Introducing the brand new i-Play Flying Ball... make it hover or go higher with your hands... feet... and even your head... and create stunning light shows with its bright coloured LEDs!

Gorilla 3 X-Hose

EXPANDABLE GARDEN HOSE! NO KINKS, NO TANGLES...

It automatically grows and expands three times into a full length hose!

Just turn on the water and it automatically grows and expands three times into a full length hose, without any kinks! When you're done, close the tap, and it retracts right back to its original compact size making storage outside, or even inside, effortless!

Window Mate

CLEANS BOTH SIDES OF THE WINDOW AT THE SAME TIME!

The new magnetic Window Mate allows you to wash and dry both sides of your windows at the same time. It comes with two units with built-in magnets; one unit for the inside of the window, the other for the outside..

With a solution of ordinary dishwashing liquid, the tri-pad does the washing., and the squeegee blade, the drying.

The Window Mate comes with a full instructional DVD to give you the best results every time.

Floorwiz Spin Tech Mop

WASH AND SPIN DRY FOR PERFECTLY CLEAN FLOORS AND FULL FUNCTION SPACE-SAVING SPIN MOP

The new Floorwiz "Spin-Tech" mop system is half the size of ordinary spin mops, with unmatchable absorption power.

After the surface has been mopped the mop is rinsed and spun dry in the same bucket, avoiding dripping.

Floorwiz sparkle-cleans all types of hard floors and even sealed laminated and wood floors; and the mop head is machine-washable and replaceable.

Bauer Multi-Lid

THE ONE UNIVERSAL LID THAT FITS MANY POTS AND PANS!

The new Bauer Multi-size Lid from Verimark is uniquely designed to fit most cookware, from small, to medium and even large.

Manufactured to the highest quality specifications, the Dura-tech rim can withstand the highest cooking temperatures and the PermaGlass is virtually indestructible...!

OUR 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.

PRODUCT SOURCING

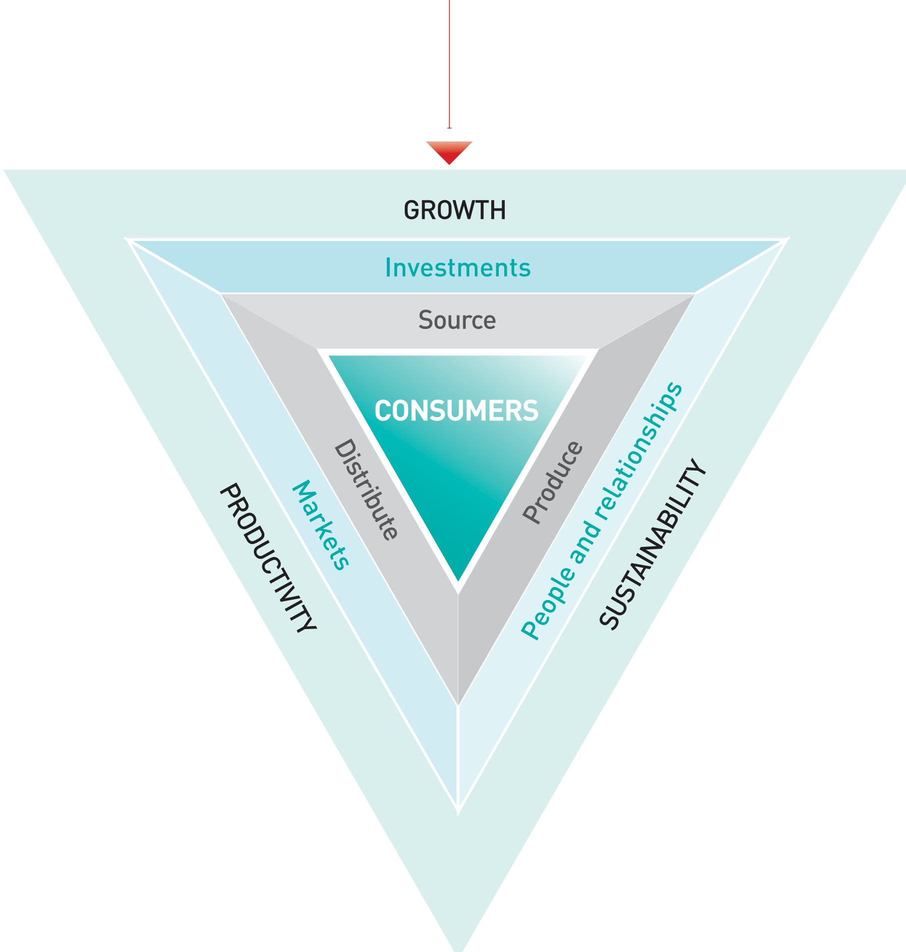
Procuring innovative and good quality products is critical to our business model. Our products are exclusive and are sourced directly from suppliers across the globe, primarily from Asia. Our product strategy is to select products that are unique, of superior quality, demonstrable and those which would attract the widest possible demographic demand. We strive to continuously add new products every year and aim to build those products into brand leaders over the long term. Innovation remains key to our success and we will continue to focus on high levels of innovation to offer our customers an enticing product range.

SUPPLY CHAIN (SHIPPING AND STORAGE)

Delivery of Verimark's products to its customers requires an efficient supply chain and distribution network. Verimark uses its purpose built centralised warehouse and partners with leading freight forwarding and logistics providers to distribute its products to its customers. The improvement in the capability of our supply chain team, the investment in our automated warehouse management systems, disciplined procedures and processes ensures efficient distribution of our products to our customers and retailers. Verimark dispatched in excess of 270 000 cases of product to its customers during the year.

PROMOTION AND ADVERTISING

Verimark actively drives and manage its brands through its in-house product development and marketing capability. DRTV commercials are conceptualised and produced in-house with the support of long standing Verimark service providers. Consumer response is tested via Verimark's proven in-house developed test methodology which has ensured higher than industry norm product success rates. Consumers are introduced and exposed to Verimark products via high frequency flightings of TV commercials – both long and short form, in-store TV playback units, print campaigns and live demonstrations.



CHANNEL/ MARKETS

The group is the largest DRTV shopping retailer in South Africa and offers its products through retail, online shopping, call centre and various shows and promotions. The retail experience, via our own Verimark Direct stores and our retail customers, remains our primary channel through which our products are offered. Verimark's retail expertise was developed from its first pioneering "Store within a Store" retail offering to its current vast offering to over 1 700 retail outlets. A number of opportunities in the other channels, in particular online shopping, will be explored in the future.

INVESTMENT IN SALES STAFF

The focus of this investment has been on our consumer-facing in-store teams who operate in the retail environment through our Verimark Direct stores and our retail customers. 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. Over 3 300 staff were trained and more than 2 800 hours occupied in training during the last year in Verimark's formal training facilities.

Verimark will continue to invest in this area to constantly improve on the customer experience and service.

CONSUMER SATISFACTION/ EXPERIENCE

Verimark strives to bring the best innovations from across the globe to its consumers and aims to provide its consumers with the best possible service. In addition to the extensive Verimark product warranty provided to the users of its products, Verimark promotes the regular servicing of certain key products to extend the products' shelf life. These additional services are offered via a nationwide network of Verimark approved service centres.

OUR strategic agenda

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

PASSION FOR INNOVATION

Innovation has driven our successful track record over the last 39 years and will continue to drive our future success. Verimark's choice of innovative products and developing of its brands will ensure their longevity and sustainability. Several of our brands, such as Bastille, Bauer, etc, have proven to stay in demand over many years – a testimony to their appeal and the quality we pride ourselves on.

Innovation remains a core priority and we will continue to optimise the wealth of intellectual property accumulated over the past 39 years.

Challenges and opportunities

Whilst the weak Rand/Dollar exchange rate does not dampen the innovative spirit and sourcing of new products, it does have some impact on the commercial viability of certain products. As a result, the rate of new product launches was impacted during the year. Changes in certain key staff members in the product development department resulted in an initial slowdown in the rate of new products assessed.

Further investment in the growth and capability of the skills required in the sourcing and assessing of new products is planned for the new year.

OUR TALENT POOL

It goes without saying that no matter how good your business model is or products are, you still need a stellar team to design, build, improve, sell and service them. Good employees are your greatest asset, so recruiting and retaining the right people is very important to your business success. Your employees create value and generate a return on investment for your business.

We are always scouting for dynamic, passionate and talented individuals to accelerate our future growth. In addition, to further support our growth strategy, we are looking to increase the capacity and capability of various functions in the business. Thus Verimark is searching for the best talent to join our management team.

Challenges and opportunities

The current labour environment has an impact on the ability to attract, retain and develop staff with the necessary skills. The focus of our investment has been to equip our customer-facing sales force to enhance and improve our customer's experience and satisfaction. Our headquarters boasts a large and modern training facility to ensure that they are fully equipped.

Verimark has a unique business model in the retail space, and together with our extensive range of products and a shortage of "Verimark-specific" skills in the market, expanding our talent pool – from an executive level, through to the marketing and new product division, through to our sales force – is an ongoing process as the group continues along its growth path.

OPERATIONAL EXCELLENCE

Verimark pursues operational excellence through continuously managing its costs and, at the same time, optimising business processes across functional and organisational boundaries to allow the group to operate efficiently and effectively. By focusing on the customer's needs, this pursuit of consistent, reliable and improved execution will create value for both its customers and shareholders.

Challenges and opportunities

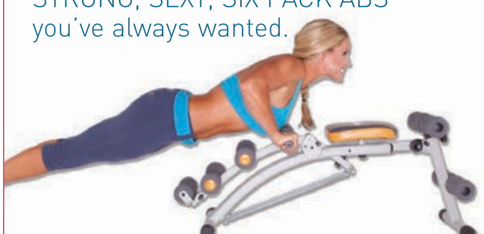
Verimark continued to place key emphasis on this element of its strategy for the current year. The tough consumer environment, coupled with increased cost pressures, placed substantial pressure on various areas within the organisation. Verimark continued to leverage its centralised warehouse and systems enabling it to contain cost creep. During the current year, further supply chain efficiencies and improvements contributed to the improved margin and cost containment.

We will continue to focus on extracting further operational efficiencies and stringent cost control across all business processes and functions to enhance the consumer experience and shareholder value.

Revolutionary new 6-in-1 ab sculpting system!

Wondercore is the revolutionary new fitness breakthrough designed to target your entire core and guaranteed to get you the

STRONG, SEXY, SIX PACK ABS you've always wanted.



WONDER Core

NEW MARKET OPPORTUNITIES

South Africa remains the core market for Verimark. We do recognise the sluggish local economic growth and have identified the need to explore international market opportunities in order to offset the effects of this sluggish growth and the effect of the weakening Rand/Dollar exchange rate.

Verimark recognises that there are a number of markets in Africa in which we are not yet represented that could benefit from Verimark's combined direct-retail model, as well as markets further abroad.

Challenges and opportunities

We continued to place the majority of our focus on the improvement in the core market and local business performance during the past year.

Since the international expansion into Singapore did not meet our goals, management made a decision to close the operation. Nonetheless, a vast level of experience and knowledge was gained on how to duplicate the Verimark model in other international territories in the future.

On a case-by-case basis Verimark will consider international expansion opportunities either where there is undeniable demand for our products, or where there are cost-saving opportunities and a strategic benefit for the group.

Financial statistics

	2016	2015
Sales growth (%)	**3,7**	(2,7)
Gross margin (%)	**40,14**	40,7
Operating margin (%)	**4,1**	4,4
Return on shareholders' equity (%)	**6,6**	9,0
Revenue (R'000)	**430 799**	415 374
Gross profit (R'000)	**172 936**	168 872
Profit before tax (R'000)	**13 148**	17 004
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (R'000)	**23 636**	24 349
Earnings attributable to owners (R'000)	**8 307**	11 259
Operating profit (R'000)	**17 830**	18 108
Headline earnings (R'000)	**8 582**	11 248
Cash generated by operations (R'000)	**30 895**	8 679
Shareholders' equity (R'000)	**128 646**	125 968
Total assets (R'000)	**169 788**	178 522
Ordinary share performance		
Earnings per share (cents)	**7,8**	10,4
Headline earnings per share (cents)	**8,0**	10,4
Diluted earnings per share (cents)	**7,8**	10,4
Diluted headline earnings per share (cents)	**8,0**	10,4
Dividend per share (cents)	**3,7**	5,2
Share statistics		
Listing price (R)	**2,50**	2,50
Lowest price traded (R)	**0.31**	0,42
Highest price traded (R)	**0,63**	0,78
Closing price (R)	**0,35**	0,50
EBITDA reconciliation		
EBITDA (R'000)	**23 636**	24 349
Interest (R'000)	**(4 682)**	(1 122)
Depreciation (R'000)	**(5 309)**	(5 662)
Amortisation (R'000)	**(497)**	(561)
Profit before tax (R'000)	**13 148**	17 004

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 during the year.

Net asset value per share

Net asset value is shareholders' equity divided by the weighted average number of shares in issue during 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.

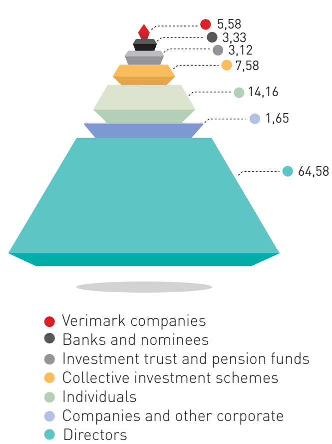
Diluted headline earnings per share

Ordinary shares are diluted by potential ordinary shares arising from directors' 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.

Verimark shareholder spread %



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 with continuously improving our product offering. Our success rate at selecting products is much higher than the average for our industry. In addition, our recently expanded product development and category management team should increase our ability to effectively identify new and innovative products and get them into the market quickly.

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.

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 be 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.

Summary of company risks continued

▲ RISK | ▷ Impact | ▼ Mitigation

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 over the past year.

▲ 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.

▲ INADEQUATE DISTRIBUTION CENTRE FACILITIES

▷ Lack of distribution facilities will impact on our ability to maintain our customer service levels and control inventory loss, etc.

▼ The new warehouse and head office facility is fully operational and we believe that this risk has been adequately mitigated and appropriately addressed.

▲ 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, water consumption and waste management. Our new premises have been built with green principles in mind.

▲ THE 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).

▼ Continuous improvement in our systems and processes has reduced the risk and implications that the CPA regulations may pose to the group. We believe we have sufficient insurance in place to cover any additional risk the CPA may pose.

▲ RISK | ▷ Impact | ▼ Mitigation

Cost control

▲ COST INCREASES NOT CONTROLLED

▷ Competitiveness and long-term profitability negatively affected by cost increases.

▼ We believe that the improvements in our systems and processes, together with the consolidation into our new premises, have assisted management in maintaining strict cost control over expenses. Continued strict cost control Is expected to be maintained into the future.

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, develop and expand its management capability.

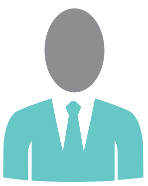
Selling channels

▲ 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.

Stakeholder engagement

Stakeholder	Why do we engage?	How we engage	Key topics of engagement
Shareholders			
	• Ensure access to capital by attracting investors • Provide relevant and timeous information • Balanced analysis of the company	• Interim and annual results presentations • Integrated annual report • Investor website • AGM • SENS announcements • Brokers conferences	• Governance and reputation • Investment performance (capital appreciation) • Risk management • Growth strategy • Management competence and remuneration • Timeous, useful and relevant information
Lenders/providers of capital			
	• Ensure access to funding by attracting lenders of capital • Provide relevant and timeous information	• Integrated report • Contractually required information flow • In-person meetings • Focus on relationship building	• Cash generation • Profitability • Leverage/gearing • Working capital management • Compliance with credit agreements • Timeous, useful and relevant information
Suppliers			
	• Securing reliable and sustainable supply of goods and services • Consistent quality of exclusive merchandise	• Transactional documentation • Supplier agreements • Regular telephone and in-person engagements • Focus on building relationships	• Quality standards • Product availability • Product exclusivity • Pricing • Delivery lead times

Stakeholder	Why do we engage?	How we engage	Key topics of engagement
Government and regulators			
	• Legislative and regulatory compliance • Sound governance	• Statutory reporting • Regulatory submissions • Liaison with regulators • Membership of industry bodies and forums	• Insight into regulatory changes • Compliance • Statutory reporting and returns
Employees			
	• Attract and retain talent • Employee motivation • Increase productivity • Engender loyalty	• Company communications • Regular in-store review meetings • Induction and training courses • One on one meetings	• Highly trained and skilled staff • Reduced staff turnover • Employment equity • Career development • Workplace environment
Customers			
	• Customer loyalty and retention • Brand and product awareness	• Customer contact in stores • Media advertising • In-store promotions • Market research • Brochures, websites	• Product quality • Responsive service and support • Pricing • Brand perception • Reputation
Business partners (retail partners)			
	• Business partner loyalty • Improving revenue stream	• Relationship management • Correspondence • Telephonic communication	• In-store space capacity • Positioning of in-store space • New product registration • Improved service levels

The NEW TWISTA WIZZ – the answer to all your food preparation needs.

Do you remember the original Twista? With over 2 million sold Verimark is proud to introduce the newest member of the Twista family.

Features:

- Create snacks in seconds
- Quick and easy food preparation
- Family size design
- Lockable cover rim and suction base
- Includes a salad spinner and egg separator
- Two year quality guarantee

With its new design and family size you can create snacks in seconds!

TWISTA WIZZ

HIGH QUALITY BRAND

HEALTHY LIVING

BOARD of Directors

Michael (62) J VAN STRAATEN

Chief Executive Officer
BCom Hons, CA(SA)

Michael served his articles with Spencer Stuart before joining his brother at Verimark in 1981 as Financial Director. Michael became joint Managing Director in 1992, and acquired his brother's shares in 1993 to become the sole owner until 2005 when Verimark was listed on the JSE. He has twice been a finalist in South Africa's Best Entrepreneur competition, and selected as one of South Africa's Leading Managers by the Corporate Research Foundation.

Shaun (51) R BEECROFT

Financial Director
BComm, CTA, CA(SA)

Shaun served articles with PricewaterhouseCoopers and qualified as a Chartered Accountant in 1989. Shaun resigned as Financial Director on 23 March 2016.

Bryan (27) M GROOME

Acting Financial Director
BComm, CTA, CA(SA)

Bryan served his articles with Deloitte and qualified as a Chartered Accountant in 2012. He joined Deloitte in the USA, in San Jose, where he worked as an Audit Senior auditing a range of IT clients from new start-ups to NASDAQ listed companies. On his return to South Africa, Bryan joined Standard Bank where he was involved at a super user level to implement a unique IT SAP system. Bryan then served as the Group Financial Manager at Car City Holdings for two years before his appointment as Financial Manager at Verimark on 7 December 2015 and subsequent appointment as Acting Financial Director and executive director on 23 March 2016.

Dr James (64)
T MOTLATSI

Independent Non-Executive Chairman
PhD Social Science

James is a founder member of the Congress of South African Trade Unions and the National Union of Mineworkers of South Africa, Deputy Chairman of AngloGold Ashanti and a director of the Shanduka Group. He is a trustee of the Nelson Mandela Children's Fund, and a member of the South African Literacy Initiative and the South African International Marketing Council. He was awarded the Order of Ramatseatsane by the King of Lesotho, as well as a Doctorate of Philosophy in Social Sciences *(honoris causa)* by the National University of Lesotho. James is Chief Executive Officer of Teba Limited.

Johann (66)
M PIETERSE

Independent Non-Executive Director
BCom, MCompt, CA(SA)

Johann served his articles with Brink, Roos & Du Toits (now PWC) and became Managing Partner of their Bellville office in 1983. He joined the Pepkor Group in 1985 and served as Financial Director of Pepkor from 1988 to 1990. Johann headed up the turnaround of Van Schaiks from 1993 to 1995, and Teljoy from 1995 to 2000. When Teljoy was sold to Vodacom in January 2000, he was appointed as Managing Director of the newly formed Vodacom Service Provider company tasked with responsibility to merge Teljoy, Vodac and GSM Cellular into one company. After the successful merger, he retired from Vodacom in August 2000. He is currently involved in various businesses in the property sector.

Mitesh (42)
M PATEL

Independent Non-Executive Director
BCompt (Hons), CA(SA)

Mitesh is a qualified Chartered Accountant with over eleven years of experience in assurance and business advisory in both the private and public sector. He is currently the Managing Partner of Nkonki Inc. Mitesh has been involved with audit committees for at least eleven years and is currently chairman of the audit committees of Imbalie Beauty Limited and Howden Africa Limited. He is also the Chairman of the board of Wearne Limited.

Mitesh has in-depth understanding of corporate governance principles as set out in King III; risk management; directors' responsibilities principles; integrated reporting and the Companies Act 71 of 2008 and has acted as adviser to the private and public sector on best practice recommendations of King III and compliance with the Companies Act.

Chairman's report

Dr James T Motlatsi
Chairperson
20 May 2016

Overview

The task of running businesses in South Africa remains challenging. The sluggish local economy, depressed export markets, occasional electricity supply constraints and various cost pressures, all contributed to toughening our task.

In addition to the above, import-dependent retail operations have had to contend with a further weakening of the Rand, which places further pressure on margins.

Nevertheless, in these difficult circumstances we concentrated on doing our utmost to do the right things right. Revenue growth of 4% was achieved despite difficult trading conditions and an uncertain and often unsettled socio-economic environment.

Headline earnings were 23,7% lower at R8,6 million with headline earnings per share 2,45 cents down at 8 cents. However, despite the slower earnings growth and the continued headwinds in the trading environment, the directors have shown their confidence in the group's prospects.

Board and governance

The Board and its committees operated effectively in the past year. I am satisfied that all of the committees are constituted with members of relevant skills, knowledge and experience and that our stakeholders can feel satisfied with the group's governance. The group continues to drive improvements in its governance processes.

Directorate

Shaun Beecroft, our Financial Director, resigned from the Board and we thank him for his valued contribution and service to the group over the past four years. Bryan Groome has been appointed as Acting Financial Director. All of the non-executive directors, including myself as the Chairman, are independent in terms of the King lll definition and the JSE Listings Requirements.

Dividend

The Board is pleased to announce a final dividend of 3,7 cents per share (2015: 5,2 cents per share) for the financial year 29 February 2016.

Appreciation

I thank all our non-executive directors for providing valuable guidance and governance oversight and their ongoing support.

On their behalf, I thank our executive directors for their foresight, commitment and hard work during this challenging period.

Thank you to our management and staff across South Africa and in the neighbouring countries for their commitment to meeting the needs of our customers.

Finally, we thank our customers for their ongoing support. We also thank our various business partners, business associates and suppliers for our continuing relationships.


10 in 1
Steam mop
HIGH QUALITY BRAND
HEALTHY LIVING
HIGH QUALITY BRAND
Cleans and sanitises with the power of super heated steam
With the new 10-in-1 Genesis from Verimark you clean and sanitise your home quickly and easily... with steam only!

CEO's report

Michael J van Straaten
Chief Executive Officer
20 May 2016

Macro-economic environment

"For approximately 40 years, Verimark has made a positive impact on the lives of all our stakeholders, and will continue to do so. I am more convinced than ever about the future potential and growth opportunities of the business and its various leading brands.

Although the local economic challenges experienced over recent years continued to impact negatively on all import- and consumer-related businesses and also on our trading results, we are pleased to note a reversal of the downward trend in revenue during the year under review.

Given that the past year was recorded by most economists as the worst in the current economic cycle, the increase in revenue confirms the resilience of Verimark's business model and its proven ability to source and develop the best innovations to improve the lives of consumers."

Delivering in a challenging year...

The economic environment globally, and more so locally, remains constrained with consumers under pressure following ever increasing day-to-day living costs. The continued depreciation of the Rand to record levels impacted negatively on our sales and profits, as was the case with all importers. Verimark has, however, made good progress with a year-on-year increase in revenue and gross profit.

Improvements in cash generation and a focused effort on the employment of funds has also ensured that we ended the financial year with a more robust balance sheet.

Performance encouraging in the second half...

Sales revenue for the year under review was higher by 3,7% at R431 million from R415,4 million last year. Sales revenue for the first six months was down 2,5% compared to the same period in the previous year, but up 9% in the second six months. A further noteworthy achievement has been the exceptionally strong growth of 60+% achieved through some of the largest retail partner stores during the December festive trading period. This increase in sales and revenue in the second half of the year, and the impact thereof on profits, were unfortunately in part offset by the exceptional depreciation of the Rand that resulted from various political developments.

As nearly all the group's merchandise is imported and acquired on a US Dollar denomination, this has resulted in margins being lower than we anticipated, but only marginally less than last year.

Taking into account the foreign exchange loss of R3,7 million compared to a profit of R0,4 million the previous year, the net result has been a lower operating profit of R17,8 million compared to R18,1 million and a decrease in earnings to R8,5 million compared to R11,2 million last year.

Our focus on operational efficiencies and stringent cost management has not wavered. While there was a need to increase selling prices given the depreciation of the Rand during the year, our cost management programme has been commendable, with selling and operating expenses being contained below inflation. The working capital position has been equally well managed and improved by some R8,6 million. Last year's introduction of an in-house service centre continues to contribute to better efficiencies in repairs, the 'returns' process as well as customer service.

Economic environment expected to remain under pressure...

The declining business confidence in South Africa is expected to continue beyond 2016. Given the economic challenges and the uncertainty around the Rand exchange rate, Verimark is exploring a number of diversification strategies locally, as well as internationally.

We will remain an innovative company...

Despite difficult external circumstances, our strategic focus remains on the sourcing and development of innovative, quality products at affordable prices to the consumer. This focus goes hand in hand with the conceptualisation and production of television commercials and other marketing activities to promote and drive sales of these products, through leading retail stores in Southern Africa. Verimark pioneered selling "As Seen on TV" products across the retail industry more than 25 years ago and is internationally recognised as the benchmark of this business model. As the market leader on the continent, we will continue to focus on innovation as we have done successfully over the previous 39 years.

This, we know, will have a positive impact on the company into the future and will enable us to continue delivering growth and value to all stakeholders. We are certainly intent on maintaining current employment levels, enhancing profitability that will result in higher contributions to the fiscus, delivering value to customers and returning funds to shareholders.

Our focus during this drawn-out and difficult economic phase will continue to be on the improvement of our local business. Positive results are certainly becoming evident, as we continue to increase the rate of new product introduction. As most retailers are experiencing similar challenges given the worsening economy and Rand exchange rate, some of our retail partners have indicated their willingness to increase Verimark's floor space and/or prominence in their stores, based on the sales growth we recorded in the second half of the year.

My sincere thanks to the team for their considerable efforts...

On behalf of the executive team, I would like to convey our gratitude to the entire Verimark team for their tremendous efforts and unselfish contributions over the last year: as well as to the Board of Directors for its continued support and guidance, I thank you and I look forward to an exciting and fulfilling year ahead.

REVOLUTIONARY HOMEWARE

The Genesis Minimax suction power easily picks up anything... whether it's nuts and bolts or everyday accidents – big or small, no problem!

HIGH QUALITY BRAND

HEALTHY LIVING

HIGH QUALITY BRAND

The small and versatile vacuum with suction power never seen before!

The Genesis Minimax Vacuum has been designed to last many years, and comes with a two year quality guarantee.

Features:

- Powerful 1 000W motor delivers exceptional suction power
- Lightweight and compact... use it anywhere in and around the house
- Comes with a range of accessories for all your cleaning needs
- Extendable chrome handle for comfort
- Easily converts from an upright vacuum to a handheld vacuum
- 4-in-1: Upright vac, broom vacuum, handvac and carvac

Corporate governance

Definitions used in this section

Act	The Companies Act 71 of 2008, as amended
Board	Board of Directors of Verimark
JSE	JSE Limited
King Code	Code of Corporate Practices and Conduct set out in the King III Report
Verimark	Verimark Holdings Limited

Verimark is listed on the JSE and is subject to the JSE Listings Requirements, the guidelines contained in the King Code, the Act, as well as any other legislation applicable to companies in South Africa.

King Code application

The Board and its committees are responsible for ensuring the appropriate principles and practices of the King Code are applied and embedded in the governance practices of group companies. Compliance and progress are monitored by the Audit and the Risk Committees and reported to the Board.

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 available on the website.

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. 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 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 and require a clear balance of power at Board level ensuring that no one director has unfettered decision-making.

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, 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.

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.

Board expertise

The Board meets the appropriate balance of skills and experience within its ranks to fulfil its mandate. The members of the 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 P 18 and 19.

Board and Board committee meeting attendance

Name	Appointment date	Category	Board	Audit	Risk	SETC	Remuneration and Nomination
Dr JT Motlatsi	1 July 2005	Independent non-executive Chairman	2/5[1]	1/5	N/A	N/A	0/3[1]
JM Pieterse	3 November 2005	Independent non-executive director	5/5	5/5[1]	5/5	2/2	3/3[1]
MM Patel	28 May 2012	Independent non-executive director	5/5	5/5	5/5[1]	2/2[1]	3/3
MJ van Straaten	1 July 2005	Chief Executive Officer (Executive director)	5/5	5/5[2]	5/5[1]	2/2	3/3[2]
SR Beecroft[3]	6 December 2011	Financial Director (Executive director)	5/5	5/5[2]	5/5[2]	2/2	3/3[2]
BM Groome[4]	23 March 2016	Acting Financial Director (Executive Director)	1/1	1/1[2]	1/1[2]	N/A	1/1[2]

Notes

1. Chairman. (For the Remuneration and Nomination Committee, the Board Chairman chairs the Nomination Function of the Committee and Mr JM Pieterse chairs the Remuneration Function of the Committee. Mr JP Pieterse chaired both the Remuneration and Nomination Committee in the current year.)
2. By invitation.
3. Mr SR Beecroft resigned as Executive Director and Financial Director on 23 March 2016.
4. Mr BM Groome was appointed as Executive Director and Acting Financial Director on 23 March 2016.

Corporate governance continued

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. Independent directors chair all Board committees. Besides the Risk Committee and the Social and Ethics Committee members, all are independent non-executive directors. The Company Secretary attends all Board and Board committee meetings.

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

Audit Committee

The members of the Audit Committee will be eligible for re-election at the upcoming annual general meeting. Please refer to the report prepared in terms of section 94(7)(f) of the Act set out on P 43 of this report.

Risk Committee

The 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 P 11 to 13.

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, potential new directors and maintains the procedure and policy for the appointments to the Board.

The Board, through the Committee, has considered that the executive and non-executive directors together have the range of skills, knowledge and experience necessary to enable them to govern the business effectively. Directors exercise objective judgement on the affairs of the company independently from management, but with sufficient management information to enable proper and objective assessments to be made.

The procedures for appointment are detailed and form part of the Remuneration and Nomination Committee Terms of Reference.

The Committee further assists the Board in ensuring that the Board comprises individuals whose background, skills, experience and characteristics will assist the Board in meeting the future needs of the company.

The remuneration paid to the directors is disclosed on P 97 and 98 of the report.

The group's proposed Remuneration Policy will be endorsed by the shareholders by way of a non-binding advisory vote in terms of the King Code at the upcoming annual general meeting.

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 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.

Company Secretary

The Company Secretary was appointed on 1 August 2013 and 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 Company Secretary monitors directors' dealings in securities and ensures adherence to closed periods and attends all Board and Board committee meetings.

The Board has satisfied itself that the Company Secretary, who has more than 20 years experience in providing guidance to JSE listed boards and as a Company Secretary, has the appropriate competence and experience. As the Company Secretarial duties are outsourced to an independent firm, the Board in its assessment has considered the individuals who perform the Company Secretary role, as well as the directors and shareholders of the Company Secretary, and confirm that Premium Corporate Consulting Services Proprietary Limited has maintained an arm's-length relationship with the Board.

Retirement and re-election of directors

One third of the non-executive directors retire by rotation and may offer themselves for re-election by the shareholders at the company's annual general meeting. Mr MM Patel retires at the forthcoming annual general meeting and has advised that he is available for re-election. His abridged curriculum vitae details are provided in this integrated report to enable shareholders to make an informed decision in respect of his possible re-election.

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.

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 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 changes occur.

During the financial year ended 29 February 2016, 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 22 to the annual financial statements.

Code of Ethics

The group's values commit employees to high standards of integrity and ethical behaviour 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 control systems were introduced to provide management and the Board with reasonable assurance as to the integrity and reliability of the financial statements.

Management monitors the functioning of the internal control systems and makes recommendations to management and to the Audit Committee of the Board.

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

Going concern

The annual financial statements contained in this integrated 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 operating for the foreseeable future. For this reason, the group continues to adopt the going concern basis in preparing the annual financial statements.

King Code of Governance compliance assessment

Applied	✓
Partially 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 committee

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	✗
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance officer	✓
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 [note 9]	★
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	✓

Applied	✓
Partially 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 (note 5)	✓

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 committee should be responsible for overseeing internal audit	★
Internal audit should be strategically positioned to achieve its objectives [note 7]	★

The full King Code of Governance assessment can be found at W www.verimark.co.za

Chapter 8 – Governing stakeholder relationships

The board should appreciate that stakeholders' perceptions affect a company's reputation	✓
The board should delegate to management to deal proactively 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. The Board ensures that the company's ethics are managed effectively following reports presented by management to the Social and Ethics Committee.
2. It has not been necessary to consider business rescue proceedings.
3. The Board members are provided with updates to the Companies Act, the JSE Listings Requirements and governance matters at every Board meeting which are provided by the Company Secretary.
4. The Board has agreed that the evaluation of the Board, its committees and the individual directors will be performed on an annual basis.
5. Following an initial review and assessment of the IT risks and presentation by management, the Board is comfortable that the necessary measures, updates and processes are being implemented.
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. During the year, a formal risk assessment was undertaken by an independent third party. This assessment represented the first phase of the consideration to co-source the internal audit function. The Committee is advised of all internal control developments and advised of any material losses, with none being reported during the year.
8. The sustainability and integrated reporting is reviewed and approved by the Audit and Risk Committee.
9. Following recommendation from the Risk Committee, a Risk Register setting out the levels of risk tolerance has been presented to the Board.

Social, Ethics and Transformation Committee REPORT

The Social, Ethics and Transformation Committee's (SETC) responsibility is to ensure that the company acts as a responsible corporate citizen, and establishes ethical guidelines within which staff should engage with its stakeholders and interact with the environment and build the long-term sustainability of the business. Although management is tasked with overseeing the day-to-day operational sustainability of their respective areas of business and reporting thereon to the Social and Ethics Committee, the Board remains ultimately responsible for the objectives which it has delegated to the Social and Ethics Committee.

Composition and meetings

In accordance with the relevant provisions of the Companies Act and applying the recommendations of King III, the SETC consists of a majority of independent non-executive directors, one of whom chairs the Committee's meetings. The Group Chief Executive Officer and Financial Director are also members of this Committee.

The Committee met twice during the period under review. At each of its meetings, it receives reports from management, and in turn reports on relevant matters within its mandate to the Board. The table of attendance at SETC meetings is set out on P 27.

Responsibilities

The purpose of the Committee is to set the tone in respect of the Board's approach to the ethical conduct of business, values that guide the actions of employees and to regularly monitor the group's activities with regard to any relevant legislation or prevailing codes of best practice in respect of the following:

- Social and economic development, including the group's standing in terms of the:
  - 10 principles set out in the United Nations Global Compact Principles; and
  - OECD recommendations regarding corruption;
- Employment Equity Act;
- Broad-Based Black Economic Empowerment Act;
- Good corporate citizenship;
- Environment, health and public safety, including the impact of the group's activities and its services;
- Customer relationships, including the group's advertising, public relations and compliance with consumer protection laws; and
- Labour and employment.

Activities of the Committee

During the year under review the Committee performed the following main activities:

Monitor the independent whistleblowing facility

An independently monitored whistleblowing hotline has been made available to employees across the group, whereby employees can report suspected fraud and/or activities which are considered to be transgressions of the group's Code of Conduct. All logged calls were reported to relevant managers. Corrective action has been implemented where necessary to improve controls and to prevent recurrence of the incident. Reports detailing the tip-offs received, how these tip-offs have been investigated and the corrective measures taken are submitted to the SETC as appropriate. No material reports or incidents were reported during the year.

Empowerment and transformation

All Employment Equity plan submissions and annual reporting requirements have been complied with.

As a result of the unbundling of the Verimark BEE shareholder scheme and the amendments to certain areas of the BBBEE codes, Verimark reported a "non-compliant" BBBEE status during the 2015 year. The Committee has begun a re-evaluation of the new BBBEE codes and its impact on Verimark's status. This outcome of this re-evaluation will form the basis of a revised BBBEE strategy at Verimark.

Pink Armor

KERATIN RICH NAIL GEL THAT STRENGTHENS AND PROTECTS!

Pink Armor is uniquely formulated to strengthen and protect nails from breaking and discolouring. The Keratin rich formula helps to repair, restore and promote nail growth. It's great for manicures and pedicures.

Strong, beautiful nails... fast!

Compliance with laws and legislation

The Committee reviewed the processes in place to ensure compliance with legal and regulatory provisions, and believes that they are appropriate. The Committee was not made aware of any material breach of laws or legislation during the year.

Socio-economic development/Corporate social responsibility

The Committee reviewed the progress made on the group's corporate social investment initiatives.

As a result of the departure of certain staff members during the year, progress made on CSI initiatives slowed somewhat. Only a limited number of initiatives were undertaken and these are reported on P 34 of the integrated annual report.

Plans for the 2017 period

The preparation, review and approval of Verimark's BBBEE strategy taking into account the impact of revised BBBEE codes is expected in the year ahead. The proposed strategy will be analysed and once approved, submitted to the Board for approval.

The Committee plans to continue improving its monitoring activities and enhance the process for making appropriate recommendations to the Board relating to environmental, social and employee development initiatives. The group's corporate social investment initiatives are expected to regain momentum in the new year.

Conclusion

No material 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 and, based on its monitoring activities to date, the Committee has no reason to believe that any such non-compliance or non-adherence has occurred.

This report of the Committee will be presented to shareholders at the annual general meeting and a member of the Committee will be present to respond to questions from shareholders.

MM Patel
Chairman

Corporate accountability

Our environment

- Due to the nature of our business, Verimark has little direct impact on the environment. We generally have low consumption of water and limited emissions to air. Verimark is committed to conserving energy and aims to reduce its relatively small carbon footprint. Our head office and warehouse premises, in Randburg, 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; and
  - The windows in the building are double glazed and together with new energy efficient air conditioner systems should result in further energy usage reductions.
- Despite the fact that we have backup energy to ensure minimal impact to our warehouse operations, we will consider alternatives to become more self-sufficient where feasible.
- 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. These efficiency measures have led to a more than 40% reduction in cardboard usage over the last few years.
- In addition to the above, improved warehouse pallet management has resulted in the total Rand pallet expense incurred in 2016 being lower than that recorded in 2011.
- We have explored the viability of further cost savings opportunities via the use of pallets made from recycled materials; however these are not feasible at this point in time.
- We continue to work with our third party logistics providers to reduce the fuel used through load consolidations and efficiencies.

Our community

- Whilst we believe that our main benefit to the community is equipping first time employees and seasonal employees with the training, techniques and confidence which provide an excellent foundation for future opportunities, we do engage in assisting various charitable causes.
- We have made great progress along our journey with our community:
  - The Verimark Community Fund was established in 2013;
  - The foundation of all our projects is to provide hope and opportunity for the youth in South Africa. All our projects/efforts are targeted at education, creating hope and building confidence in the young members of our society; and
  - The various projects undertaken during the past year range from donating educational toys to needy children's homes, to donating products to various charitable institutions for fundraising activities.
- The group is involved in CSI initiatives. Random visits are made to beneficiary organisations during the year as part of the continuing evaluation of these projects.
- In addition to the philanthropic nature of our projects, we encourage our staff to recommend projects and take part in projects in which we, as Verimark employees, can actively participate.
- Our major event for the year was Jozi Jammers, which was held at Jozi Jammers Nursery School on October 2015. Profit made on the day went to help the church supporting the disadvantaged families in the Kya Sands informal settlement. Over 300 children and parents attended the event.

	Male	Female
2016	470	553
2015	403	492
2014	573	758
2013	548	664
2012	586	751

Our employees

- One of the key enablers of our strategy is competent and motivated employees.
- While attracting and retaining the right people is key to our success, a level of staff turnover is healthy in any organisation to create opportunities for personal growth.
- The investment in training and equipping our employees to ensure that they can provide our customers with the highest level of service forms the cornerstone of this strategy:
  - We train a significant number employee on an annual basis;
  - We recruit employees from all walks of life, with the majority being young students and school leavers; and
  - We have a formal training centre with experienced trainers who provide in excess of 2 800 hours of training per annum.
- We pride ourselves on that fact that we provide new 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.
- The majority of employees trained are HDSAs and there is an equal balance between male and female.

Verimark provides a healthy and safe work environment for its employees as a basic right and acknowledges that a healthy and safe workplace improves employee morale and productivity. Health and safety requirements are monitored and reviewed in terms of the group's risk management processes and legislative compliance is required as a minimum standard.

Total workforce

Category	2012	2013	2014	2015	2016
Full-time	323	335	329	314	283
Part-time	1 014	877	1 002	581	720
Total	**1 337**	**1 212**	**1 331**	**895**	**1 003**
HDSA	1 198	1 090	1 230	809	915
White	139	122	101	86	88
Total	**1 337**	**1 212**	**1 331**	**895**	**1 003**

Risk Committee REPORT

The Risk Committee (the Committee) is pleased to present its report for the financial year ended 29 February 2016 in compliance with the Companies Act and in terms of the JSE Listings Requirements.

The group strives to maintain an appropriate balance between risk and reward, recognising that certain risks need to be taken to achieve sustainable growth and returns while at the same time protecting the group and its stakeholders against avoidable risks.

Responsibility

The Board is responsible for the governance of risk and has appointed a Risk Committee to review the risk management progress of the company, the effectiveness of risk management activities, the key risks facing the company and the responses to these risks. This process is managed in accordance with the group's risk management policy.

Role of the Committee

In fulfilling its duties, the committee reviews:

- the treasury processes covering liquidity, credit risk and foreign exchange risks;
- the group's safety, health and environmental risk control programme;
- the insurance programme in terms of which group assets are insured subject to specific policy conditions, limits and deductibles;
- any fraud matters identified by the independently managed ethics whistleblowing hotline;
- information technology risks as identified by the head of IT; and
- material legal disputes.

The Chairman of the Committee reports to the Board on the most significant risks derived from the above.

Committee composition and meetings

The Committee comprises Messrs MM Patel (Chairman), JM Pieterse and MJ van Straaten and Mr BM Groome is invited to attend the meetings.

The Committee typically meets four times during the year. The Chairman of the Committee reports to the Board after each Committee meeting and also attends the annual general meeting of shareholders to answer any questions that may arise concerning the activities of the Committee.

Activities of the Committee

The Committee assists the Board in recognising all material risks to which the group is exposed and ensuring that the requisite risk management culture, policies and systems are progressively implemented and functioning effectively. Management is accountable to the Board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities.

During the year under review the Committee performed the following main activities:

Risk management

The Committee has assisted the Board in assessing the adequacy of the risk management process and has an oversight role regarding the management of risk. Having considered, analysed, reviewed and debated information provided by management, the Committee is satisfied that where weaknesses in specific controls have been identified, management undertook to implement the appropriate corrective actions to mitigate that risk.

Key business risks were discussed comprehensively by the Committee and the Board during the year. The Committee, having considered the Group's key risks, is satisfied that the systems and processes in place to manage risk are adequate and that management has generally executed their risk management responsibilities satisfactorily.

The Board is satisfied that business plans do not give rise to risks that have not been thoroughly assessed by management and confirms that there were no undue, unexpected or unusual risks taken by the group and no material losses were incurred during the year.

Internal controls

The group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial and operational management information that assets are adequately safeguarded against material loss and that transactions are properly authorised and recorded.

Internal controls also provide assurance that the group's resources are utilised efficiently and that the activities of the group comply with applicable laws and regulations.

Conclusion

The Committee has performed its duties and responsibilities during the financial year according to its charter for the year ended 29 February 2016, and has presented the group key risk summary within the annual integrated report.

MM Patel
Chairman

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Finally, the elderly can also improve their health and fitness - in the comfort and safety of their own homes.

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GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The group annual financial statements and financial statements of Verimark Holdings Limited have been audited in compliance with section 30 of the Companies Act of South Africa. Mr Bryan Groome (Acting Financial Director, CA(SA)) was responsible for supervising the preparation of the financial statements.

These group financial statements and financial statements for the year ended 29 February 2016 were published on 20 May 2016.

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Verimark Holdings Limited, comprising the statements of financial position at 29 February 2016, 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, and 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 group financial statements and financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of Verimark Holdings Limited, as identified in the first paragraph, were approved by the Board of Directors on 20 May 2016 and signed by:

Dr JT Motlatsi
Chairman

MJ van Straaten
Chief Executive Officer

Authorised directors

Company Secretary's certificate

In terms of section 88 (2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, the company has, in respect of the financial year reported upon, lodged with the Companies Intellectual Property Commission, all returns and notices required of a public company and that all such returns are true, correct and up to date.

Premium Corporate Consulting Services Proprietary Limited

20 May 2016

Directors' report

for the year ended 29 February 2016

The directors have pleasure in submitting their report for the financial year ended 29 February 2016.

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 and beauty, 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 29 February 2016 amounted to R8,5 million (2015: R11,3 million). This translates into headline earnings per share of 8,0 cents (2015: 10,4 cents) 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 group financial statements and financial statements on P 46 to 98 of the report.

Going concern

The group financial statements and 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 reappointed at the forthcoming annual general meeting. All non-audit services provided by KPMG Inc. are tabled and approved by the Audit 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 amounts to R243 235 021 (2015: R226 093 459).

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 10 and 11 of these financial statements.

The authorised and issued share capital has not changed during the current financial year. At the 2015 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 to 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.

No shares were purchased during the year ended 29 February 2016.

Dividends

The Board declared and approved a final dividend of R4 232 084 or 3,7 cents per share in relation to the 29 February 2016 results (2015: 5,2 cents per share) on 20 May 2016.

This was 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: resigned 23 March 2016
BM Groome	Acting Financial Director appointed 23 March 2016

Non-executive directors

Dr JT Motlatsi	Independent Non-Executive Chairman
JM Pieterse	Independent Non-Executive Director, Audit Committee and Remuneration and Nomination Committee Chairman
MM Patel	Independent Non-Executive Director, Risk Committee and Social, Ethics and Transformation Committee Chairman

Company Secretary

Premier Corporate Consulting Services Proprietary Limited.

Changes to the Board

In terms of the company's memorandum of incorporation, each year one-third of Verimark's non-executive 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.

SR Beecroft resigned on 23 March 2016. He has been superseded by the Acting Financial Director, BM Groome, as of 23 March 2016.

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, the 4 million shares were transferred to the control of the Verimark Employees Empowerment Trust (VEET). The BBBEE scheme has subsequently been dissolved, due to the shares being out of the money and the shares were therefore transferred back to the Van Straaten Family Trust as consideration for the preference shares held in VEET.

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. This was 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 benefited from this transaction were: M Adam, T Bezuidenhout, N du Plessis, R du Plessis, C Hoadley, H Lourens and D Rabie. These managers were considered to be key management and as such were treated as related parties to the company for purposes of IAS 24 Related Party Transaction disclosures. During the year ended 28 February 2015, the share scheme was dissolved. This resulted in zero share options outstanding at 29 February 2016.

Directors' shareholding

At 29 February 2016, 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	Percentage of issued share
MJ van Straaten and associates	–	72 000 000	72 000 000	63,01
SR Beecroft and associates	–	–	–	–
Dr JT Motlatsi and associates	–	–	–	–
JM Pieterse and associates	–	1 791 525	1 791 525	1,57

No changes in these interests occurred between the end of the financial year and the date of approval of the annual financial statements.

Directors' report continued

as at 29 February 2016

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.

Subsidiaries and controlled entities

Subsidiaries

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

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 IFRS 10, 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 during 2014 the Van Straaten Family Trust called on the preference share liability to be repaid. VEET was unable to the fund the amount in cash, and therefore transferred the issued share capital back to the Van Straaten Family Trust as payment for the outstanding preference shares.

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

	2016 R	2015 R
Verimark Proprietary Limited	**8 344 885**	11 743 483
Verimark Singapore Private Limited*	**(801 113)**	(736 350)
Verimark Employees Empowerment Trust	**–**	95 339
Selcovest 35 Proprietary Limited	**93 993**	155 191

*This company has been discontinued in the current year (note 21).

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 reporting date and the date of this report.

Business registered and postal address

50 Clairwood Avenue, Hoogland Ext 55, Randburg 2194.
PO Box 78260, Sandton 2146.

Signed on behalf of the Board:

Dr JT Motlatsi
Chairman

MJ van Straaten
Chief Executive Officer

Johannesburg
20 May 2016

Audit Committee report

The Audit Committee (the Committee) is pleased to present its report for the financial year ended 29 February 2016 in terms of section 94 (7)(f) of the Companies Act 71 of 2008, as amended (the Companies Act).

Role of the Committee

The Committee has adopted formal terms of reference approved by the Board. The Committee has conducted its affairs in compliance with its terms of reference and discharged its responsibilities therein. The terms of reference is in line with the Companies Act, the King Code and Report on Governance for South Africa (King lll) and the JSE Listings Requirements. The responsibilities of the Committee include the following:

- Reviewing the annual financial statements and any other financial information presented to shareholders, ensuring compliance with International Financial Reporting Standards;
- Overseeing integrated reporting and considering factors and risks that could impact on the integrity of the integrated report;
- Nominating the external auditors for appointment, monitoring and reporting on their independence, approving the terms of engagement and scope of the audit, and fees paid;
- Overseeing the group's risk management processes, identifying and reviewing the group's exposure to significant risks and its risk mitigation strategy, including the adequacy of the group's internal financial and operational controls; and
- Considering the appropriateness of the expertise and experience of the Financial Director and group's finance function.

Committee composition and meetings

The shareholders appointed the Committee for the 2016 financial year at the annual general meeting in August 2015. The Committee consists solely of independent non-executive directors who are all financially literate. The Group's external auditors, KPMG, are permanent invitees at scheduled committee meetings and where appropriate are invited to attend meetings to provide assurance in support of the work of the Committee. All executive directors attend by invitation.

The Committee typically meets four times during the year and has established an annual meeting plan agenda. The Chairman of the Committee reports to the Board after each committee meeting and also attends the annual general meeting of shareholders to answer any questions that may arise concerning the activities of the Committee.

King III recommends that a chairman of a board of directors is not also a member of its audit committee. As outlined above, the group's Chairman, Dr James Motlatsi, is a member of the Audit Committee. The Board believes James can make a valuable contribution to the deliberations of the Audit Committee, which will not be compromised by his role as Chairman of the Board.

Committee activities

The Committee met four times during the year under review. Attendance of the members is set out on P 27 of this report. The Committee attended to the following material matters:

Annual financial statements and integrated annual report

Reviewed the interim results and year-end financial statements, including the public announcements of the company's financial results, and made recommendations to the Board for their approval.

In the course of its review, the Committee:

- Took appropriate steps to ensure that the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS);
- Considered the appropriateness of accounting policies and disclosures and material judgements applied; and
- Completed a detailed review of the going concern assumption and confirmed that the going concern assumption was appropriate in the preparation of the financial statements.

The Committee fulfils an oversight role regarding the company's integrated report and the reporting process. The Committee:

- Considered the company's integrated report and has assessed its consistency with operational, financial and other information known to the Audit Committee members, and for consistency with the group annual financial statements. The Committee is satisfied that the integrated report is materially accurate, complete and reliable and consistent with the group annual financial statements; and
- Has, at its meeting held on 20 May 2016, recommended the integrated report for the year ended 29 February 2016 for approval by the Board of Directors.

Audit Committee report continued

as at 29 February 2016

The Committee has satisfied itself of the integrity of the remainder of the integrated annual report. The Committee gave due consideration to the need for assurance of the report and decided not to obtain independent assurance at this time.

External audit

The Audit Committee has satisfied itself that KPMG and Mr Jacques Wessels, the designated auditor, are independent of the company, which review included consideration of the extent of other work undertaken by the auditor for the company, and 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 auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The Committee ensured that the appointment of the auditor complied with all legislation relating to the appointment of auditors.

The Committee reviewed the external auditors' opinion on the financial statements and considered any reports on risk exposure and weaknesses in internal controls. The Committee also met with the external auditors separately without management being present. The Committee concludes that the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and hereby recommends for approval by the shareholders the re-appointment of KPMG as external auditor, and Jacques Wessels as the engagement partner for 2017.

Risk management

The Board has assigned oversight of the company's risk management function to the Risk Committee. The minutes of the Risk Committee are made available to the Audit Committee to assist in fulfilling its oversight role with respect to financial reporting risks arising from internal financial controls, fraud and information technology risks.

Internal audit

During the year, a formal risk assessment was undertaken by an independent third party. This assessment represented the first phase of the consideration to co-source the internal audit function. The Committee is advised of all internal control developments and advised of any material losses, with none being reported during the year.

Expertise of the Financial Director and finance function

In terms of the JSE Listings Requirements, the Committee satisfied itself as to the appropriateness of the expertise and experience of the group's acting Financial Director.

The Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function.

Going concern

The Committee has reviewed a documented assessment, including key assumptions prepared by management, of the going concern status of the company and has accordingly made recommendation to the Board. The Board's statement on the going concern status of the group and company, as supported by the Committee, is set out on P 98 of the integrated annual report.

Approval

Having achieved its objectives for the financial year, the Committee has recommended the annual financial statements and Integrated Annual Report for the year ended 29 February 2016 for approval to the Verimark Holdings Limited Board.

The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

JM Pieterse
Chairman

Independent auditor's report

To the Shareholders of Verimark Holdings Limited

Report on the financial statements

We have audited the group financial statements and financial statements of Verimark Holdings Limited, which comprise the statements of financial position at 29 February 2016, 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 P 46 to 98.

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 about 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 29 February 2016, 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 29 February 2016, we have read the Directors' report, the Audit 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.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Verimark Holdings Limited for 11 years.

KPMG Inc.
Registered Auditor

Per J Wessels
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road, Parktown, Johannesburg

20 May 2016

Group statement of financial position

at 29 February 2016

	Note	GROUP 2016 R	GROUP 2015 R
Assets			
Non-current assets		**25 935 806**	30 848 150
Plant and equipment	3	**8 294 858**	11 264 408
Intangible assets	4	**14 335 640**	14 622 915
Deferred taxation asset	6	**3 305 308**	4 960 827
Current assets		**143 852 581**	147 673 726
Inventories	7	**65 580 906**	79 531 209
Trade and other receivables	8	**61 969 784**	64 072 399
Prepayments		**463 202**	496 258
Prepaid taxation		**23 549**	497 797
Assets held for sale	21	**163 694**	2 632 201
Cash and cash equivalents	9	**15 651 446**	443 862
Total assets		**169 788 387**	178 521 876
Equity and liabilities			
Equity attributable to owners of the company		**128 645 846**	125 968 214
Share capital	10	**359 757**	359 757
Share premium	11	**32 268 689**	32 268 689
Foreign currency translation deficit		**(322 962)**	(166 122)
Retained earnings		**96 340 362**	93 505 890
Non-current liabilities		**3 367 248**	4 085 295
Interest-bearing borrowings	13	**3 367 248**	4 085 295
Current liabilities		**37 775 293**	48 468 367
Trade and other payables	15	**25 270 622**	33 326 469
Liabilities directly associated with assets held for sale	21	**–**	301 343
Current portion of interest-bearing borrowings	13	**701 904**	1 421 595
Taxation payable		**1 873 433**	134 003
Bank overdraft	9	**9 929 334**	13 284 957
Total liabilities		**41 142 541**	52 553 662
Total equity and liabilities		**169 788 387**	178 521 876

Group statement of comprehensive income

for the year ended 29 February 2016

	Note	GROUP 2016 R	GROUP 2015 R
Continuing operations			
Revenue	16	**430 798 744**	415 373 764
Cost of sales		**(257 862 994)**	(246 502 223)
Gross profit		**172 935 750**	168 871 541
Other income	17	**2 447 466**	2 358 262
Selling expenses		**(40 407 566)**	(38 858 070)
Other operating expenses		**(117 145 839)**	(114 263 510)
Operating profit before finance income and finance expense	18	**17 829 811**	18 108 223
Finance income	19	**1 785 130**	2 376 303
Finance expense	19	**(6 467 307)**	(3 480 089)
Profit before taxation		**13 147 634**	17 004 437
Taxation expense	20	**(3 882 353)**	(5 010 424)
Profit for the year from continuing operations		**9 265 281**	11 994 013
Discontinued operations			
Loss for the year from discontinued operations (after tax)	21	**(801 113)**	(736 350)
Profit for the year		**8 464 168**	11 257 663
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation reserve movement		**(156 840)**	1 428
Total comprehensive income for the year attributable to owners of the company		**8 307 328**	11 259 091
Earnings per share			
Basic and diluted earnings per share (cents)	29	**7,8**	10,4
Basic and diluted earnings per share (cents) – continuing operations		**8,6**	11,1
Basic and diluted loss per share from discontinued operations (cents)		**(0,7)**	(0,7)

Group statement of changes in equity

for the year ended 29 February 2016

	GROUP					
	Share capital R	Share premium R	Share based payment reserve R	Foreign currency translation deficit R	Retained earnings R	Total R
Balance at 1 March 2014	359 757	32 268 689	468 137	(167 550)	82 248 227	115 177 260
Total comprehensive income for the year						
Profit/(loss) for the year						
– Continuing operations	–	–	–	–	11 994 013	11 994 013
– Discontinued operations	–	–	–	–	(736 350)	(736 350)
Other comprehensive income						
Foreign currency translation reserve movement	–	–	–	1 428	–	1 428
Transactions with owners recorded in equity						
Share based payment transaction credit	–	–	(468 137)	–	–	(468 137)
Contributions by and distributions to owners of the company						
Dividend paid to shareholders	–	–	–	–	–	–
Balance at 28 February 2015	**359 757**	**32 268 689**	**–**	**(166 122)**	**93 505 890**	**125 968 214**
Total comprehensive income for the year						
Profit/(loss) for the year						
– Continuing operations	**–**	**–**	**–**	**–**	**9 265 281**	**9 265 281**
– Discontinued operations	**–**	**–**	**–**	**–**	**(801 113)**	**(801 113)**
Other comprehensive income						
Foreign currency translation reserve movement	**–**	**–**	**–**	**(156 840)**	**–**	**(156 840)**
Contributions by and distributions to owners of the company						
Dividend paid to shareholders	**–**	**–**	**–**	**–**	**(5 629 696)**	**(5 629 696)**
Balance at 29 February 2016	**359 757**	**32 268 689**	**–**	**(322 962)**	**96 340 362**	**128 645 846**

Group statement of cash flows

for the year ended 29 February 2016

	Note	GROUP 2016 R	GROUP 2015 R
Cash flows from operating activities			
Cash generated from operations	23.1	**30 895 126**	8 678 658
Finance income received		**1 785 130**	2 378 325
Finance expense paid		**(6 467 307)**	(3 480 089)
Income taxation paid	23.2	**(13 156)**	(7 090 726)
Dividend paid	23.3	**(5 629 696)**	–
Net cash inflows from operating activities		**20 570 097**	486 168
Cash outflows from investing activities		**(1 509 627)**	(3 791 024)
Acquisitions of plant and equipment to expand operations		**(2 794 580)**	(3 690 027)
Acquisitions of intangible assets to maintain operations		**(37 100)**	(180 775)
Movement in or assets held for sale realised		**1 226 689**	–
Proceeds from disposal of plant and equipment		**95 364**	79 778
Cash outflows from financing activities		**(1 437 738)**	(1 425 253)
Interest-bearing borrowings repaid		**(1 437 738)**	(1 425 253)
Net increase/(decrease) in cash and cash equivalents		**17 622 732**	(4 730 109)
Cash and cash equivalents held for sale	21	**(140 917)**	(1 081 392)
Cash and cash equivalents at beginning of year		**(12 841 095)**	(7 029 594)
Cash and cash equivalents held for sale at beginning of year		**1 081 392**	–
Cash and cash equivalents at end of year	23.4	**5 722 112**	(12 841 095)

Company statement of financial position

at 29 February 2016

	Note	COMPANY 2016 R	2015 R
Assets			
Non-current assets		**39 995 316**	57 136 878
Investment in subsidiary companies	5	**39 995 316**	57 136 878
Current assets		**257 829**	258 962
Cash and cash equivalents	9	**257 829**	258 962
Total assets		**40 253 145**	57 395 840
Equity and liabilities			
Equity attributable to owners of the company		**21 563 335**	40 633 664
Share capital	10	**380 908**	380 908
Share premium	11	**316 702 119**	316 702 119
Accumulated losses		**(295 519 692)**	(276 449 363)
Current liabilities		**18 689 810**	16 762 176
Amount owing to subsidiary company	14	**18 689 810**	16 510 754
Interest-bearing borrowings	13	**–**	251 422
Total equity and liabilities		**40 253 145**	57 395 840

Company statement of comprehensive income

for the year ended 29 February 2016

	Note	COMPANY 2016 R	2015 R
Dividend received from subsidiary	16	**5 963 229**	–
Other operating expenses		**(1 925 735)**	(2 024 292)
Impairment of investment in subsidiary company		**(17 141 562)**	(21 712 456)
Operating loss before finance expense		**(13 104 068)**	(23 736 748)
Finance expense		**(3 032)**	–
Loss before taxation		**(13 107 100)**	(23 736 748)
Taxation expense		**–**	–
Loss for the year		**(13 107 100)**	(23 736 748)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(13 107 100)**	(23 736 748)

Company statement of changes in equity

for the year ended 29 February 2016

	COMPANY			
	Share capital R	Share premium R	Accumulated losses R	Total R
Balance at 1 March 2014	380 908	316 702 119	(252 712 615)	64 370 412
Total comprehensive income for the year				
Loss for the year	–	–	(23 736 748)	(23 736 748)
Contributions by and distributions to owners of the company				
Dividend paid to shareholders	–	–	–	–
Balance at 28 February 2015	**380 908**	**316 702 119**	**(276 449 363)**	**40 633 664**
Total comprehensive income for the year				
Loss for the year	**–**	**–**	**(13 107 100)**	**(13 107 100)**
Contributions by and distributions to owners of the company				
Dividend paid to shareholders	**–**	**–**	**(5 963 229)**	**(5 963 229)**
Balance at 29 February 2016	**380 908**	**316 702 119**	**(295 519 692)**	**21 563 335**

Company statement of cash flows

for the year ended 29 February 2016

		COMPANY	
	Note	2016 R	2015 R
Loss before taxation		**(13 107 100)**	(23 736 748)
Impairment of investment in subsidiary company		**17 141 562**	21 712 456
Cash generated from/(utilised by) operating activities		**4 034 462**	(2 024 292)
Decrease in loan receivable		**–**	158 898
Decrease in prepayments		**–**	21 386
Decrease in interest-bearing borrowings		**(251 422)**	–
Cash inflows/(outflows) from operating activities		**3 783 040**	(1 844 008)
Dividend paid	23.3	**(5 963 229)**	–
Net cash outflows from operating activities		**(2 180 189)**	(1 844 008)
Loans received from subsidiary company		**2 179 056**	1 842 996
Net decrease in cash and cash equivalents		**(1 133)**	(1 012)
Cash and cash equivalents at beginning of year		**258 962**	259 974
Cash and cash equivalents at end of year	23.4	**257 829**	258 962

Notes to the financial statements

for the year ended 29 February 2016

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 financial statements and 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 and the requirements of the Companies Act of South Africa.

The financial statements were authorised for issue by the Board of Directors on 20 May 2016.

1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Share based payments are measured in accordance with the fair value principles within IFRS 2. 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 1.3.19.

1.3 Significant accounting policies

1.3.1 Non-current assets held for sale and discontinued operations

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is designated as held for sale when its carrying amount will be recovered primarily through a sale transaction rather than through continuing use. The classification of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal group, an active divestiture programme has been initiated, the non-current asset or disposal group is marketed at a price reasonable to its fair value and the disposal will be completed within one year from classification.

Immediately before classification as held for sale, the assets (or components of a disposal group) are measured in accordance with the group's and company's accounting policies and applicable IFRS. On initial classification as assets held for sale, non-current assets are recognised at the lower of the carrying amount and fair value less costs to sell and recorded in current assets.

Impairment losses of the disposal group are allocated to goodwill first, and then to remaining assets and liabilities. Impairment losses on subsequent remeasurements are included in profit or loss.

Reversals of impairments are not recognised in excess of any cumulative impairment losses.

A discontinued operation results from the sale or abandonment of an operation that represents a separate major line of business or geographical area of operation and of which the assets and liabilities and activities can be distinguished physically, operationally and for financial reporting purposes. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

No depreciation is provided on non-current assets from the date they are classified as held for sale.

1.3.2 Basis of consolidation

Subsidiaries

Investment in subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances 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 stated at cost less accumulated impairment losses in the company's separate financial statements.

Loss of control

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

1.3.3 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 reported 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, benefits derived from the youth employment tax incentive and ad hoc fees charged to franchisees which are recognised on receipt of funds.

1.3.4 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. 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. Foreign exchange gains and losses are reported on a gross basis.

1.3.5 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.

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.

Notes to the financial statements continued

for the year ended 29 February 2016

1. Accounting policies continued

1.3 Significant accounting policies continued

1.3.5 Income tax expense continued

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 and available tax losses 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.

Dividend 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 dividend 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.

1.3.6 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.

1.3.7 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.

1.3.8 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 the item of plant and equipment and is 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 shop fittings 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 major component 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 significant, depreciation method and useful lives of plant and equipment are reviewed at each financial year end and adjusted if appropriate.

1.3.9 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 acquired and the liabilities and contingent liabilities assumed 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 significant, amortisation method and useful lives of intangible assets are reviewed at each financial year end and adjusted if appropriate.

1.3.10 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 in profit and loss 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.

Notes to the financial statements continued

for the year ended 29 February 2016

1. Accounting policies continued

1.3 Significant accounting policies continued

1.3.10 Impairment of assets continued

Non-financial assets continued

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

1.3.11 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.

1.3.12 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 payments 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.

1.3.13 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.

1.3.14 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 and cash and cash equivalents.

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, which is on the date on 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 and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities 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.

1.3.15 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.

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.

Notes to the financial statements continued

for the year ended 29 February 2016

1. Accounting policies continued

1.3 Significant accounting policies continued

1.3.16 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.

1.3.17 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 an 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.

1.3.18 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 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.

1.3.19 Estimations and judgements applied by directors in applying the accounting policies

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

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 carrying value is written down to the 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 or slow moving 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.

1.3.20 New standards and interpretations not yet adopted

A number of standards, amendments to standards and interpretations are not yet effective for the year ended 29 February 2016, and have not been applied in preparing these 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 the 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 repayment term 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

When loans and borrowings are interest free and repayable on demand, the fair value approximates the carrying value as a market participant would demand repayment immediately in order to obtain a better return elsewhere.

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 repayment term of less than one year approximates the amortised cost.

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 Derivative financial instruments

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

2.7 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 financial statements continued

for the year ended 29 February 2016

3. Plant and equipment

	Computer equipment R	Manufacturing structures and handling equipment R
GROUP		
Cost		
Balance at 1 March 2015	**3 700 055**	**5 536 446**
Additions	**331 846**	**–**
Disposals	**(249 193)**	**–**
Transfers	**37 469**	**–**
Transfer to assets held for sale	**–**	**–**
Impairment	**–**	**–**
Balance at 29 February 2016	**3 820 177**	**5 536 446**
Balance at 1 March 2014	3 516 355	5 438 402
Additions	192 112	49 200
Disposals	(64 643)	–
Transfers	56 231	48 844
Transfer to assets held for sale	–	–
Balance at 28 February 2015	3 700 055	5 536 446
Accumulated depreciation and impairment losses		
Balance at 1 March 2015	**3 064 971**	**2 834 068**
Disposals	**(190 995)**	**–**
Transfer to assets held for sale	**–**	**–**
Depreciation for the year	**539 325**	**1 050 636**
Balance at 29 February 2016	**3 413 301**	**3 884 704**
Balance at 1 March 2014	2 568 857	1 782 697
Disposals	(53 801)	–
Transfer to assets held for sale	–	–
Depreciation for the year	549 915	1 051 371
Balance at 28 February 2015	3 064 971	2 834 068
Carrying value		
At 29 February 2016	**406 876**	**1 651 742**
At 28 February 2015	635 084	2 702 378

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
6 770 735	**366 737**	**6 665 246**	**7 585 783**	**20 266 959**	**230 636**	**51 122 597**
19 096	**–**	**104 705**	**15 701**	**432 728**	**1 890 504**	**2 794 580**
(6 078)	**(215 147)**	**(863 447)**	**(262 528)**	**(1 159 740)**	**–**	**(2 756 133)**
24 101	**–**	**1 570 005**	**–**	**–**	**(1 804 245)**	**(172 670)**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**(23 195)**	**(23 195)**
6 807 854	**151 590**	**7 476 509**	**7 338 956**	**19 539 947**	**293 700**	**50 965 179**
6 658 642	334 052	5 621 286	7 779 137	18 567 662	315 908	48 231 444
86 527	3 685	36 526	41 208	2 043 079	1 237 690	3 690 027
–	–	(8 272)	(7 813)	(61 831)	–	(142 559)
25 566	29 000	1 015 706	–	37 479	(1 322 962)	(110 136)
–	–	–	(226 749)	(319 430)	–	(546 179)
6 770 735	366 737	6 665 246	7 585 783	20 266 959	230 636	51 122 597
4 279 777	**306 365**	**5 156 378**	**7 084 858**	**17 131 772**	**–**	**39 858 189**
(5 638)	**(215 147)**	**(710 377)**	**(260 566)**	**(1 114 596)**	**–**	**(2 497 319)**
–	**–**	**–**	**–**	**–**	**–**	**–**
662 037	**22 546**	**992 955**	**426 512**	**1 615 440**	**–**	**5 309 451**
4 936 176	**113 764**	**5 438 956**	**7 250 804**	**17 632 616**	**–**	**42 670 321**
3 612 624	270 456	4 311 122	6 614 212	15 544 227	–	34 704 195
–	–	(7 774)	(5 614)	(9 128)	–	(76 317)
–	–	–	(227 376)	(205 035)	–	(432 411)
667 153	35 909	853 030	703 636	1 801 708	–	5 662 722
4 279 777	306 365	5 156 378	7 084 858	17 131 772	–	39 858 189
1 871 678	**37 826**	**2 037 553**	**88 152**	**1 907 331**	**293 700**	**8 294 858**
2 490 958	60 372	1 508 868	500 925	3 135 187	230 636	11 264 408

Notes to the financial statements continued

for the year ended 29 February 2016

3. Plant and equipment continued

Leased assets

The company leases office furniture, manufacturing structures and handling equipment under instalment sale agreements from Wesbank, a division of FirstRand Bank Limited. The leased equipment secures the lease obligations (see note 13).

Carrying value

	2016 R	2015 R
Leased		
Office furniture and equipment	**353 291**	1 443 705
Shop fittings	**473 966**	635 680
Manufacturing structures and handling equipment	**–**	2 021 941
Media televisions	**50 725**	316 189
	877 982	4 417 515

Assessment of useful lives, residual value and depreciation methods

During the year ended 29 February 2016, the group conducted a review of the estimated useful lives, residual values and depreciation methods of plant and equipment. There were no changes required.

4. Intangible assets

	Goodwill R	Trademarks R	Computer software R	Total R
GROUP				
2016				
Balance at beginning of year	**13 996 651**	**200 000**	**3 630 330**	**17 826 981**
Additions	**–**	**–**	**37 100**	**37 100**
Transfers	**–**	**–**	**172 670**	**172 670**
Balance at end of year	**13 996 651**	**200 000**	**3 840 100**	**18 036 751**
2015				
Balance at beginning of year	13 996 651	200 000	3 339 419	17 536 070
Additions	–	–	180 775	180 775
Transfers	–	–	110 136	110 136
Balance at end of year	13 996 651	200 000	3 630 330	17 826 981

4. Intangible assets continued

	Goodwill R	Trademarks R	Computer software R	Total R
GROUP				
Accumulated amortisation and impairment losses				
2016				
Balance at beginning of year	**–**	**200 000**	**3 004 066**	**3 204 066**
Amortisation for the year	**–**	**–**	**497 045**	**497 045**
Balance at end of year	**–**	**200 000**	**3 501 111**	**3 701 111**
2015				
Balance at beginning of year	–	200 000	2 442 911	2 642 911
Amortisation for the year	–	–	561 155	561 155
Balance at end of year	–	200 000	3 004 066	3 204 066
Carrying amounts				
At 29 February 2016	**13 996 651**	**–**	**338 989**	**14 335 640**
At 28 February 2015	13 996 651	–	626 264	14 622 915

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 group financial statements. The goodwill arises on consolidation in terms of reverse listing principles. Refer to note 27 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.

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

- Revenue growth year 1 – 5 ranging between 10% and 12,6%;
- Terminal growth rate of 5%;
- Cost of equity 22,90%;
- After tax cost of debt 7,38%;
- Weighted average cost of capital (WACC) 22,37%; and
- Tax rate of 28%.

Notes to the financial statements continued

for the year ended 29 February 2016

4. Intangible assets continued

The value in use valuation reflected a CGU value of R137 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 29 February 2016 even if the WACC and terminal growth rates were adjusted.

Valuation sensitivity analysis

		WACC		
		21,37%	**22,37%**	**23,37%**
	4%	141 187 976	132 499 092	124 747 537
Terminal growth rate	5%	147 211 146	**137 714 369**	129 292 845
	6%	154 018 323	143 567 011	134 361 652

	COMPANY	
	2016 R	2015 R
5. Investment in subsidiary companies		
Number of shares held		
– Verimark Proprietary Limited	**116**	116
– Verimark Singapore Private Limited	**100**	100
	%	%
Percentage holding		
– Verimark Proprietary Limited	**100**	100
– Verimark Singapore Private Limited	**100**	100

The group has no interests in unconsolidated structured entities.

The group has no contractual obligation or intention to provide support to its consolidated structured entities.

	COMPANY 2016 R	COMPANY 2015 R

5. Investment in subsidiary companies continued

	2016 R	2015 R
Verimark Proprietary Limited		
– Opening balance	**57 136 164**	78 848 620
– Impairment	**(17 141 562)**	(21 712 456)
Closing balance	**39 994 602**	57 136 164
Reconciliation of original cost		
Original cost	**283 229 623**	283 229 623
Total impairment	**(243 235 021)**	(226 093 459)
Carrying value	**39 994 602**	57 136 164
Verimark Singapore Private Limited		
– Cost of shares	**714**	714
Closing balance	**714**	714
Net investment in subsidiary companies	**39 995 316**	57 136 878

The annual impairment assessment of the investment in Verimark Proprietary Limited is based on the market price of Verimark Holdings Limited shares due to the application of reverse acquisition principles.

6. Deferred taxation asset

	GROUP 2016 R	GROUP 2015 R
Balance at beginning of year	**4 960 827**	3 636 444
Current year movement in profit or loss	**(1 655 519)**	1 324 383
Balance at end of year	**3 305 308**	4 960 827

Notes to the financial statements continued

for the year ended 29 February 2016

	Assets R	Liabilities R	Total R
6. Deferred taxation asset continued			
Deferred taxation is recognised at a rate of 28% (2015: 28%) and comprises temporary differences arising on:			
2016			
– Leave pay accrual	**730 977**	**–**	**730 977**
– Doubtful debts allowance	**134 849**	**–**	**134 849**
– Prepayments	**–**	**(129 697)**	**(129 697)**
– Lease straight-line accruals	**901 510**	**–**	**901 510**
– Depreciation/wear and tear on shop fittings	**672 958**	**–**	**672 958**
– Medical aid and provident fund accruals	**194 095**	**–**	**194 095**
– Audit fee accrual	**216 720**	**–**	**216 720**
– Bonus accrual	**189 000**	**–**	**189 000**
– Commission accrual	**394 896**	**–**	**394 896**
	3 435 005	**(129 697)**	**3 305 308**
2015			
– Leave pay accrual	849 867	–	849 867
– Doubtful debts allowance	379 017	–	379 017
– Prepayments	–	(138 952)	(138 952)
– Lease straight-line accruals	395 010	–	395 010
– Depreciation/wear and tear on shop fittings	2 398 126	–	2 398 126
– Amounts owed to staff	7 766	–	7 766
– Severance pay accrual	94 693	–	94 693
– Medical aid and provident fund accruals	196 561	–	196 561
– Audit fee accrual	259 317	–	259 317
– Bonus accrual	56 000	–	56 000
– Commission accrual	458 500	–	458 500
– Unearned inter-company profits	4 922	–	4 922
	5 099 779	(138 952)	4 960 827

	GROUP		COMPANY	
	2016 R	2015 R	**2016 R**	2015 R
6. Deferred taxation asset continued				
Unrecognised deferred taxation assets				
Deferred taxation assets have not been recognised in respect of the following:				
Taxation losses	**540 055**	4 027 148	**540 055**	4 027 148

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 taxation asset has not been recognised in respect of the estimated assessable loss of R1 928 768 (2015: R14 382 671) for the group and company.

	GROUP	
	2016 R	2015 R
7. Inventories		
Merchandise	**66 620 149**	75 335 866
Merchandise in transit	**2 966 753**	8 350 022
Impairment of inventory	**(4 005 996)**	(3 390 604)
Inventory transferred to assets held for sale	**–**	(764 075)
	65 580 906	79 531 209
Refer to note 18 for details of inventory written off during the year.		
8. Trade and other receivables		
Trade receivables	**60 408 106**	61 815 471
Sundry debtors	**(290 433)**	(115 496)
Advance payments made to foreign suppliers	**2 302 930**	2 895 480
Staff receivables	**38 861**	6 480
Franchise loans receivable	**–**	22 099
Deposits	**152 459**	199 344
Impairment of trade receivables	**(642 139)**	(104 525)
Trade and other receivables transferred to assets held for sale	**–**	(646 454)
	61 969 784	64 072 399

Security

Trade receivables have been ceded as security for banking facilities (refer to note 9).

Notes to the financial statements continued

for the year ended 29 February 2016

	GROUP 2016 R	GROUP 2015 R	COMPANY 2016 R	COMPANY 2015 R
9. Cash and cash equivalents				
Bank balances and cash on hand	**15 792 363**	1 525 254	**257 829**	258 962
Cash and cash equivalents transferred to assets held for sale	**(140 917)**	(1 081 392)	**–**	–
	15 651 446	443 862	**257 829**	258 962
Bank overdraft	**(9 929 334)**	(13 284 957)	**–**	–
	5 722 112	(12 841 095)	**257 829**	258 962

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

Company and CSEs

- None.

Verimark Proprietary Limited (legal subsidiary)

Absa Bank Limited

Security

- Cession of trade receivables.

Facility covenants

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 be at least equal to 150% of the primary lending facility utilised. These conditions have been met in the current and prior year.

Refer to note 23.4 for split between bank balances and cash on hand.

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
10. 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 (2015: 114 272 328) ordinary shares of 0,3333 cents each	**381 024**	381 024	**380 908**	380 908
6 380 870 (2015: 6 380 870) treasury shares of 0,3333 cents each held by Verimark Proprietary Limited	**(21 267)**	(21 267)	**–**	–
	359 757	359 757	**380 908**	380 908
Shares				
Number of shares at beginning of year	**114 272 328**	114 272 328	**114 272 328**	114 272 328
Treasury shares held by Verimark Proprietary Limited	**(6 380 870)**	(6 380 870)	**–**	–
Number of shares held externally at end of year	**107 891 458**	107 891 458	**114 272 328**	114 272 328
11. 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)				
– Verimark Proprietary Limited	**(5 352 138)**	(5 352 138)	**–**	–
Balance at end of year	**32 268 689**	32 268 689	**316 702 119**	316 702 119

Notes to the financial statements continued

for the year ended 29 February 2016

12. 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 was given an indirect shareholding through Verimark Proprietary Limited. This was treated as a cash settled share based payment in Verimark Proprietary Limited as Verimark Proprietary Limited did not grant its own shares to its employees. The scheme was therefore valued at each reporting date which is 28 February in Verimark Proprietary Limited. The scheme was treated as an equity settled share based payment transaction in the group.

During the year ended 28 February 2015, the share scheme was dissolved. This resulted in zero share options outstanding at 29 February 2016. As a result of the shares that have been forfeited, the share based payment reserve has been reduced to zero.

The share based payment scheme was 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	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	Five years

	GROUP	
	2016 R	2015 R
Movement in share options		
Options outstanding at beginning of year	**–**	900 000
Options granted during the year	**–**	–
Options forfeited during the year	**–**	(900 000)
Options outstanding at end of year	**–**	–

12. Share based payment reserve continued

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

	GROUP 2016 R	GROUP 2015 R
Fair value at grant date	–	1 969 811
Spot price on grant date	–	0,67
Option price	–	0,65
Spot price on valuation date	–	0,69
	%	%
Expected volatility	–	73,87
Expected dividend yield	–	5,77
Risk-free interest rate	–	7,36
Option life	–	5 years
	R	R
Reserve and expense		
Opening balance of reserve	–	468 137
Share based payment expense for the year	–	117 036
Reversal of cumulative expense in respect of forfeited shares	–	(585 173)
Closing balance of reserve	–	–

Notes to the financial statements continued

for the year ended 29 February 2016

	GROUP 2016 R	GROUP 2015 R	COMPANY 2016 R	COMPANY 2015 R
13. Interest-bearing borrowings				
Secured local loans				
Investec Bank Limited	**3 729 816**	4 073 899	**–**	–
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	**339 336**	1 181 569	**–**	–
Instalment sale agreements, bearing interest at prime less 0,25% and repayable over approximately 24 months (2015: 36 months).				
The loans are secured by the financed assets (refer to note 3).				
Van Straaten Family Trust	**–**	251 422	**–**	251 422
The loan bore interest at a variable rate of 78% of the prime interest rate.				
The loan was repaid during the year. The loan was unsecured and was repayable on demand.				
Balance at end of year	**4 069 152**	5 506 890	**–**	251 422
Less: Current portion	**(701 904)**	(1 421 595)	**–**	(251 422)
– Investec Bank Limited	**(362 568)**	(353 240)	**–**	–
– Wesbank, a division of FirstRand Bank Limited	**(339 336)**	(816 933)	**–**	–
– Van Straaten Family Trust	**–**	(251 422)	**–**	(251 422)
Long-term portion included in non-current liabilities	**3 367 248**	4 085 295	**–**	–

	COMPANY	
	2016 R	2015 R

14. Amount owing to subsidiary company

	2016 R	2015 R
Verimark Proprietary Limited	**18 689 810**	16 510 754
	18 689 810	16 510 754

The loan is unsecured, interest free and repayable on demand.

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R

15. Trade and other payables

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
Trade payables	**8 932 021**	17 662 604	**–**	–
Accruals	**4 651 799**	6 328 967	**–**	–
Payroll accruals	**4 479 029**	4 555 682	**–**	–
Value added tax	**1 297 291**	703 678	**–**	–
Commissions	**1 597 923**	1 637 500	**–**	–
Royalties and licence fees	**1 018 396**	1 039 394	**–**	–
Store opening and space rentals	**74 485**	289 236	**–**	–
Straight-line accrual	**3 219 678**	1 410 751	**–**	–
Trade and other payables linked to assets held for sale	**–**	(301 343)	**–**	–
	25 270 622	33 326 469	**–**	–

16. Revenue

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
Sale of merchandise (continuing operations)	**430 798 744**	415 373 764	**–**	–
Dividend received from subsidiary	**–**	–	**5 963 229**	–
	430 798 744	415 373 764	**5 963 229**	–

17. Other income

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
Other income (refer to note 1.3.3)	**963 671**	1 427 643	**–**	–
Youth employment tax incentive	**1 647 245**	1 046 959	**–**	–
(Loss)/profit on disposal of plant and equipment	**(163 450)**	13 536	**–**	–
Other income attributable to discontinued operation	**–**	(129 876)	**–**	–
	2 447 466	2 358 262	**–**	–

Notes to the financial statements continued

for the year ended 29 February 2016

	GROUP 2016 R	GROUP 2015 R
18. Operating profit before finance income and finance expense		
Operating profit before finance income and finance expense is arrived at after charging/(crediting):		
Amortisation of computer software (intangible assets)	**497 045**	561 155
Auditor's remuneration	**782 469**	1 059 742
– current year	**650 869**	840 000
– ANG + Co	**–**	64 142
– PWC	**–**	39 000
– NEXIA SAB-T	**131 600**	116 600
Depreciation on plant and equipment	**5 309 451**	5 662 722
Directors' emoluments for services as directors	**8 008 903**	7 352 752
Employee costs	**71 265 793**	69 483 639
Inventory adjustments and impairments	**5 005 933**	4 474 197
Operating lease charges:	**31 379 953**	28 640 291
– property	**27 729 367**	27 115 592
– motor vehicles	**1 841 659**	2 371 569
– lease straight-lining	**1 808 927**	(846 870)
Retirement benefits contributions	**4 311 866**	4 396 278
Share based payment credit	**–**	(468 137)
19. Finance income/(expense)		
Finance income		
Foreign exchange gains – realised	**1 481 337**	2 367 084
Interest income from financial assets	**303 793**	11 241
Finance income attributable to discontinued operation	**–**	(2 022)
	1 785 130	2 376 303
Finance expense		
Foreign exchange losses – realised	**(5 270 936)**	(1 935 049)
Interest expense from financial liabilities	**(1 196 371)**	(1 519 090)
Interest on loan (VSFT) – unrealised	**–**	(25 950)
	(6 467 307)	(3 480 089)
Net finance expense	**(4 682 177)**	(1 103 786)

20. Taxation expense

	GROUP 2016 R	GROUP 2015 R
South African normal taxation		
Current taxation	**2 226 834**	6 334 807
– current year expense	**3 855 840**	6 334 807
– prior year over accrual	**(1 629 006)**	–
Deferred taxation	**1 655 519**	(1 324 383)
– current year debit/(credit)	**25 924**	(1 324 383)
– prior year under accrual	**1 629 595**	–
Total income taxation	**3 882 353**	5 010 424

	%	%
Reconciliation of taxation rate		
Current year's charge as a percentage of profit before taxation	**29,5**	29,4
Non-deductible expenditure		
– write-off of intercompany loan	**5,8**	–
– donations	**0,3**	0,3
Exempt income		
– youth employment tax incentive	**(3,5)**	(1,7)
– deferred tax asset not recognised on tax losses	**(4,1)**	–
Prior year under accrual	**–**	–
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 the prior year.

Notes to the financial statements continued

for the year ended 29 February 2016

21. Discontinued operation

During the year ended 28 February 2015, the Board took the decision to discontinue the Verimark Singapore Private Limited operation. On 3 March 2015, the Board ratified the decision to discontinue the Verimark Singapore Private Limited operation and began the process of winding down the operation.

	2016 R	2015 R
Results of discontinued operation		
Revenue	**1 112 480**	2 311 919
Other income	**–**	129 876
Expenses	**(1 913 593)**	(3 178 145)
Loss from operations before tax	**(801 113)**	(736 350)
Income tax	**–**	–
Loss for the year	**(801 113)**	(736 350)
The loss from discontinued operations is attributable entirely to the owners of the company.		
Cash flows (utilised by)/generated from discontinued operation		
Net cash (utilised by)/generated from operating activities	**(1 054 243)**	144 669
Net cash generated from investing activities	**113 768**	34
Net cash generated from financing activities	**–**	–
Net cash flow for the year	**(940 475)**	144 703
Statement of financial position of discontinued operation		
Plant and equipment	**–**	113 768
Inventories	**–**	764 075
Trade and other receivables	**–**	646 454
Prepayments	**22 777**	26 512
Bank and cash balances	**140 917**	1 081 392
Assets held for sale	**163 694**	2 632 201
Trade and other payables	**–**	301 343
Liabilities directly associated with assets held for sale	**–**	301 343
Net assets classified as held for sale	**163 694**	2 330 858
Additional statement of financial position information		
Trade and other payables – inter-company	**–**	2 251 404
Amounts owing to fellow subsidiary	**–**	1 700 319
FCTR deficit	**(322 962)**	(166 122)

22. Related party transactions

22.1 Identity of related parties

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

Details of shareholders are included on P 100 and 101.

The directors of the company are Mr MJ van Straaten, Mr SR Beecroft, Mr BM Groome, Dr JT Motlatsi, Mr JM Pieterse and Mr MM Patel.

Directors' emoluments are disclosed in notes 18 and 31.

At 29 February 2016, 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	–	72 000 000	72 000 000	63,01
JM Pieterse and associates	–	1 791 525	1 791 525	1,57

Details of security provided by directors are disclosed in note 13.

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

	COMPANY 2016 R	COMPANY 2015 R
22.2 Related party transactions		
22.2.1 Amounts owing to subsidiary company		
Verimark Proprietary Limited		
Opening balance	(16 510 754)	(14 769 467)
Advances from subsidiary	(2 179 056)	(1 741 287)
Closing balance	**(18 689 810)**	(16 510 754)

Refer to note 14.

Notes to the financial statements continued

for the year ended 29 February 2016

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
22. Related party transactions continued				
22.2 Related party transactions continued				
22.2.2 Loans (from)/to related party				
Van Straaten Family Trust				
Opening balance	**(251 422)**	(351 635)	**(251 422)**	–
Interest accrued	**–**	(25 950)	**–**	–
Amounts assumed	**–**	–	**–**	(251 422)
Amount repaid	**251 422**	126 163	**251 422**	–
Closing balance	**–**	(251 422)	**–**	(251 422)
Refer to note 13.				
22.2.3 Directors and key management purchases of goods				
SR Beecroft	**465**	613	**–**	–
MJ van Straaten	**35 548**	18 678	**–**	–
	36 013	19 291	**–**	–
Sale of goods to directors is at a discount of 67% and sale of goods to key management is at a discount of 20%.				
22.2.4 Directors and key management personnel compensation				
Directors				
Short-term employee benefits	**8 008 903**	7 352 752	**682 450**	447 067
Post-employment benefits	**–**	–	**–**	–
Other long-term benefits	**–**	–	**–**	–
Termination benefits	**–**	–	**–**	–
Share based payment benefits	**–**	–	**–**	–
	8 008 903	7 352 752	**682 450**	447 067
Key management				
Short-term employee benefits	**1 621 844**	2 901 870	**–**	–
Post-employment benefits	**–**	–	**–**	–
Other long-term benefits	**–**	–	**–**	–
Termination benefits	**–**	–	**–**	–
Share based payment benefits	**–**	(468 137)	**–**	–
	1 621 844	2 433 733	**–**	–
	9 630 747	9 786 485	**682 450**	447 067

	GROUP	
	2016 R	2015 R

23. Notes to the statement of cash flows

23.1 Cash generated from operations

	2016 R	2015 R
Profit before taxation from continuing operations	**13 147 634**	17 004 437
Loss before taxation from discontinued operations	**(801 113)**	(736 350)
Adjustment for:		
– amortisation of computer software	**497 045**	561 155
– depreciation on plant and equipment	**5 309 451**	5 662 722
– loss/(profit) on disposal of plant and equipment	**163 450**	(13 536)
– finance income	**(1 785 130)**	(2 378 325)
– finance expense	**6 467 307**	3 480 089
– increase/(decrease) in inventory impairment allowance	**615 392**	(139 174)
– increase/(decrease) in straight-lining accrual	**1 808 927**	(846 870)
– foreign currency translation movement	**(156 840)**	1 428
– share based payment credit	**–**	(468 137)
– impairment of plant and equipment	**23 195**	–
	25 289 318	22 127 439
Decrease /(increase) in inventories	**13 334 911**	(13 876 390)
Decrease /(increase) in trade and other receivables	**2 102 615**	(4 490 139)
Decrease /(increase) in prepayments	**33 056**	(103 495)
(Decrease)/increase in trade and other payables	**(9 864 774)**	5 021 243
	30 895 126	8 678 658

23.2 Taxation paid

	2016 R	2015 R
Amounts prepaid/(owing) at beginning of year	**363 794**	(392 125)
Current year charges	**(2 226 834)**	(6 334 807)
Amounts owing/(prepaid) at end of year	**1 849 884**	(363 794)
	(13 156)	(7 090 726)

Notes to the financial statements continued

for the year ended 29 February 2016

	GROUP 2016 R	GROUP 2015 R	COMPANY 2016 R	COMPANY 2015 R
23. Notes to the statement of cash flows continued				
23.3 Dividend paid				
Amount owing at beginning of year	**–**	–	**–**	–
Current year charge	**(5 629 696)**	–	**(5 963 229)**	–
Amount owing at end of year	**–**	–	**–**	–
	(5 629 696)	–	**(5 963 229)**	–
23.4 Cash and cash equivalents				
Cash and cash equivalents included in the statement of cash flows comprise the following:				
Bank balances	**15 675 964**	1 340 355	**257 829**	258 962
Bank overdraft	**(9 929 334)**	(13 284 957)	**–**	–
Cash on hand	**116 399**	184 899	**–**	–
Cash and cash equivalents held for sale	**(140 917)**	(1 081 392)	**–**	–
	5 722 112	(12 841 095)	**257 829**	258 962
24. 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 6,77% and employees contribute 5%. The total value of contributions to the above schemes was	**4 311 866**	4 396 278	**–**	–

	GROUP 2016 R	GROUP 2015 R

25. Commitments

25.1 Future operating lease commitments entered into by the group

	2016 R	2015 R
Motor vehicles and office equipment		
– payable within one year	**3 962 510**	3 960 681
– payable in year two to five	**4 042 901**	5 277 453
	8 005 411	9 238 134
Property		
– payable within one year	**18 907 853**	20 390 713
– payable in year two to five	**45 715 693**	47 836 839
– payable thereafter	**19 205 255**	30 506 139
	83 828 801	98 733 691

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 head office lease is from 1 October 2012 to 30 September 2022 with a 7% escalation in the rental payment for the first five years and 6% for the remaining lease term. Verimark may terminate the lease after five years.

25.2 Future instalment sale commitments entered into by the group

	2016 R	2015 R
Office equipment		
– payable within one year	**339 336**	816 933
– payable in year two to five	**–**	364 636
	339 336	1 181 569

	Future minimum lease payments 2016 R	Interest 2016 R	Present value of minimum lease payments 2016 R	Future minimum lease payments 2015 R	Interest 2015 R	Present value of minimum lease payments 2015 R
Instalment sale liabilities						
Less than one year	**352 628**	**13 292**	**339 336**	882 614	65 681	816 933
In two to five years	**–**	**–**	**–**	376 600	11 964	364 636
Total	**352 628**	**13 292**	**339 336**	1 259 214	77 645	1 181 569

The group leases office furniture and equipment and manufacturing structures under instalment sale agreements.

Notes to the financial statements continued

for the year ended 29 February 2016

	GROUP	
	2016 R	2015 R
25. Commitments continued		
25.3 Future operating lease commitments entered into for property occupied by franchisees		
Property		
– payable within one year	**421 451**	371 650
– payable in year two to five	**71 120**	469 115
	492 571	840 765

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.

25.4 Advertising commitments

The group has an advertising commitment for the period 1 March 2016 to 1 April 2016. The minimum amount still to be expensed after the financial year end amounts to R867 730 (2015: R551 773).

25.5 Capital commitments

Capital expenditure authorised but not yet contracted for amounts to R6 730 000 (2015: R8 900 000) in respect of assets to be acquired to expand operations of the group. Included in the amount is R750 000 (2015: R750 000) in respect of intangible assets. These acquisitions will be financed through finance received from instalment sale agreements and cash generated from operations.

25.6 Guarantees

- Absa Bank Limited issued a R1 000 000 (2015: R1 000 000) guarantee in favour of Oracle Airtime Sales (DSTV) on behalf of the group.
- Absa Bank Limited issued guarantees amounting to R1 988 655 (2015: R2 574 099) in favour of various parties.

26. Financial instruments

26.1 Overview

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

- Credit risk;
- Liquidity risk; and
- 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.

26.2 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 79% (2015: 73%) of the trade receivables balance at year end. Refer to note 26.7.

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.

Bank balances

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

Notes to the financial statements continued

for the year ended 29 February 2016

26. Financial instruments continued

26.3 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 – R4 750 000
- Letters of credit – R5 000 000
- Forward exchange contract facility – R21 000 000
- Forward exchange settlement limit – R21 000 000
- Automated Clearing Bureau debits – R500 000

Date of review for all banking facilities is September 2016.

The group is currently in a cash positive position of R5,7 million (2015: net overdraft of R12,8 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. The group will continue to migrate to the use of "cash against documents" instead of "letters of credit" for foreign imports.

26.4 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.

26.4.1 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. These are maintained to facilitate easier purchases of transactions denominated in foreign currency and to limit currency risk.

26.4.2 Interest rate risk

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

26. Financial instruments continued

26.5 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.

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 9 and 13 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.

26.6 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:

	29 February 2016 R	28 February 2015 R
GROUP		
Trade and other receivables	**59 666 854**	60 977 575
Cash and cash equivalents	**15 651 446**	443 862
Interest-bearing borrowings	**(3 367 248)**	(4 085 295)
Trade and other payables	**(20 753 653)**	(33 326 469)
Current portion of interest-bearing borrowings	**(701 904)**	(1 421 595)
Bank overdraft	**(9 929 334)**	(13 284 957)
COMPANY		
Cash and cash equivalents	**257 829**	258 962
Amount owing to subsidiary company	**(18 689 810)**	(16 510 754)
Interest-bearing borrowings	**–**	(251 422)

Notes to the financial statements continued

for the year ended 29 February 2016

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
26. Financial instruments continued				
26.7 Credit risk				
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure and was:				
Trade and other receivables	**59 666 854**	60 977 575	**–**	–
Cash and cash equivalents (net of bank overdraft)	**5 722 112**	(12 841 095)	**257 829**	258 962
	65 388 966	48 136 480	**257 829**	258 962
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	**60 408 106**	61 234 446	**–**	–
Foreign – Singapore	**–**	–	**–**	–
	60 408 106	61 234 446	**–**	–
Trade receivables before impairment allowance				
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
Retailer customers	**59 292 582**	59 676 999	**–**	–
Franchisee customers	**1 115 524**	1 557 447	**–**	–
	60 408 106	61 234 446	**–**	–

The group's most significant customer, a domestic retailer, accounts for R50 681 081 (2015: R51 199 656) of the trade receivables' carrying amount at 29 February 2016. 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.

26. Financial instruments continued

26.7 Credit risk continued

	2016		2015	
	Gross R	Impairment allowance R	Gross R	Impairment allowance R
GROUP				
Impairment allowance				
The ageing of trade receivables at the reporting date was:				
Not past due	**46 528 007**	**–**	22 322 220	–
Past due 30 to 120 days	**13 572 472**	**(434 253)**	38 795 711	–
Past due more than 120 days	**307 627**	**(207 886)**	116 515	(104 525)
Total	**60 408 106**	**(642 139)**	61 234 446	(104 525)

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 was in the process of resolving. This balance includes the group's most significant customers and relates to customers that have good trade records.

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

	GROUP	
	2016 R	2015 R
Balance at beginning of year	**(104 525)**	(428 353)
Impairment allowance (raised)/reversed	**(537 614)**	323 828
Balance at end of year	**(642 139)**	(104 525)

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.

Notes to the financial statements continued

for the year ended 29 February 2016

26. Financial instruments continued

26.8 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:

	Currency	Nominal interest rate*	Year of maturity	29 February 2016 Face value R	29 February 2016 Carrying amount R	28 February 2015 Face value R	28 February 2015 Carrying amount R
GROUP							
Secured bank loans – Investec	ZAR	Prime –2%	2023	**3 729 816**	**3 729 816**	4 073 899	4 073 899
Secured bank loans – Wesbank	ZAR	Prime –0,25%	2016	**339 336**	**339 336**	1 181 569	1 181 569
Interest-bearing loan – VSFT	ZAR	78% of prime	2010	**–**	**–**	251 422	251 422
Total liabilities				**4 069 152**	**4 069 152**	5 506 890	5 506 890

* Refer to notes 3, 9 and 13 for the security provided for the bank loans.

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					
29 February 2016					
Non-derivative financial liabilities					
Secured loans	**4 069 152**	**5 369 141**	**502 548**	**502 548**	**4 364 045**
Trade and other payables	**20 753 653**	**20 753 653**	**20 753 653**	**–**	**–**
	24 822 805	**26 122 794**	**21 256 201**	**502 548**	**4 364 045**
28 February 2015					
Non-derivative financial liabilities					
Secured loans	5 506 890	6 910 996	1 007 495	756 073	5 147 428
Trade and other payables	33 326 469	33 326 469	33 326 469	–	–
	38 833 359	40 237 465	34 333 964	756 073	5 147 428

26. Financial instruments continued

26.8 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					
29 February 2016					
Non-derivative financial liabilities					
Amount owing to subsidiary company	**18 689 810**	**18 689 810**	**18 689 810**	**–**	**–**
	18 689 810	**18 689 810**	**18 689 810**	**–**	**–**
28 February 2015					
Non-derivative financial liabilities					
Interest-bearing borrowings	251 422	251 422	–	251 422	–
Amount owing to subsidiary company	16 510 754	16 510 754	–	16 510 754	–
	16 762 176	16 762 176	–	16 762 176	–

Fair value hierarchy

The group had no financial instruments carried at fair value, by valuation method, at 29 February 2016.

Notes to the financial statements continued

for the year ended 29 February 2016

26. Financial instruments continued

26.9 Market risk

26.9.1 Currency risk

Exposure to currency risk

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

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Bank and cash balances	**(738 223)**	(3 241 238)	**–**	–
Foreign trade and other payables	**(1 311 343)**	(4 181 283)	**–**	–
Gross exposure at year end	**(2 049 566)**	(7 422 521)	**–**	–
Forward exchange contracts for future purchases	**–**	–	**–**	–

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2016 R	2015 R	2016 R	2015 R
GROUP				
US Dollar	**13,49**	10,96	**16,14**	11,58
Singapore Dollar	**9,71**	8,55	**11,39**	8,52

26. Financial instruments (continued)

26.9 Market risk (continued)

26.9.1 Currency risk (continued)

Sensitivity analysis

A 10% strengthening/weakening of the South African Rand (ZAR) against the currencies noted above at 29 February 2016 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 2015.

	Profit/loss and equity R
GROUP	
29 February 2016	
Rand effect	**147 569**
28 February 2015	
Rand effect	249 828

26.9.2 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	
	2016 R	2015 R	**2016 R**	2015 R
Variable rate instruments				
Financial assets	**15 535 047**	258 963	**257 829**	258 962
Financial liabilities	**(13 998 486)**	(18 791 847)	**–**	–
	1 536 561	(18 532 884)	**257 829**	258 962

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.

Notes to the financial statements continued

for the year ended 29 February 2016

26. Financial instruments continued

26.9 Market risk continued

26.9.2 Interest rate risk continued

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) 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 2015

	Profit or loss		Equity	
	100 bp increase R	100 bp decrease R	100 bp increase R	100 bp decrease R
GROUP				
29 February 2016				
Variable rate instruments	**15 365**	**(15 365)**	**11 063**	**(11 063)**
Cash flow sensitivity (net)	**15 365**	**(15 365)**	**11 063**	**(11 063)**
28 February 2015				
Variable rate instruments	(164 389)	164 389	(118 360)	118 360
Cash flow sensitivity (net)	(164 389)	164 389	(118 360)	118 360

26.10 Capital management

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

	GROUP		COMPANY	
	2016 R	2015 R	2016 R	2015 R
Total liabilities	**41 142 541**	52 553 662	**18 689 810**	16 762 176
Less: Cash and cash equivalents	**(15 651 446)**	(443 862)	**(257 829)**	(258 962)
	25 491 095	52 109 800	**18 431 981**	16 503 214
Total equity	**128 645 846**	125 968 214	**21 563 335**	40 633 664
Adjusted debt to capital ratio	**0,20**	0,41	**0,85**	0,41

Refer to note 26.5 for details on how the group manages its capital.

27. 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.

28. Segmental information

During a prior 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 (discontinued) R	Group elimination R	Total R
For the year ended 29 February 2016				
Revenue	**430 798 744**	**1 112 480**	**–**	**431 911 224**
Profit before tax	**13 147 634**	**1 941 399**	**(2 742 512)**	**12 346 521**
Profit for the year	**9 265 281**	**1 941 399**	**(2 742 512)**	**8 464 168**
Segment assets	**169 624 693**	**163 694**	**–**	**169 788 387**
Segment liabilities	**(41 142 541)**	**–**	**–**	**(41 142 541)**
For the year ended 28 February 2015				
Revenue	415 696 808	2 311 919	(323 044)	417 685 683
Profit/(loss) before tax	17 022 017	(736 350)	(17 580)	16 268 087
Profit/(loss) for the year	12 006 671	(736 350)	(12 658)	11 257 663
Segment assets	175 876 545	2 662 911	(17 580)	178 521 876
Segment liabilities	(52 252 319)	(4 253 066)	3 951 723	(52 553 662)

Notes to the financial statements continued

for the year ended 29 February 2016

28. Segmental information continued

The group has assessed external customers and determined that a customer in the retail sector which constitutes 79% (2015: 73%) 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;
- Health and fitness – Maxxus, Orbitrek, V-ssage;
- DIY and automotive – Diamond Guard, Prolong, Durablade, Pool Gobbler;
- Educational and fun toys – i-Play; and
- Beauty – Perfect Curl, Pink Armor, Genie Bra.

These products are distributed countrywide to all customers with no geographical differentiation. Refer to note 26.7 for further details and information on the group's major customers.

29. Earnings per share

The calculation of basic earnings per share is based on profit after taxation of R8 464 168 (2015: R11 257 663) attributable to the ordinary shareholders and a weighted average of 107 891 458 (2015: 107 891 458) ordinary shares in issue during the year.

The calculation of headline earnings is based on the net profit attributable to ordinary shareholders of R8 581 852 (2015: R11 247 917) and a weighted average of 107 891 458 (2015: 107 891 458) ordinary shares in issue during the year.

	GROUP	
	2016 R	2015 R
Profit per statement of comprehensive income	**8 464 168**	11 257 663
Adjustments:		
Loss/(profit) on disposal of plant and equipment	**163 450**	(13 536)
Tax effect	**(45 766)**	3 790
Headline earnings	**8 581 852**	11 247 917
Weighted average shares reconciliation		
Number of shares at beginning of year	**114 272 328**	114 272 328
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	**107 891 458**	107 891 458
Diluted weighted average shares	**107 891 458**	107 891 458
Basic earnings per share	**7,8**	10,4
Headline earnings per share	**8,0**	10,4
Diluted basic earnings per share	**7,8**	10,4
Diluted headline earnings per share	**8,0**	10,4

30. Standards and interpretations not yet effective

At the date of authorisation of the financial statements of the group for the year ended 29 February 2016, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	Effective date
IFRS 14	Regulatory Deferral Accounts	Annual periods beginning on or after 1 January 2016*
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Annual periods beginning on or after 1 January 2016*
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	Annual periods beginning on or after 1 January 2016*
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018*
IAS 16 and IAS 41	Agriculture: Bearer Plants	Annual periods beginning on or after 1 January 2016*
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2018*
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Annual periods beginning on or after 1 January 2016*
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	Annual periods beginning on or after 1 January 2016*
IAS 1	Disclosure Initiative	Annual periods beginning on or after 1 January 2016*
IFRS 16	Leases	Annual periods beginning on or after 1 January 2019*

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

IFRS 14, IFRS 11, IAS 16 and IAS 41, IFRS 10 and IAS 28, IFRS 10,12 and IAS 28 are not applicable to the business of the group and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The company currently uses the straight-line method as it is considered the most appropriate method of depreciation and amortisation. The amendment will therefore have no impact on the financial statements of the group.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

Notes to the financial statements continued

for the year ended 29 February 2016

30. Standards and interpretations not yet effective continued

IFRS 15 Revenue from Contracts with Customers

This Standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The Standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new Standard will most likely not have a significant impact on the group. The group is currently in the process of performing a more detailed assessment of the impact of this Standard on the group and will provide more information in the year ending 28 February 2017 financial statements.

The Standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This Standard will include changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the group.

The Standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The impact on the financial statements of the group is not expected to be significant.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

Leases (IFRS 16)

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The Standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the group also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The group is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

31. Directors' emoluments

	Basic salary R	Allowances and other benefits R	Incentive bonuses R	Pension and medical aid contributions R	Total R
GROUP					
29 February 2016					
Executive directors paid by subsidiary					
MJ van Straaten+	**4 491 331**	**155 548**	**–**	**703 848**	**5 350 727**
SR Beecroft+	**1 650 537**	**465**	**–**	**324 724**	**1 975 726**
	6 141 868	**156 013**	**–**	**1 028 572**	**7 326 453**
Non-executive directors paid by company					
JM Pieterse	**288 500**	**–**	**–**	**–**	**288 500**
JT Motlatsi	**101 250**	**–**	**–**	**–**	**101 250**
MM Patel	**292 700**	**–**	**–**	**–**	**292 700**
	682 450	**–**	**–**	**–**	**682 450**
Total	**6 824 318**	**156 013**	**–**	**1 028 572**	**8 008 903**
28 February 2015					
Executive directors paid by subsidiary					
MJ van Straaten+	4 241 449	153 189	–	648 047	5 042 685
SR Beecroft+	1 560 341	1 292	–	301 367	1 863 000
	5 801 790	154 481	–	949 414	6 905 685
Non-executive directors paid by company					
JM Pieterse	136 950	–	–	–	136 950
JT Motlatsi	145 100	1 967	–	–	147 067
MM Patel	163 050	–	–	–	163 050
	445 100	1 967	–	–	447 067
Total	6 246 890	156 448	–	949 414	7 352 752

+ Director of the subsidiary Verimark Proprietary Limited and Verimark Holdings Limited.

There are no prescribed officers in the company.

Refer to note 22.2.3 for additional disclosure on transactions with directors.

Notes to the financial statements continued

for the year ended 29 February 2016

31. Directors' emoluments continued

	Salary R	Other benefits and allowances R	Pension and medical aid R	Total R
Key management paid by subsidiary				
2016				
D Rabie	**631 350**	**110 619**	**75 783**	**817 752**
N du Plessis	**458 297**	**5 904**	**57 809**	**522 010**
W Els	**252 069**	**–**	**30 013**	**282 082**
	1 341 716	**116 523**	**163 605**	**1 621 844**
2015				
T Bezuidenhout	342 278	75 731	79 615	497 624
M Lamers	284 236	–	70 673	354 909
D Rabie	550 446	104 787	111 114	766 347
C Hoadley	475 745	109 838	144 122	729 705
N du Plessis	434 292	–	118 993	553 285
Total	2 086 997	290 356	524 517	2 901 870

32. 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.

33. 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.

34. Dividends

The Board declared and approved a final dividend of R4 232 084 or 3,7 cents per share in relation to the 29 February 2016 results (2015: 5,2 cents per share) on 20 May 2016.

This is in line with the dividend policy of 50% of profit attributable to owners of the company being distributed.

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

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Shareholder spread

as at 29 February 2016

	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
Public shareholders				
Individuals	762	88,91	16 712 527	14,63
Collective investment schemes	4	0,47	8 570 602	7,50
Investment trusts and pension funds	42	4,90	4 999 113	4,37
Companies and other corporates	36	4,20	3 788 663	3,32
Banks and nominees	8	0,93	29 028	0,03
Non-public shareholders				
Directors	4	0,47	73 791 525	64,57
Treasury	1	0,12	6 380 870	5,58
Total	**857**	**100,00**	**114 272 328**	**100,00**

Size of shareholding

Public shareholders				
1 – 1 000	312	36,41	125 351	0,11
1 001 – 10 000	333	38,86	1 501 996	1,31
10 001 – 100 000	168	19,60	5 269 637	4,61
100 001 – 1 000 000	32	3,73	9 294 312	8,13
1 000 001 and over	7	0,82	17 908 637	15,67
Non-public shareholders				
1 – 1 000	–	0,00	–	0,00
1 001 – 10 000	–	0,00	–	0,00
10 001 – 100 000	–	0,00	–	0,00
100 001 – 1 000 000	–	0,00	–	0,00
1 000 001 and over	5	0,58	80 172 395	70,16
Total	**857**	**100,00**	**114 272 328**	**100,00**

	Number of shares	% of in issue
Beneficial shareholders holding 5% or more of the issued share capital		
The Van Straaten Family Trust	64 000 000	56,01
Prime Rentals CC	8 000 000	7,00
Verimark Proprietary Limited	6 380 870	5,58
Total	**78 380 870**	**68,59**

	Number of share-holdings	% of share-holding	Number of shares	% of shares in issue
Geographical holdings by owner				
South Africa	851	99,30	109 655 394	95,96
Mauritius	1	0,12	3 699 124	3,24
Namibia	3	0,34	893 160	0,78
Belgium	1	0,12	15 400	0,01
Greece	1	0,12	9 250	0,01
Total	**857**	**100,00**	**114 272 328**	**100,00**

Share price performance

Opening price 2 March 2015	R0,50
Closing price 29 February 2016	R0,35
Closing high for the period	R0,64
Closing low for the period	R0,30

Total number of shareholdings	**857**
Total number of shares in issue	**114 272 328**
Volume traded during period	**6 783 320**
Ratio of volume traded to shares issued (%)	**5,94**
Rand value of shares traded during period	**R2 996 955,34**
Total number of deals	**319**
P/E ratio	**3,33**

Notice of annual general meeting

Verimark Holdings Limited

Incorporated in the Republic of South Africa
Registration number: 1998/006957/06
JSE share code: VMK
ISIN number: ZAE000068011
(Verimark or the company)

Important information regarding attendance at the annual general meeting.

The following definitions are used in this notice and the enclosed proxy form:

Defined term	Has the following meaning
Act	Companies Act 71 of 2008, as amended
Board	Board of Directors of the company
Company	Verimark Holdings Limited
CSDP	Central Securities Depository Participant
Group	Verimark and its subsidiaries
JSE	JSE Limited
MOI	Memorandum of Incorporation
Verimark	Verimark Holdings Limited

Notice is hereby given in terms of the Act that the annual general meeting of the company will be held at Verimark, 50 Clairwood Avenue, Hoogland Ext 55, Randburg, South Africa 2194 on Thursday, 4 August 2016 at 10:00.

Record date of meeting, attendance and voting

The record date on which an individual must be registered as a shareholder in the company's register for purposes of being entitled to attend, participate in and vote at the meeting is Friday, 29 July 2016 ("meeting record date"). Therefore the last day to trade to be registered as a shareholder in the company's register is Friday, 22 July 2016. Votes at the annual general meeting will be by way of a poll and not on a show of hands.

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

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your CSDP or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the 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.

Electronic participation

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

- must contact the Company Secretary (by email at the address sw@premcorp.co.za) by no later than 10:00 on Tuesday, 2 August 2016 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.

Attendance and representation at the annual general meeting

In accordance with the mandate between you and your CSDP/broker, you must advise your CSDP/broker of your intention to attend the annual general meeting in person, or if you wish to send a proxy to represent you at the annual general meeting, your CSDP/broker will issue the necessary letter of representation to you or your proxy to attend the annual general meeting.

If you are a registered shareholder as at the meeting record date, you may attend the meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the 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 therein.

The form appointing a proxy and the authority (if any) under which it is signed, must reach the transfer secretaries (Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001 or PO Box 61051, Marshalltown 2107) by no later than 10:00 on Tuesday, 2 August 2016. A proxy form is enclosed with this notice. The proxy form may also be obtained from the Company Secretary and the registered office of the company.

Identification

All participants at the meeting will be required to provide identification reasonably satisfactory to the Chairman of the meeting before any person may attend or participate in the annual general meeting. Forms of identification include the presentation of a valid identity document, driver's licence or passport.

Notice of percentage of voting rights

In order for an Ordinary Resolution and a Special Resolution to be approved by shareholders, it must be supported by more than 50% (fifty percent) and 75% (seventy five percent), respectively, of the voting rights exercised on the Resolution by shareholders present or represented by proxy at the meeting.

Directions for obtaining a copy of the complete annual financial statements

The complete annual financial statements for the year ended 29 February 2016 may be obtained from www.verimark.co.za or a request may be sent to the Company Secretary (by email at the address sw@premcorp.co.za).

Purpose of the annual general meeting

The purpose of this annual general meeting is to:

- present the consolidated annual financial statements of the company and its subsidiaries;
- present the directors' report;
- present the audited annual financial statements of the group for the year ended 29 February 2016;
- present the Audit 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 which form part of this notice of annual general meeting.

1. Ordinary Resolution number 1: Annual financial statements

To consider and accept the annual financial statements of the company and the group for the twelve (12) months ended 29 February 2016 and the reports of the directors, the auditor and the Audit Committee.

A copy of the complete annual financial statements of the company can be obtained from www.verimark.co.za or on request during normal business hours at Verimark's registered address.

2. Ordinary Resolution number 2: Re-appointment of auditors

To resolve, as an Ordinary Resolution, and on recommendation by the Audit Committee, that KPMG Inc. be appointed as the independent registered auditor of the company, and that Mr Jacques Wessels be noted as the individual determined by KPMG Inc to be responsible for performing the functions of the auditor and who will undertake the audit of the company for the ensuing year.

3. Ordinary Resolution number 3: Re-election of Mr MM Patel

To elect, as an Ordinary Resolution, Mr MM Patel, who retires by rotation, being eligible, offers himself for re-election as a director of the company.

The Board unanimously recommends the re-election of Mr MM Patel, whose abridged curriculum vitae appears in the integrated annual report, in terms of Ordinary Resolution number 3.

4. Ordinary Resolution number 4: Confirmation of Mr BM Groome's appointment

To resolve, as an Ordinary Resolution, that Mr BM Groome, who was appointed by the Board as an executive director and Acting Financial Director with effect from 23 March 2016, be appointed as a director of the company.

The Board unanimously recommends the appointment of Mr BM Groome, whose abridged curriculum vitae appears in the integrated annual report, in terms of Ordinary Resolution number 4.

Notice of annual general meeting continued

5. Ordinary Resolution number 5: Election of Mr JM Pieterse as Audit Committee member

To resolve, as an Ordinary Resolution, that Mr JM Pieterse be appointed as a member of the Audit Committee, from the conclusion of the annual general meeting at which this resolution is passed until the conclusion of the next annual general meeting of the company.

The Board is satisfied that the Mr JM Pieterse, whose abridged curriculum vitae appears in the integrated annual report, is a suitably skilled and experienced independent non-executive director and has the appropriate experience and qualifications to fulfil his Audit Committee obligations as set out in section 95 of the Act.

6. Ordinary Resolution number 6: Election of Dr JT Motlatsi as Audit Committee member

To resolve, as an Ordinary Resolution, that Dr JT Motlatsi be appointed as a member of the Audit Committee, from the conclusion of the annual general meeting at which this Resolution is passed until the conclusion of the next annual general meeting of the company

The Board is satisfied that the Dr JT Motlatsi, whose abridged curriculum vitae appears in the integrated annual report, is a suitably skilled and experienced independent non-executive director and has the appropriate experience and qualifications to fulfil his Audit Committee obligations as set out in section 95 of the Act.

7. Ordinary Resolution number 7: Election of Mr MM Patel as Audit Committee member

To resolve, as an Ordinary Resolution, that Mr MM Patel be appointed as a member of the Audit Committee, from the conclusion of the annual general meeting at which this Resolution is passed until the conclusion of the next annual general meeting of the company.

The Board is satisfied that the Mr MM Patel, whose abridged curriculum vitae appears in the integrated annual report, is a suitably skilled and experienced independent non-executive director and has the appropriate experience and qualifications to fulfil his Audit Committee obligations as set out in section 95 of the Act.

8. Ordinary Resolution number 8: General authority to issue shares and to sell treasury shares, for cash

To resolve, as an Ordinary Resolution, that the directors of the company and/or any of its subsidiaries, be and are hereby authorised, from time to time, by way of a general authority, to:

- allot and issue 7 140 850 shares or options (which number represents up to 15% (fifteen percent) of the company's equity shares at the date of this notice) 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, 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;
  - 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 5 for it to be approved, excluding the Designated Adviser and the controlling shareholders together with their associates.

9. Ordinary Resolution number 9: Non-binding advisory endorsement: Remuneration policy

To endorse, as an Ordinary Resolution, that the company's remuneration policy (excluding the non-executive directors), as set out on P 97 in the integrated annual report, by way of a non-binding advisory vote in terms of the King Report on Corporate Governance for South Africa 2009.

10. Special Resolution numbers 1 to 14: Non-executive directors' fees

To resolve, by way of separate Special Resolutions, that the annual fees payable to the non-executive directors of the company with effect from the date of this annual general meeting and until otherwise determined by the company in general meeting be approved on the basis set out below.

Board function	Per meeting attended R
1. Board Chairman	30 055
2. Board member	11 300
3. Audit Committee Chairman	23 050
4. Audit Committee member	8 200
5. Risk Committee Chairman	23 050
6. Risk Committee member	8 200
7. Remuneration and Nomination Committee Chairman	23 050

Board function	Per meeting attended R
8. Remuneration and Nomination Committee member	8 200
9. Social, Ethics and Transformation Committee Chairman	23 050
10. Social, Ethics and Transformation Committee member	8 200
11. Any ad hoc Board Committee Chairman	23 050
12. Any ad hoc Board Committee member	8 200
13. Annual general meeting Chairman	30 550
14. Annual general meeting member	11 300

Reason for and effect of these Special Resolutions

The approval of the remuneration of the non-executive directors was based on a 5,5% increase from the previous year. The reason for and effect of Special Resolutions numbers 1 to 14 is to grant the company the authority to pay remuneration to its non-executive directors for their services as directors.

11. Special Resolution number 15: Financial assistance to related or inter-related company

To resolve, by way of a Special Resolution, that the Board may authorise the company (for a period of two years from the date on which this Resolution is passed) to generally provide any direct or indirect financial assistance in the manner contemplated in and subject to the provisions of sections 44 and 45 of the Act to a related or inter-related company or corporation or to a member of a related or inter-related corporation, pursuant to the authority hereby conferred upon the Board for these purposes.

Reason for and effect of this Special Resolution

The reason for this Special Resolution is that, from time to time, the company may be required to provide financial assistance to subsidiaries and other related companies within the group. The effect of this Special Resolution is that the company will be authorised to provide financial assistance to subsidiaries and other related parties within the group.

Notice of annual general meeting continued

12. Special Resolution number 16: Acquisition of own shares

To resolve, by way of a Special Resolution, that the Board may mandate 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 and in such amounts as the directors may from time to time decide, but subject to the company's MOI, the provisions of the Act and the Listings Requirements of JSE 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 share 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.

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 (twelve) 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 (twelve) 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 (twelve) 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 (twelve) months after the date of this notice.

Reason for and effect of this Special Resolution

The reason for this Special Resolution is to grant the company a general authority in terms of the Act and the JSE Listings Requirements 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.

Information required by the JSE Listings Requirements

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 annual financial statements to which this notice of general meeting is annexed, as indicated below:

Major shareholders	P 101
Share capital	P 69
Responsibility statement	P 39
Material changes	P 98

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 (twelve) 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 confirms that the company will not enter into a transaction to distribute capital and reserves in terms of Ordinary Resolution number 8 or to repurchase shares in terms of Special Resolutions numbers 15 and 16 unless:

- the 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 (twelve) months after the date of that distribution or repurchase;
- the 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 (twelve) months after the date of that distribution or repurchase;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of that distribution or repurchase; and
- the working capital available to the company and the group will be adequate for the ordinary business purposes for a period of 12 (twelve) months after the date of that distribution or repurchase.

The directors of the company hereby state that:

- the 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
- the 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.

13. Ordinary Resolution number 10: Authority to implement Resolutions passed at the annual general meeting

To resolve, as and Ordinary Resolution, 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.

By order of the Board

Premium Corporate Consulting Services Proprietary Limited
Company Secretary

20 May 2016

Shareholders' diary

Financial year-end	28/29 February
Announcement of annual results	23 May 2016
Annual general meeting	4 August 2016
Announcement of interim results	13 October 2016

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)*
BM Groome *(Acting Financial Director appointed on 23 March 2016)*
JM Pieterse*
MM Patel*
*Independent non-executive

Company Secretary
Premium Corporate Consulting Services Proprietary Limited
(Registration number 2003/09512/07)
33 Kingfisher Drive
Fourways 2191
PO Box 2424, Fourways 2055

Registered office
50 Clairwood Avenue,
Hoogland Ext 55
Randburg 2194
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
70 Marshall Street, Johannesburg
PO Box 61051, Marshalltown 2107
Tel. No: 0861 100 950
Fax No: (011) 688-5217
E-mail: web.queries@computershare.co.za

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

Sponsor
Grindrod Bank Limited
4th Floor, Grindrod Tower
8A Protea Place, Sandton
PO Box 78011, Sandton 2146

Form of proxy

Verimark Holdings Limited

Incorporated in the Republic of South Africa
Registration number: 1998/006957/06
JSE share code: VMK
ISIN number: ZAE000068011
(Verimark or the company)

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, Hoogland Ext 55, Randburg South Africa 2194 on Thursday, 4 August 2016 at 10:00. 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) ______________

being the registered owner/s of [______________] ordinary shares in the company hereby appoint ______________________________

or failing him/her ______________________________

or failing him/her, ______________________________

the chairman of the annual general meeting, as my/our proxy to vote or abstain and 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 – Annual financial statements			
Ordinary Resolution number 2 – Re-appointment of auditors			
Ordinary Resolution number 3 – Re-election of Mr MM Patel			
Ordinary Resolution number 4 – Appointment of Mr BM Groome			
Ordinary Resolution number 5 – Election of Mr JM Pieterse as member of the Audit Committee			
Ordinary Resolution number 6 – Election of Dr JT Motlatsi as member of the Audit Committee			
Ordinary Resolution number 7 – Election of Mr MM Patel as member of the Audit Committee			
Ordinary Resolution number 8 – General authority to issue shares and to sell treasury shares for cash			
Ordinary Resolution number 9 – Non-binding advisory endorsement			

Form of proxy continued

	Number of votes		
	For	Against	Abstain
Special Resolution numbers 1 to 14 – Approval of non-executive directors' attendance fees			
1. Board Chairman			
2. Board member			
3. Audit Committee Chairman			
4. Audit Committee member			
5. Risk Committee Chairman			
6. Risk Committee member			
7. Remuneration and Nomination Committee Chairman			
8. Remuneration and Nomination Committee member			
9. Social, Ethics and Transformation Committee Chairman			
10. Social, Ethics and Transformation Committee member			
11. Any ad hoc Board Committee Chairman			
12. Any ad hoc Board Committee member			
13. Annual general meeting Chairman			
14. Annual general meeting member			
Special Resolution number 15 – Financial assistance			
Special Resolution number 16 – Acquisition of own shares			
Ordinary Resolution number 10 – Authority to implement Resolutions			

Signed this day of 2016

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 10:00 on Tuesday, 2 August 2016. 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.

Notes to the form of proxy continued

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 10:00 on Tuesday, 2 August 2016; 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 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 10:00 on Tuesday, 2 August 2016. 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)

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- One year quality guarantee

VERIMARK
HOLDINGS LIMITED

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50 Clairwood Avenue, Hoogland Ext 55
Randburg 2194

www.verimark.co.za