INTEGRATED ANNUAL REPORT 2017

for the year ended 28 February

VERIMARK HOLDINGS LIMITED

Contents

HIGH QUALITY BRAND

HEALTHY LIVING

About this report: Verimark's integrated report covers the group's South African and international operations for the period from 1 March 2016 to 28 February 2017. As a group we aim to provide our shareholders and the broader investment community with accurate, balanced and transparent reporting to enable them to take 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 and ownerships other than the liquidation and deregistration of Singapore, VEET and Selcovest.

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 Administration on P page 110).

The content of this report has been reviewed by the directors, but has not been externally assured. Assurance of the annual financial statements and abridged financial statements has been provided by the external auditor, KPMG Inc.

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 Listing 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.

Responsibility: The Audit 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 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 18 May 2017 and has been signed on their behalf by the Chairman, Mr MM Patel 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 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.

OUR TALENT POOL

Management creates value and generates a return on investment for our business. To further accelerate our 40 year growth and success as the market leader, Verimark is continuously searching for the best talent to complement our management team.

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 MISSION

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

OUR VISION

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

OUR PASSION

- To search the world for, and develop, the best product innovations that enhance the lifestyles of our customers.
- To provide our customers with the best possible service.
- To provide our shareholders with excellent returns on their investment.

About Verimark

Verimark has, over its **successful** 40 year history, developed a number of **trusted brands** that appear in most households in South Africa. Trusted brands such as, Bauer, Bastille, Genesis, Floorwiz and Shogun are a few examples of these familiar names to our consumers.

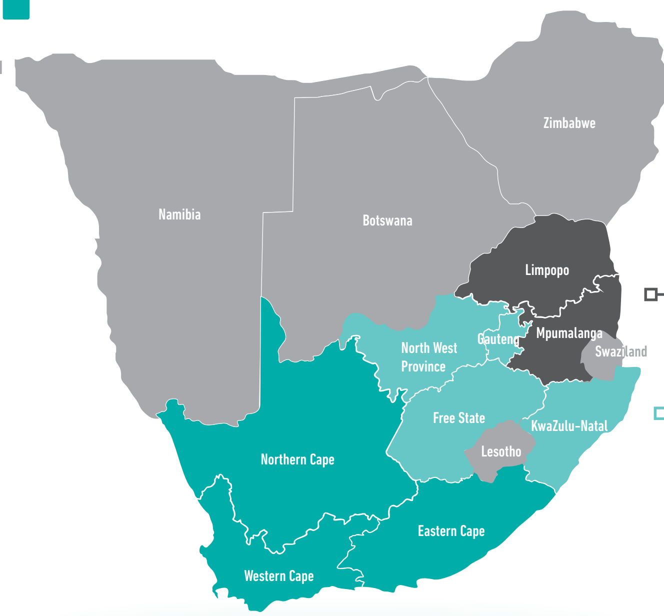
Verimark continues to create value by increasing new customer sales through innovation and maintaining Verimark customers through customer service.

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 77 **Verimark Direct** outlets, but also to in excess of 1 400 individual stores of our major retail customers such as Game, Makro, Checkers, Pick n Pay, Builders Warehouse, Spar 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. Sub-warehouses are also based in Durban and Cape Town to assist with efficient distribution.
- Consumer satisfaction is ensured through an extensive **Verimark** warranty, money-back guarantees and after sales customer service via our nationwide **Verimark** approved service centres.

ENJOYING SUCCESS SPANNING OVER
40 YEARS

Our operational footprint



INTERNATIONAL

NAMIBIA	
Verimark Direct:	1
Retail customers:	3
BOTSWANA	
Verimark Direct:	0
Retail customers:	7
SWAZILAND	
Verimark Direct:	1
Retail customers:	4
LESOTHO	
Verimark Direct:	0
Retail customers:	1
ZIMBABWE	
Verimark Direct:	1
Retail customers:	1

RSA NORTH REGION

LIMPOPO	
Verimark Direct:	1
Retail customers:	36
MPUMALANGA	
Verimark Direct:	4
Retail customers:	45

RSA CENTRAL REGION

GAUTENG	
Verimark Direct:	37
Retail customers:	654
KWAZULU-NATAL	
Verimark Direct:	9
Retail customers:	191
NORTH WEST	
Verimark Direct:	0
Retail customers:	37
ORANGE FREE STATE	
Verimark Direct:	0
Retail customers:	49

RSA CAPE REGION

NORTHERN CAPE	
Verimark Direct:	3
Retail customers:	17
EASTERN CAPE	
Verimark Direct:	4
Retail customers:	136
WESTERN CAPE	
Verimark Direct:	16
Retail customers:	220

VERIMARK DIRECT
77
STORES

RETAIL PARTNER STORES
1 401

HOUSEWARE	COOKWARE	CLEANING	DIY	TOYS	HEALTH & BEAUTY	EXERCISE & FITNESS
SHOGUN	BAUER PRO	GENESIS	GORILLA	I-PLAY	SSAGE	MAXXUS
TOBI	bastille	MICROWIZ			Pink Armor	OrbiTrek
TWISTA		FLOORWIZ			DR-HO'S	WONDER Core
		HAUSMEISTER			Jean Robère	
					miss belt	

40 years and forward

When Verimark opened its doors for the first time in 1977, it was with a staff of two people, a capital base of R5 000 and a dream of building a company that would bring the best innovations to the South African consumer.

Today, 40 years later, we look back and we are proud that we have lived our dream, in fact we believe we have excelled well beyond it! We not only employ around 1 200 people, but the Verimark brand has become one of the most recognised and trusted brands in Southern Africa and in many other parts of the world.

Verimark today is also rated the market leader on the African continent. This is no surprise, given the company's rare ability to continuously bring more unique, innovative, and top quality products to the ever-increasing millions of consumers that aspire to the ultimate lifestyle. While many companies claim to deliver "quality and service", Verimark's genuine pursuit of "only the very best" has clearly differentiated the company from the rest.

Our product range covers Housewares, Health and Fitness, DIY, Automotive, Beauty and Educational Toys.

1977
Verimark opened its doors

1977
Chosen as a finalist in the "SA Best Entrepreneur" award (sponsored by Ernst and Young and Absa Bank) – for the second time!

1999
Twice a finalist in "SA Non-Listed Company of the Year" award (sponsored by Arthur Andersen, *Business Day* and Wits Business School). Verimark was the runner-up in the last competition!

2000
Voted "Role Model for the New Millennium" by a Business Chamber of Commerce

Selected as one of South Africa's "Leading Managers for 2004" by Corporate Research Foundation, sponsored by *Business Report*

Twice voted one of South Africa's top 300 companies by the Department of Trade and Industry (DTI)

Selected by *Entrepreneur*, the world's best selling entrepreneurship magazine, as a role model for entrepreneurs. Only 12 individuals are selected annually

2004

2005

Listed on the Johannesburg Stock Exchange (JSE), main board, in July 2005

2010

The Verimark share was rated the 4th best performing share on the JSE in 2010 *(Business Times)*

2012

Verimark was ranked 27th in the top 50 advertisers comparing all advertising mediums in SA for the period January – December 2012

2013

Verimark is today ranked as the largest buyer of TV airtime compared to any other DRTV company in South Africa

For the period January – August 2013 Verimark ranked 32nd in the top 50 advertisers (as listed in the *Financial Mail* annual report sourced from AC Nielsen)

2016

Reactivated international trade, exhibiting at four international shows. Interview by ERA for the business talk of the month, as business leaders for DRTV

2017

40 years in business

RETAIL PARTNER STORES

1 401 OUTLETS

Verimark not only pioneered the concept of a "store within a store" but we are today rated as one of the largest suppliers to the many chain stores with whom we work.

COMPANY OWNED AND FRANCHISE STORES

77 FRANCHISES

"As Seen on TV" Verimark stores, an achievement no other international DRTV company can match!

> Although we are proud of our past successes and achievements, we are more excited about the challenge the future holds.

Featured products

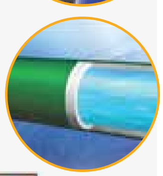
EXPANDABLE GARDEN HOSE! NO KINKS, NO TANGLES...

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!

Features:

- Expands 3 times the original length when water runs through it
- Compact
- Durable and strong
- Lightweight
- Automatically retracts to original size when water is shut off
- Available in 3 sizes: 7m; 15m and 23m
- 1 year guarantee



GENESIS MULTI VORTEX VACUUM

The vacuum that cleans better and faster with its patented Multi-Vortex system!

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.

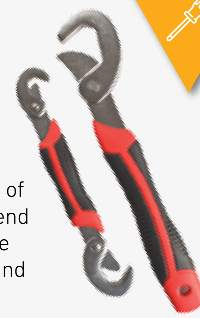
The most important part of a vacuum's cleaning performance is suction power and the vacuum's ability to effectively maintain that suction power will depend on the effectiveness of its filtration system. Genesis utilises a new patented, multi-stage, bagless Vortex system that effectively filters dust 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.

GORILLA SPANNER

The ultimate 'Sure Grip' spanner system that automatically adjusts to any size nut or bolt!

The Gorilla works on all sizing standards – imperial, metric and American standards. It is the perfect versatile spanner for that unexpected breakdown. The front end of this spanner takes care of all sizes from nine to fourteen millimetres, while the opposite end deals with nuts from fifteen to twenty two millimetres and the powerful 'lock-tight' Jumbo spanner takes care of all nuts and bolts from twenty-three to thirty two millimetres in size.



5-IN-1 BAUER KITCHEN GUARD!

The smart kitchen tool that replaces many items in the kitchen

The Kitchen Guard is uniquely designed to be used with most cookware, across a range of sizes, from small to large. This versatile piece of kitchenware can be used as a splatter guard, a steamer, a pot strainer and a trivet. The Kitchen Guard can withstand high temperatures and is oven and dishwasher safe.

BAUER PRO
KITCHEN GUARD

I-PLAY DRONE

Finally a drone that is so easy to fly, anyone can do it!

The high-tech super stunt drone that can fly indoors or outdoors and do fantastic 360 degree flips at the push of a button.

GRIND! WITH SOMIZI

Dance and exercise in the privacy and convenience of your home while reshaping your body

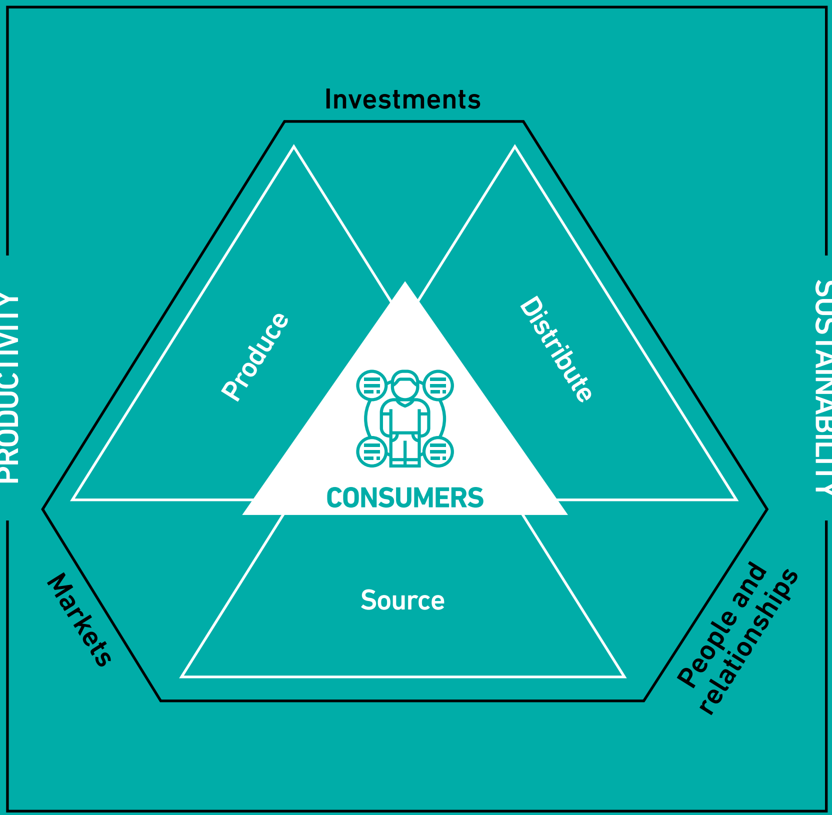
Grind! With Somizi is a fun and exciting dance and exercise series that allows everyone to enjoy fitness at a venue of their choice. We have incorporated South Africa's most popular dance moves into fun filled exercises that will drive and motivate you to achieve your desired results, targeting muscle groups you never knew you had, shaping a better you!

GRIND! WITH SOMIZI

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. 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, in an ever-changing consumer market.

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, continuously improving procedures and processes ensures efficient distribution of our products to our customers and retailers. Verimark dispatched in excess of 240 000 parcels of product to its customers during the year.

PROMOTION AND ADVERTISING

Verimark actively drives and manages 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 own in-house 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 partner store, 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 1 400 retail outlets. A number of opportunities in the other channels, in particular online shopping as well as export, are currently being activated.

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 2 750 staff were trained and more than 16 700 hours (combined hours per staff member) occupied in training during the last year in Verimark's formal training facilities. For years Verimark has been providing employment opportunities for the youth, growing individuals in experience and skills.

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. Verimark has its own customer care centre to address any customer issues.

Our strategic agenda

Innovation has driven our successfull track record over the last 40 years and will continue to drive our future success.

2017 | We focused on the following strategic priorities

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. Focusing on the stakeholders' needs, this pursuit of consistent, reliable and improved execution will create value for both its customers and shareholders.

OUR TALENT POOL

As the saying goes, "Clients do not come first. Employees come first". If you take care of your employees, they will take care of your clients. Good employees are our greatest asset, so recruiting and retaining the right people is very important to our business success. Our employees create value and generate a return on investment for our business.

We are always head hunting 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.

PASSION FOR INNOVATION

Innovation has driven our successful track record over the last 40 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, including Bastille, Bauer, Genesis and Floorwiz, have proven to stay in demand over many years – a testimony to their appeal and the quality on which we pride ourselves.

Innovation remains a core priority and we will continue to optimise the wealth of intellectual property accumulated over the past 40 years.

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 economic growth.

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. Verimark, which once had a presence in 40 different countries, has once again pursued export sales as a new revenue stream as well as to offset the foreign currency exposure.

FLOORWIZ 2 in 1 SPIN TECH MOP

Still struggling trying to clean your floors with outdated mops?

You need the new Floorwiz "Spin-Tech" mop system.

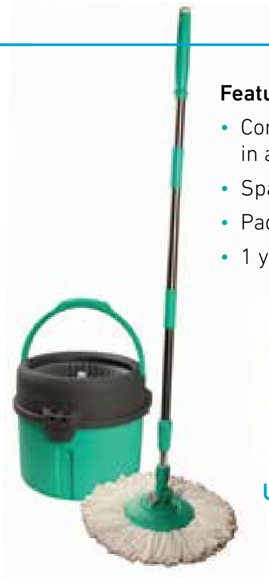
It's half the size of ordinary spin mops, with unmatchable absorption power without dripping.

Guaranteed to give you super clean and dry floors in half the time.

Floorwiz's extra absorbent Eco Fibres remove and absorb dirt quickly and easily, then, rinse off the fibres in the water-filled bucket. Afterwards, lift and spin dry in the same bucket... You have a clean mop again and we all know... a clean mop is a mop that cleans better.

Floorwiz sparkle-cleans all types of hard floors and even sealed laminated and wood floors.

Floorwiz's mop head is machine-washable and replaceable.



Features:

- Combines rinsing and spinning in a single bucket
- Space saving, patented design
- Pads machine washable
- 1 year quality guarantee

Unique integrated gear system makes it easier to wash, rinse and dry.

Challenges and opportunities

Verimark continued placing 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 selling expenses were monitored and reduced to effective levels without compromising customer service.

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.

Challenges and opportunities

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 our employees are fully equipped. We also have training centres in the major regions.

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. As Verimark grows and expands internationally, opportunities are created both internally and externally.

Challenges and opportunities

The improvement of the Rand: Dollar exchange rate over the year has resulted in an increased number of new products being introduced to the market.

The growing challenge in bringing in new innovative products is the knock-off products which follow from competitors. This is short lived as Verimark prides itself on the quality of products introduced.

Probability of Rand devaluation should economic conditions not improve.

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, which has now been liquidated.

Verimark has entered into international export opportunities as there is undeniable demand for our products internationally. This will assist in providing an additional revenue stream as well as a natural hedge against foreign currency.

Financial statistics

	2017	2016
Sales growth	1,9	3,7
Gross margin (%)	44,71	40,14
Operating margin (%)	8,0	4,1
Return on shareholders' equity (%)	17,2	6,6
Revenue (R'000)	439 119	430 799
Gross profit (R'000)	196 320	172 936
Profit before tax (R'000)	37 316	13 148
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (R'000)	40 314	23 636
Earnings attributable to owners (R'000)	26 149	8 307
Operating profit (R'000)	35 833	17 830
Headline earnings (R'000)	25 855	8 582
Cash generated by operations (R'000)	47 374	30 895
Shareholders' equity (R'000)	150 337	128 646
Total assets (R'000)	191 574	169 788
Ordinary share performance		
Earnings per share (cents)	24,0	7,8
Headline earnings per share (cents)	24,0	8,0
Diluted earnings per share (cents)	24,0	7,8
Diluted headline earnings per share (cents)	24,0	8,0
Dividend per share (cents)	11,3	3,7
Share statistics		
Listing price (R)	2,50	2,50
Lowest price traded (R)	0,21	0,31
Highest price traded (R)	0,63	0,63
Closing price (R)	0,61	0,35
EBITDA reconciliation		
EBITDA (R'000)	40 314	23 636
Interest (R'000)	1 484	(4 682)
Depreciation (R'000)	(4 278)	(5 309)
Amortisation (R'000)	(203)	(497)
Profit before tax (R'000)	37 316	13 148

DEFINITIONS

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

Headline earnings per share: Calculated as net profit after taxation adjusted to exclude loss/profit on sale of fixed assets divided by the weighted average number of shares in issue for the year.

Net asset value per share: Net asset value is shareholders' equity divided by the weighted average number of shares in issue for the year. Shareholders' equity is the equity attributable to equity holders of the parent (which is basically total assets less total liabilities).

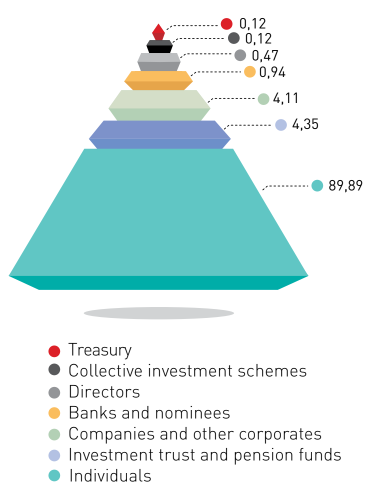
Operating profit: Operating profit is net profit after depreciation and profit/loss after sale of assets but before net finance income/ (expense) and taxation.

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:

Risks | Impact | Mitigation

1 ECONOMIC OUTLOOK

Ongoing uncertain economic conditions may impact consumer confidence

This could negatively affect our ability to achieve our sales forecasts.

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.

2 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. Should changes occur to the dedicated telemarketing areas, Verimark adapts, utilising other assets and employees to direct foot traffic to its products.

3 LABOUR AND KEY EMPLOYEES

Succession planning and loss of key employees

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.

4 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.

5 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, which affect the financial performance.

Verimark continuously evaluates our foreign liabilities and pending-purchases exposure in order to establish whether forward cover is required. We are comfortable with our foreign exposure strategy at present. In the current year the Rand/Dollar fluctuations moved in a favourable direction for the company.

Summary of company risks continued

Risks Impact Mitigation

6 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.

Verimark has SLA agreements with all third parties which are directly involved in any system or application. This includes managing downtime. Verimark has also implemented a disaster recovery plan.

Loss of key retailers and Direct store space

This will adversely affect the group's revenue.

Verimark's management has regular meetings with retailers and landlords to ensure there are strong working relationships which promote continuity.

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 as well as its own vehicles to assist with deliveries.

Inability to comply with legislation

New or amended legislation could result in increased costs and non-compliance could lead to fines.

Verimark complies with the legislation in place in South Africa. Representatives attend regular courses to ensure compliance with all new and updated laws to which Verimark is subject.

Energy and water supply risk

Energy and water supply shortages could adversely affect our ability to operate.

We are aware of the need to reduce our electricity and water consumption and waste management. Our new premises have been built with green principles in mind.

The Consumer Protection Act (CPA) and its implications

The 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.

7 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.

8 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 have assisted management in maintaining strict cost control over expenses. Controllable costs are reviewed monthly to ensure cost control at all levels within the organisation. Continued strict cost control Is expected to be maintained into the future.

HIGH QUALITY BRAND

HEALTHY LIVING

HIGH QUALITY BRAND

GENESIS
REVOLUTIONARY HOMEWARE

Extracting your way to a healthier lifestyle!

GENESIS NUTRIMAX

The Genesis Nutrimax is the breakthrough in nutritional extraction. Designed to extract the maximum vitamins, minerals, antioxidants and more from fresh vegetables and fruit in seconds!

The six surgical steel blades never need sharpening and are angled to extract the maximum nutrients from your food by breaking down the skin, seeds and cell walls of your food. The incredibly powerful motor of nearly one and a half horsepower rotates the blades at eighteen thousand RPM, to pulverise the fruit and veggies in seconds into a smooth, delicious drink with the maximum absorbable nutrients, vitamins, minerals and antioxidants.

Stakeholder engagement

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

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 through facilities 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

i-PLAY

MULTILINGUAL EDUCATIONAL LAPTOP

Invest in your child's future...

Learn to spell and read from one to four languages; improve their numerical skills and much, much more! And as your kids get smarter, or older, you can increase the level of difficulty of the games!

Features:

- 40 fun educational games
- Different levels of difficulty
- Improve spelling, language, common sense and mathematics
- Learn a 2nd, 3rd or 4th language
- Mathematics the easy way
- Learn more about music
- Suitable for kids aged 3-10
- New slim design
- Levels of difficulty

SA's ONLY English, Afrikaans, Tshwane and Zulu Educational Laptop to give your kids a head-start!

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 meetings both formal and informal. • Induction and training courses	• Skills development and training • 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	• In-store space capacity • Positioning of in-store space • New product registration • Improved service levels

FLOORWIZ DOUBLE SIDED SPRAY MOP

Floorwiz's secret lies in the incredible cleaning power of combining eco-fibre strands and "mist" spray to lift and remove dirt. It works with only water, no harsh chemicals are required and is easy to use. Simply fill the reservoir with ordinary tap water. Screw on the lid and click securely into place. You can use Floorwiz dry to clean and collect dust. When you get to a tough spot, pull the easy squeeze trigger and let the Floorwiz's water activated eco-fibres remove the dirt in seconds. Designed to fit into the tightest spaces, with its rotational head it can go anywhere and everywhere. Floorwiz can be used on any floor, but is specially suited for laminated or wooden flooring.

FLOORWIZ BUTTERFLY MOP

The Floorwiz Butterfly mop cleans and dries in one quick swipe! Its unique patented extraction system has been independently proven to absorb more liquid compared to other mops. The Butterfly mop will also dry your floors faster. The Floorwiz ensures no dirt, stickiness and residue is left on the floor. The Floorwiz can even be used to suck up spills off your carpets. It's not really clean until it's Floorwiz clean!

Wash and dry your floors – quickly and easily!

Board of Directors






** Dr James Motlatsi resigned as independent non-executive chairman on 6 October 2016.*
** Shaun Beecroft resigned as Executive and Financial Director on 23 March 2016.*

Michael (63)
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.

Bryan (28)
M GROOME

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 Financial Director on 23 March 2016 and executive director on 8 August 2016.

Mitesh (43)
M PATEL

INDEPENDENT NON-EXECUTIVE CHAIRMAN

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.

Dr James (65)
T MOTLATSI

INDEPENDENT NON-EXECUTIVE CHAIRMAN

PhD Social Science

James resigned on 6 October 2016

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.

Tandi (46)
NZIMANDE

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom, CTA, H.Dip Co Law, CA(SA)

Tandi was appointed to the Board on 1 November 2016

Tandi started her career as a trainee accountant at KPMG. She qualified as a Chartered Accountant in 1996, and subsequently moved to Deutsche Securities Corporate Finance division, where, among other responsibilities, she advised the South African Government on the potential listing of Telkom. Until last year she served as the Chief Financial Officer of WDB Investment Holdings; her responsibilities included the full accounting function; strategic planning and implementation; governance and investee management. She serves on the boards of FirstRand Limited, Hulamin Limited, First Rand Empowerment Foundation and Hollard Foundation Trust with its related programmes Harambee and the ECD Incubator.

Johann (67)
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.

Chairman's report

"It gives me great pleasure to submit my first report as the newly-elected Chairman of Verimark. I have been associated with Verimark as a non-executive director for five years, and I am optimistic about the prospects of the company."

It is common knowledge that the South African retail sector, which is the primary area of operation for Verimark, remains under pressure. This sector is an important indicator of consumer spending, which ultimately drives growth in the economy. There is every indication of a continuation of a tough local retail environment, which is largely due to ongoing weaker consumer demands, higher interest rates, volatile Rand valuation and negligible economic growth in South Africa.

The year's revenue grew 1,9% to R439 million from the previous period's R430 million. Verimark's profitability remains linked to fluctuations in the exchange rate, and this last year has certainly been a year of two halves. In the first half, the South African Rand continued to be constrained, severely impacting the company's bottom line. But the recovery of the Rand in the latter part of the financial year assisted in boosting overall profitability and our cash position.

It is pleasing though that Verimark, through its, experienced and knowledgeable management team, is meeting the demands of this tough operating environment, head-on.

Through our day-to-day focus on customer attention and service, product innovation, enhancing distribution, as well as strict adherence to price and cost controls within the company, I am confident that Verimark will remain sustainable and will grow from strength to strength.

The Board is pleased to announce a final dividend of 11,3 cents per share (2016: 3,7 cents per share) for the financial year ended 28 February 2017.

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. A word of thanks to my colleagues on the Board for their contributions, guidance and governance oversight and their ongoing support.

On behalf of the Board of Directors, and indeed the collective Verimark's stakeholder grouping, I want to extend our thanks and sincere appreciation to Dr James Motlatsi who retired as our Independent Non-Executive Chairman with effect from 6 October 2016. Dr Motlatsi, who served Verimark for over 11 years, has made an invaluable impact on Verimark, and his wise counsel, guidance and contributions will be sorely missed by all.

Our appreciation and thanks to our executive Board members, and all management and staff for their unselfish and determined inputs to ensuring Verimark's ongoing success. We are well-set for an exciting and eventful year.

A final thanks to our invaluable customers, our various business partners and associates, as well as our numerous suppliers around the world, for the ever-strengthening and appreciated relationships.

MM Patel
Chairman

Johannesburg
18 May 2017

HEALTHY LIVING

HIGH QUALITY BRAND

GENESIS UPRIGHT VAC

Genesis comes with incredible suction power – over three hundred Airwatts, which is close to twice the suction power of ordinary uprights. It also features a powerful motorised turbo brush that separates the pile of the carpet so the super suction can reach and lift out right to the bottom of the pile for a deep-clean that you can see!

With this incredibly powerful suction, Genesis is a must for pet owners!

Genesis is also fully adjustable for:

- short pile carpets...
- long pile carpets...
- even hard floors!

GENESIS REVOLUTIONARY HOMEWARE

The upright vacuum with unmatched suction power for a never seen before clean!

CEO's report

"Verimark's 40-year success record includes being recognised as the market leader in Southern Africa, the pioneer of direct response television on the African continent and being identified as the international benchmark in the distribution of "As Seen on TV" products through retail stores."

Macro-economic environment

The South African economy experienced another challenging year during the period under review, with a GDP growth rate of 1%. Rising interest rates and political uncertainty remained a concern for the South African consumer, resulting in weak consumer demand in the retail sector, which impacted negatively on most retailers. The volatility of the Rand was a concern for all importing retailers, with an exchange rate of R16,14 to the US Dollar at the start of the financial year, largely due to the external and political factors that contributed to a tough first six months' trading. Although the Rand improved over the remainder of the year under review to a low of R12,94 to the US Dollar, the average exchange rate for the financial year depreciated by 5,9% to R14,27 (2016: R13,48).

Verimark's performance

Despite the tough trading environment in the country, Verimark is pleased to have delivered exceptional results. Profit before tax increased from R13,1 million last year to R37,3 million this year, one of the best performances in the company's history. This was achieved by the continued increase in the rate of new product introductions and the focus on cost efficiencies and containment.

Verimark's 40-year success record includes pioneering direct response television on the African continent, being identified as the international benchmark in the distribution of "As Seen on TV" products through retail stores, as well as being recognised as the market leader in Southern Africa. The culmination of the years of success in the retail sector resulted in interviews for both print and broadcast media by the Electronic Retailing Association in Europe.

Sales revenue for the year was higher by 1,9% at R439 million from R431 million last year. The percentage increase in sales for the year was less than the 9% recorded in the last six months of the previous financial year, which was as a result of the impact of selling price increases required at the end of February 2016. As in the past, these price increases impacted negatively on sales and resulted in lower than expected sales growth. However, the gradual strengthening of the Rand towards the festive season, when higher volumes of stock were

> Our proven ability to innovate and adapt to the ever changing economic and retail environment is key to the future success of our business.

purchased, resulted in improved buying power for our imports and consequently improved profitability.

A major focus on operational efficiencies and the containment and reduction of costs contributed to the favourable results. The well managed costs and efficiencies resulted in cost increases being contained to below inflationary levels and our current cost base being much the same as the previous year. The ongoing focus on controllable costs will contribute to Verimark's profitability in the future.

Profit before taxation improved from R13,1 million last year to R37,3 million this year, a significant 183,8% increase. Overall earnings rose 214,8% to R26,1 million, equating to 24,0 cents per share, from last year's R8,3 million.

Other contributing factors to the company's increased profitability were the improved cash flow, utilisation of the favourable overdraft interest rate and the timing of purchasing foreign currency, including forward cover. Further, the improved efficiencies and processes have resulted in the strengthening of Verimark's balance sheet. Working capital improved by R7,2 million, the net cash position improved by R27,3 million and retained income increased by 22,7% to R118.1 million.

As per Verimark's dividend policy, a dividend of R12 912 950 (11,3 cents per share) compared to R4 232 084 (3,7 cents per share) in 2016, will be declared.

South Africa's downgrade to sub-investment rating "junk status" will impact the growth potential of the economy

Two of the ratings agencies, Standard & Poor's Financial Services LLC and Fitch Ratings Inc, have both cited political uncertainty as the reason for their downgrade decisions. This came subsequent to Verimark's financial year end and will have an impact on the South African economy moving forward.

As Verimark has over the its previous 40 years been through similar economic downturns and come through stronger each time, we are confident and positive about the future. Our business model is substantially different to that of normal retailers or the suppliers of retailers. Verimark's proven ability to innovate and to adapt to the ever-changing economic and retail environment has and will remain key to the business's success in the years to come.

Verimark has reactivated its international trading strategy by exhibiting at four overseas exhibitions. Given the company's proven ability to source and develop the latest and best selling innovations, the response and interest from visitors and previous trading partners was positive. Verimark's performance over the last 10 years was directly affected by the movement of the Rand, as almost all sales were generated in South Africa. The reactivation of international sales will over time benefit the business, assisting in providing a natural hedge to foreign currencies as well as an additional revenue stream.

Our proven ability to innovate and adapt to the ever-changing economic and retail environment is key to the future success of our business. We remain confident that the resilience of our business model and the overall talent of our people will allow us to deliver an improved trading performance going forward

My sincere thanks to the team for their considerable efforts…

I would like to thank the Board and the executive team for their support and contributions made during the year. Our management and our staff are vital to the success of our business and I thank them for their dedication towards building the Verimark brand. Thank you to our customers for investing in our trusted brands and products.

I look forward to an exciting and fulfilling year ahead.

Michael J van Straaten
Chief Executive Officer

18 May 2017

TWISTA

Make healthy, delicious vegetable spaghetti, stir fries, juliennes and more... in seconds!

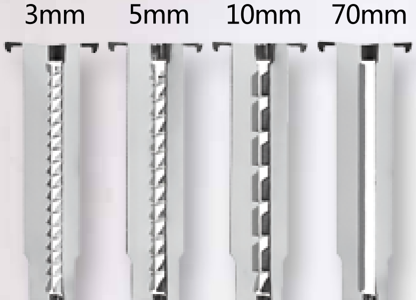
HEALTHY LIVING

HIGH QUALITY BRAND

Four specialised blades designed to make raw vegetable "pastas" with ease from carrots, zucchini and so much more

TWISTA SPIRAL SLICER

The new Twista Spiral Slicer is designed to easily turn almost any straight, firm vegetables into fine spaghetti-like noodles or long ribbons. The Twista Spiral Slicer is the perfect gadget for healthier eating and a healthier you! Using four specialised blades designed to make raw vegetable "pastas" with ease from carrots, zucchini and so much more, you can now prepare different sized food designs in no time...



Corporate governance

Compliance statement

Verimark is listed on the JSE and is subject to the JSE Listings Requirements, corporate governance and disclosures. Other than not having an Internal Audit function and the Chairman of the Board being a member of the Audit Committee, during the year under review the group complied with all applicable governance requirements as well as with all the mandatory specific governance requirements contained in the JSE Listings Requirements.

All 75 of the King Code principles are recorded in the compliance schedule, detailing the principles and the corresponding explanations, on Verimark's website www.verimark.co.za.

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.

Transition to King IV

The King IV Report on Corporate Governance for South Africa 2016 (King IV), issued in November 2016, involves the application of 16 core principles as opposed to the 75 principles in the King Code. Its recommendations on corporate governance are more focused and practical with increased emphasis on the outputs and outcomes of governance structures. Verimark welcomes the enhancements in the Code and is fully committed to applying King IV in all respects for application in the relevant financial year, after guidance on its adoption is issued by the JSE.

The role of the Board

The Board's Charter defines the duties, responsibilities and powers of the Board in ensuring a successful, ethical and sustainable business and requires a clear balance of power at Board level ensuring that no one director has unfettered powers of decision-making. The Board is ultimately responsible for achievement of the group's strategic objective, ensuring the long-term sustainability and success of the business, and for overseeing Verimark's operating and financial performance. The Board oversees the governance framework and its integration within the company in order to achieve an ethical culture, strategic outcomes, policy approval and disclosure. It is also accountable for ensuring Verimark maintains a safe and healthy workplace, has a responsible approach to its product selection and the marketing of its products, complies with the Consumer Protection Act, and takes steps to ensure that it 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.

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 King Code requires the Board to review the independence of long-serving independent non-executive directors. This applies to Johann Pieterse, who has served as an independent non-executive director for 11 years. Considering all relevant factors which could impact on Johann Pieterse's independence and performance, the Board considers there are no factors which prevent him from exercising independent judgement or acting in an independent manner.

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.

Composition of the Board

Board membership at year-end comprised five directors: three independent non-executive directors and two executive directors. The Board appointed Mitesh Patel as Board Chairman on 6 October 2016 following the retirement of Dr James Motlatsi. The group's Chief Executive Officer, Michael van Straaten, is responsible for the day-to-day management of the group's affairs, execution of the company's strategy and reports to the Board. The group has a Financial Director, Mr Bryan Groome, who was appointed on 8 August 2016. As required by the JSE Listings Requirements, the Audit Committee annually considers and expresses its satisfaction at the level of expertise and experience of the Financial Director. The members of the Verimark Board have a wide range of skills and financial, technical and commercial expertise that can guide the decision-making of the Board. Biographies of the Board members are to be found on P page 21.

Gender diversity policy

The company's policy aims to promote gender diversity at Board level. Currently, out of five Board members, one is female.

Appointment and rotation of directors

New directors are appointed pursuant to the recommendations of the Remuneration and Nomination Committee, which conducts a rigorous assessment of the credentials of each candidate. The procedures for appointment are detailed and form part of the Remuneration and Nomination Committee terms of reference. All director appointments are subject to shareholder approval at the annual general meeting immediately following the date of their appointment.

In terms of the company's memorandum of incorporation (MOI), one third of the directors are required to retire at each annual general meeting and, if they are eligible and available for re-election, will be put forward for re-election by shareholders. Those directors eligible for re-election at the forthcoming annual general meeting are Johann Pieterse and Tandi Nzimande. Their abridged curricula vitae details are provided on P page 21 of this Integrated Report to enable shareholders to make an informed decision in respect of their possible re-election.

Board effectiveness

In line with the King Code's recommendations, the Board conducted an internal assessment of the effectiveness of the Board and its sub-committees. The outcome of the independent assessment revealed that all the necessary structures and processes for an effective Board are established and functioning well.

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

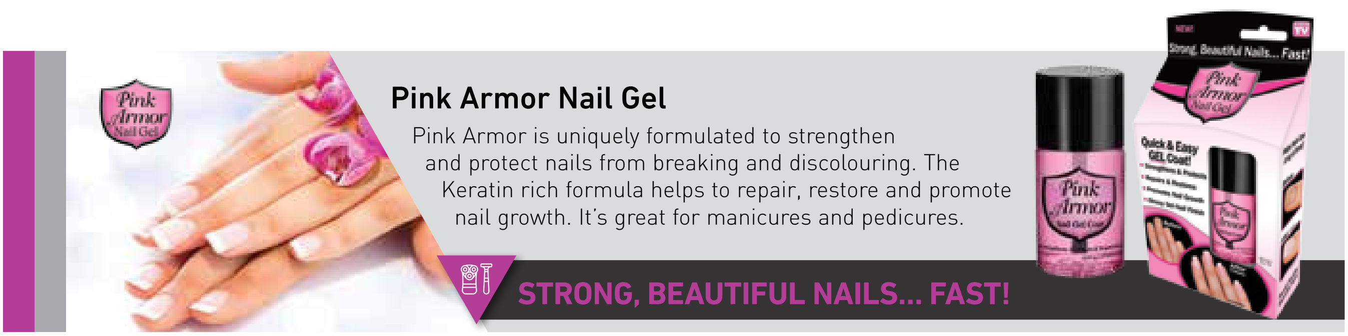
The group has an approved trading policy in terms of which dealing in the group's shares by directors and employees is prohibited during closed periods.

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 the changes occur.

During the financial year ended 28 February 2017, 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 21 to the annual financial statements.



Corporate governance continued

Board and Board committee meeting attendance

Name	Appointment date	Category	Board	Audit	Risk	SETC	Remuneration and Nomination
Dr JM Motlatsi[1]	1 July 2005	Independent non-executive Chairman	2/3	3/3	N/A	N/A	1/3
MM Patel[2]	28 May 2012	Independent non-executive Chairman	4/4	4/4	4/4	2/2	3/3
JM Pieterse	3 November 2005	Independent non-executive Director	4/4	4/4	4/4	2/2	3/3
AT Nzimande	1 November 2016	Independent non-executive Director	1/1	1/1	1/1	N/A	1/1
MJ van Straaten	1 July 2005	Chief Executive Officer	4/4	4/4	4/4	2/2	3/3
BM Groome[3]	23 March 2016	Financial Director	4/4	4/4	4/4	2/2	2/2

Notes

1. *Resigned on 6 October 2016.*
2. *Appointed as Board Chairman on 6 October 2016.*
3. *Mr BM Groome appointed as Executive and Acting Financial Director on 23 March 2016 and Financial Director on 8 August 2016.*

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, Ethics and Transformation Committee members, are all 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 for the Audit Committee will be re-elected 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 page 45 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 page 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, 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 remuneration paid to the directors is disclosed on P pages 96 and 97 of the report.

Social, Ethics and Transformation 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.

Based on a formal assessment, which included the review at the Company Secretary's experience and demonstration of competence in the execution of the Company Secretary functions, the Board has satisfied itself that the Company Secretary, who has more than 21 years' experience in providing guidance to JSE-listed boards 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 confirms that PremCorp has maintained an arm's-length relationship with the Board.

Code of Ethics

The group's values commit employees to the highest standards of integrity, behaviour and ethics in dealing with stakeholders.

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

Internal controls

Internal controls are in place 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 in operational existence for the foreseeable future. For this reason, the group continues to adopt the going concern basis in preparing the annual financial statements.

Corporate governance continued

King Code of Governance compliance assessment

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	✓
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	✓

CHAPTER 2	BOARD AND DIRECTORS continued
Companies should remunerate directors and executives fairly and responsibly	✓
Companies should disclose the remuneration of each individual director and prescribed officer	✓
Shareholders should approve the company's remuneration policy	✓

CHAPTER 3	AUDIT COMMITTEES
The board should ensure that the company has an effective and independent audit committee	✓
The audit committee members should be suitably skilled and experienced independent non-executive directors	✓
The audit committee should be chaired by an independent non-executive director	✓
The audit committee should oversee integrated reporting	✓
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	✓
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓
The audit committee should be responsible for overseeing of internal audit [note 5)	★
The audit committee should be an integral component of the risk management process	✓
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓
The audit committee should report to the board and shareholders on how it has discharged its duties	✓

CHAPTER 4	THE GOVERNANCE OF RISK
The board should be responsible for the governance of risk	✓
The board should determine the levels of risk tolerance	✓
The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓

✓ Applied ★ Partially applied ✗ Not applicable

CHAPTER 4	THE GOVERNANCE OF RISK continued
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	✓

CHAPTER 5	THE GOVERNANCE OF INFORMATION TECHNOLOGY
The board should be responsible for information technology (IT) governance	✓
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	✓
The board should monitor and evaluate significant IT investments and expenditure	✓
IT should form an integral part of the company's risk management	✓
The board should ensure that information assets are managed effectively	✓
A risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓

CHAPTER 6	COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business [note 4]	✓
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 5]	★
Internal audit should follow a risk-based approach to its plan [note 5]	★
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management [note 5]	★
The audit committee should be responsible for overseeing internal audit (note 5)	★
Internal audit should be strategically positioned to achieve its objectives [note 5]	★

CHAPTER 8	GOVERNING STAKEHOLDER RELATIONSHIPS
The board should appreciate that stakeholders' perceptions affect a company's reputation	✓
The board should delegate to management to proactively deal with stakeholder relationships	✓
The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	✓
Companies should ensure the equitable treatment of shareholders	✓
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓

CHAPTER 9	INTEGRATED REPORTING AND DISCLOSURE
The board should ensure the integrity of the company's integrated report	✓
Sustainability reporting and disclosure should be integrated with the company's financial reporting	✓
Sustainability reporting and disclosures should be independently assured [note 6]	★

Notes

1. *Whilst various processes and policies are in place (e.g. a code of ethics), no formal assessment of the ethics performance is undertaken. No ethics-related concerns were highlighted via the whistleblowing line and other control processes.*
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 is provided by the Company Secretary.*
4. *Changes to the laws and regulations which materially impact the company are brought to the attention of the Board by the Financial Director.*
5. *The group's internal audit is not fully functional. A non-independent internal audit has been established to assist with addressing operational risks within the business.*
6. *The sustainability and integrated reporting is reviewed and approved by the Audit and Risk committees.*

Social, Ethics and Transformation Committee report

It is the responsibility of the Social, Ethics and Transformation Committee (the Committee) 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 promote 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 Committee, the Board remains ultimately responsible for the objectives which it has delegated to the Committee.

Committee composition and meetings

In accordance with the relevant provisions of the Companies Act, the Committee 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 composition of the Committee and attendance at the Committee meetings are set out on page 30 of the integrated annual report.

Role of the Committee

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 Ethics. 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 Committee as appropriate. No material reports or incidents were reported during the year under review.

Empowerment and transformation

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

Verimark reported a "non-compliant" **Broad-Based Black Economic Empowerment** (B-BBEE) status during the 2016 year. The Committee has begun a re-evaluation of the new B-BBEE Codes and their impact on Verimark's status. The outcome of this re-evaluation will form the basis of a revised B-BBEE strategy at Verimark going into the 2018 financial year.

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.

Corporate and social responsibility

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

As a result of the departure of certain staff members during the year, progress on CSI initiatives was delayed. The CSI initiatives undertaken during the year under review are set out on P page 37 of the integrated annual report.

Plans for the 2018 period

The preparation, review and approval of Verimark's B-BBEE strategy taking into account the impact of revised B-BBEE codes is expected in the year ahead. 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 CSI initiatives are expected to regain momentum in the new year.

Conclusion

No material non-compliance with legislation and regulation, or non-adherence with 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 will be presented to shareholders at the forthcoming annual general meeting.

MM Patel
Chairman

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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 2017 being lower than that recorded in 2016.
- We continue to work with our third party logistics providers to reduce the fuel used through load consolidations and efficiencies.
- Reps also perform stock deliveries when they do store visits to reduce fuel usage and CO_2 emissions.

Our employees

- One of the key enablers of our strategy is competent and motivated employees.
- While attracting and retaining the right people is critical to our success, a level of staff turnover is healthy in any organisation to create opportunities for personal growth. Verimark invests in employee growth through further education as well as on-the-job training.
- 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 of employees on an annual basis;
  - We recruit employees from all walks of life, with the majority being young students and school leavers;
  - We have a formal training centre with experienced trainers who provide in excess of 16 700 hours of training per annum (combined hours for all staff); and
  - We are actively involved in reducing the unemployment rate of youth by giving them an opportunity in the sales field.
- We pride ourselves on the 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.

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

Male	Female
2017: 727	2017: 620
2016: 470	2016: 533
2015: 403	2015: 492
2014: 573	2014: 758
2013: 548	2013: 664

Category	2013	2014	2015	2016	2017
Full-time	335	329	314	283	312
Part-time	877	1002	581	720	1035
Total	1 212	1 331	895	1 003	1347
HDSA	1 090	1 230	809	915	1256
White	122	101	86	88	91
Total	1 212	1 331	895	1 003	1347

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 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 where 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 May 2016. Donations were made to assist the church supporting the disadvantaged families in the Kya Sands informal settlement. Over 300 children and parents attended the event.

Risk Committee report

The Risk Committee (the Committee) has determined that during the financial year ended 28 February 2017, it has discharged its legal and other responsibilities, and is pleased to present its report for the financial year ended 28 February 2017.

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 the 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 Committee's terms of reference.

Role of the Committee

In fulfilling its duties, the Committee reviewed:

- 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 Information Technology; and
- any material legal disputes.

The Chairman of the Committee reported on the most significant risks derived from the above, to the Board, following each Committee meeting.

Committee composition and meetings

The composition of the Committee and attendance at the Committee meetings are set out on P page 30 of the integrated annual report.

The Committee met four times during the year under review in accordance with its established annual Committee meeting plan. The Chairman will attend the forthcoming annual general meeting 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 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 was satisfied that where weaknesses in specific controls had been identified, management had undertaken 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 its 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 under review.

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 ended 28 February 2017 according to its terms of reference, and has presented the group key risk summary as set out on P page 13 of the integrated annual report.

JM Pieterse
Chairman

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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 (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 28 February 2017 were published on 23 May 2017.

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 18 May 2017 and signed by:

MM Patel *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

18 May 2017

Directors' report

for the year ended 28 February 2017

The directors have pleasure in submitting their report for the financial year ended 28 February 2017.

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 28 February 2017 amounted to R25,8 million (2016: R8,5 million). This translates into headline earnings per share of 24,0 cents (2016: 8,0 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 page 50 to 97 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 R213 523 503 (2016: R243 235 021).

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 2016 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.

Verimark Proprietary Limited purchased 971 089 Verimark Holdings Limited shares during the 2017 financial year at an average price of 47,6 cents per share. This purchase was eliminated on consolidation as it represents an intercompany share purchase.

Dividends

The Board declared and approved a final dividend of R12 912 950 or 11,3 cents per share in relation to the 28 February 2017 results (2016: 3,7 cents per share) on 18 May 2017.

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
BM Groome	Financial Director[1]
SR Beecroft	Financial Director[1]

[1] *SR Beecroft resigned on 23 March 2016; he was replaced by BM Groome as Acting Financial Director on 23 March 2016 who was then appointed Financial Director on 8 August 2016.*

Independent non-executive directors

MM Patel	Non-Executive Chairman[2]
JM Pieterse	Non-Executive Director
AT Nzimande	Non-Executive Director[3]
Dr JT Motlatsi	Non-Executive Chairman[2]

[2] Dr JT Motlatsi resigned as Independent Non-Executive Chairman on 6 October 2016. MM Patel replaced Dr Motlatsi as Independent Non-Executive Chairman on 6 October 2016.

[3] AT Nzimande was appointed Independent Non-Executive Director on 1 November 2016.

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. Refer above for changes to the Board.

Broad-based black economic empowerment (B-BBEE)

In terms of Verimark's B-BBEE 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 B-BBEE 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.

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 28 February 2017, 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.

Directors' shareholding

At 28 February 2017, 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 shares
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

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

for the year ended 28 February 2017

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

Verimark Proprietary Limited

(Reg. No. 1989/006800/07)

** Selcovest, VEET and Verimark Singapore were deregistered in the 2017 financial year.*

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

	2017 R	2016 R
Verimark Proprietary Limited	28 248 266	8 344 885
Verimark Singapore Private Limited*	(486 657)	(801 113)
Verimark Employees Empowerment Trust*	63 559	–
Selcovest 35 Proprietary Limited*	(23 549)	93 993

** These companies and trust were deregistered in the 2017 financial year.*

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:

MM Patel
Chairman

MJ van Straaten
Chief Executive Officer

Johannesburg
18 May 2017

Audit Committee report

The Audit Committee (the Committee) has determined that during the financial year ended 28 February 2017, it has discharged its legal and other responsibilities, and is pleased to present its report 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 conducted its affairs in compliance with its delegated and approved terms of reference and discharged its responsibilities therein, which is in line with the Companies Act and the Listings Requirements of the JSE Limited (JSE Listings Requirements), which included:

- Reviewing the annual financial statements and any other financial information presented to shareholders, ensuring compliance with International Financial Reporting Standards (IFRS);
- Overseeing integrated reporting and considering factors and risks that could impact on the integrity of the integrated annual report;
- Nominating for appointment the external auditors, monitoring and reporting on their independence, approving their terms of engagement, scope of the audit and the audit fees;
- Overseeing certain of the group's risk management processes, identifying and reviewing the group's exposure to certain 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

The shareholders elected the Committee and its members for the financial year ended 28 February 2017 at the annual general meeting held on Thursday, 4 August 2016. The Committee comprised independent non-executive directors with the adequate relevant financial knowledge and experience that equipped the Committee to perform its functions effectively. The group's external auditors and the executive directors are permanent invitees at all the Committee meetings.

Ms Tandi Nzimande was appointed as a member of the Committee by the Board on Tuesday, 1 November 2016 to fill the vacancy that arose following the retirement of Dr James Motlatsi as member of the Committee on Thursday, 6 October 2016.

The recommendation to appoint Mr Mitesh Patel, Chairman of the Board, as member of the Committee, will be proposed at the forthcoming annual general meeting. The Board believes the Chairman can make a valuable contribution to the deliberations of the Committee, which will not be compromised by his role as Chairman of the Board.

Committee meetings

The Committee met four times during the year according to its established annual Committee meeting plan. Committee reports were presented to the Board following each Committee meeting by the Chairman. Attendance by members at these meetings is set out on P page 30 of the integrated annual report.

The Chairman will attend the forthcoming annual general meeting to answer any questions that may arise concerning the activities of the Committee.

The Board will be aligning the Committee's terms of reference and the annual Committee work plan with King IV Report on Corporate Governance for South Africa 2016 in the next financial year.

Committee functions

The functions carried out by the Committee during the financial year ended 28 February 2017 are set out below.

Annual financial statements and integrated annual report

The Committee 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 IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council;
- considered the appropriateness of accounting policies and disclosures and material judgements applied;
- 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;

Audit Committee report continued

as at 28 February 2017

- considered the company's integrated annual report and assessed its consistency with operational, financial and other information known to the Committee;
- is satisfied that the integrated annual report is materially accurate, complete, reliable and consistent with the group annual financial statements for the year ended 28 February 2017; and
- satisfied itself of the integrity of the remainder of the integrated annual report; and recommended the integrated annual report for the year ended 28 February 2017 for approval by the Board.

The Committee gave due consideration to the need for assurance of the report and decided not to obtain independent assurance at this time.

External auditor

The Committee satisfied itself that its auditor, KPMG Inc. (KPMG), is independent of the company, which review included consideration of the extent of other work undertaken by KPMG, 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 KPMG that internal governance processes within their audit firm support and demonstrate its claim to independence. The Committee ensured that the nomination for appointment of KPMG as registered auditor of the company complied with the provisions of the Companies Act and other applicable legislation relating to the appointment of auditors.

The Committee reviewed KPMG's opinion on the financial statements and considered any reports on risk exposure and weaknesses in internal controls, met with the external auditors separately without management being present, and approved the fees to be paid to KPMG and their terms of engagement.

The Board approved the annual financial statements and integrated annual report for the year ended 28 February 2017 following the recommendation received from the Committee. These reports will be tabled for discussion at the forthcoming annual general meeting.

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 Committee to assist it in fulfilling its oversight role with respect to financial reporting risks arising from internal financial controls, fraud and information technology risks.

Expertise of the Financial Director and the finance function

The Committee has considered, and has satisfied itself that the Financial Director has the appropriate expertise and experience and that the finance function has adequate resources, skills and experience to meet the group's financial requirements.

Going concern

The Committee reviewed a documented assessment, including key assumptions prepared by management, of the going concern status of the company and 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 pages 42 to 97 of the integrated annual report.

JM Pieterse
Chairman of the Audit Committee

Independent auditor's report

To the Shareholders of Verimark Holdings Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Verimark Holdings Limited (the group and company) set out on pages 50 to 97, which comprise the statements of financial position at 28 February 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Verimark Holdings Limited at 28 February 2017, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters below relate to our audit of the consolidated financial statements. No key audit matters were identified in respect of our audit of the separate financial statements.

Assessment of goodwill for impairment – (R13 996 651)

Refer to pages 59 to 60 for the accounting policy applied and note 4 to the financial statements.

The key audit matter	How we addressed the matter in our audit
Goodwill is required, in terms of IAS 36: *Impairment of Assets*, to be tested annually for impairment. The recoverable amount of Verimark Proprietary Limited, the cash-generating unit to which the goodwill is allocated, was determined based on a value in use calculation using a discounted cash flow model. A number of key judgements were made in determining the inputs used in the impairment model, including: • Revenue growth for the forecast period as well as the terminal growth rate; and • Discount rate applied to the forecasted cash flows. Given the inherent uncertainty involved in the assessment of goodwill for impairment, this was considered a key audit matter in our audit of the consolidated financial statements.	Our audit procedures included, amongst others: • Evaluating the assumptions and methodologies applied by management in the goodwill impairment assessment, in particular those relating to revenue growth, operating profit and the discount rate applied to the forecasted cash flows; • We challenged management's growth assumptions by comparing them to our own assessments based on historic growth trends. The discount rate applied by management was recalculated and assessed for reasonableness by agreeing key inputs into the weighted average cost of capital calculation to external market data; • Performing our own sensitivity analysis in relation to the key assumptions applied to assess the impact on the value in use of the cash-generating unit by changing the key assumptions; and • Assessing the appropriateness of the disclosures in the consolidated financial statements as set out in note 4.

Independent auditor's report continued

Inventories valuation – (R83 622 543)

Refer to P page 60 for the accounting policy applied and notes 7 and 17 to the financial statements.

The key audit matter	How we addressed the matter in our audit
The majority of the group's inventory is imported and consequently is subject to foreign exchange rate volatility. The volatility in the Rand against the US Dollar over the past few years has resulted in an increase in sales prices which has impacted on sales volumes. The slow economic growth in South Africa and the resultant impact on consumer spending and consumer disposable income increases the risk that the group might not be able to pass on price increases to the end customer, resulting in an increased risk of slow moving, redundant and obsolete inventories. Judgement is applied in determining the level of impairment required to measure inventories at the lower of cost and net realisable value, including the calculation in respect of slow moving, redundant and obsolete inventories. Valuation of inventories was thus considered a key audit matter in our audit of the consolidated financial statements.	Our audit procedures with regard to the valuation of inventories included, amongst others: • Obtaining the calculation performed by management to assess the level of impairment required to measure inventories at the lower of cost and net realisable value and challenged management's calculation by comparing the inputs to inventories sold below cost before and after the reporting date and concluding on the appropriateness of the write down of certain inventory lines to their net realisable value; and • Challenging management's impairment recognised in respect of slow moving, redundant and obsolete inventories by comparing the inventory on hand to historic sales trends and by assessing the rate of inventory turnover for each inventory line.

Other information

The directors are responsible for the other information. The other information comprises the Company Secretary's certificate, the Directors' report and the Audit Committee report as required by the Companies Act of South Africa and the integrated annual report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 12 years.

KPMG Inc.
Registered Auditors

J Wessels
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road, Parktown, Johannesburg

18 May 2017

Group statement of financial position

at 28 February 2017

	Note	GROUP 2017 R	GROUP 2016 R
Assets			
Non-current assets		**25 743 730**	25 935 806
Plant and equipment	3	**7 194 961**	8 294 858
Intangible assets	4	**14 156 514**	14 335 640
Deferred taxation asset	6	**4 392 255**	3 305 308
Current assets		**165 830 122**	143 852 581
Inventories	7	**83 622 543**	65 580 906
Trade and other receivables	8	**46 356 008**	61 969 784
Prepayments		**988 964**	463 202
Prepaid taxation		**790 258**	23 549
Assets held for sale	20	**–**	163 694
Cash and cash equivalents	9	**34 072 349**	15 651 446
Total assets		**191 573 852**	169 788 387
Equity and liabilities			
Equity attributable to owners of the company		**150 337 008**	128 645 846
Share capital	10	**356 518**	359 757
Share premium	11	**31 810 000**	32 268 689
Foreign currency translation deficit		**–**	(322 962)
Retained earnings		**118 170 490**	96 340 362
Non-current liabilities		**3 774 244**	3 367 248
Interest-bearing borrowings	12	**3 774 244**	3 367 248
Current liabilities		**37 462 600**	37 775 293
Trade and other payables	14	**35 408 262**	25 270 622
Current portion of interest-bearing borrowings	12	**1 039 040**	701 904
Taxation payable		**–**	1 873 433
Bank overdraft	9	**1 015 298**	9 929 334
Total liabilities		**41 236 844**	41 142 541
Total equity and liabilities		**191 573 852**	169 788 387

Group statement of comprehensive income

for the year ended 28 February 2017

		GROUP	
	Note	2017 R	2016 R
Continuing operations			
Revenue	15	439 118 603	430 798 744
Cost of sales		(242 798 821)	(257 862 994)
Gross profit		196 319 782	172 935 750
Other income	16	3 365 709	2 447 466
Selling expenses		(45 154 302)	(40 407 566)
Other operating expenses		(118 698 604)	(117 145 839)
Operating profit before finance income and finance expense	17	35 832 585	17 829 811
Finance income	18	3 636 990	1 785 130
Finance expense	18	(2 153 364)	(6 467 307)
Profit before taxation		37 316 211	13 147 634
Taxation expense	19	(11 003 654)	(3 882 353)
Profit for the year from continuing operations		26 312 557	9 265 281
Discontinued operations			
Loss for the year from discontinued operations (after tax)	20	(486 657)	(801 113)
Profit for the year		25 825 900	8 464 168
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation reserve movement		322 962	(156 840)
Total comprehensive income for the year attributable to owners of the company		26 148 862	8 307 328
Earnings per share			
Basic and diluted earnings per share (cents)	28	24,0	7,8
Basic and diluted earnings per share (cents) – continuing operations		24,4	8,6
Basic and diluted loss per share from discontinued operations (cents)		(0,5)	(0,7)

Group statement of changes in equity

for the year ended 28 February 2017

	GROUP				
	Share capital R	Share premium R	Foreign currency translation deficit R	Retained earnings R	Total R
Balance at 1 March 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**
Total comprehensive income for the year					
Profit/(loss) for the year					
– Continuing operations	**–**	**–**	**–**	**26 312 557**	**26 312 557**
– Discontinued operations	**–**	**–**	**–**	**(486 657)**	**(486 657)**
Other comprehensive income					
Foreign currency translation reserve movement	**–**	**–**	**322 962**	**–**	**322 962**
Contributions by and distributions to owners of the company					
Repurchase of shares	**(3 239)**	**(458 689)**	**–**	**–**	**(461 928)**
Dividend paid to shareholders	**–**	**–**	**–**	**(3 995 772)**	**(3 995 772)**
Balance at 28 February 2017	**356 518**	**31 810 000**	**–**	**118 170 490**	**150 337 008**

Group statement of cash flows

for the year ended 28 February 2017

		GROUP	
	Note	2017 R	2016 R
Cash flows from operating activities			
Cash generated from operations	22.1	47 374 488	30 895 126
Finance income received		3 636 990	1 785 130
Finance expense paid		(2 153 364)	(6 467 307)
Income taxation paid	22.2	(14 730 743)	(13 156)
Dividend paid	22.3	(3 995 772)	(5 629 696)
Net cash inflows from operating activities		30 131 599	20 570 097
Cash outflows from investing activities		(3 219 781)	(1 509 627)
Acquisitions of plant and equipment to expand operations		(3 241 765)	(2 794 580)
Acquisitions of intangible assets to maintain operations		(23 565)	(37 100)
Movement in or assets held for sale realised		22 777	1 226 689
Proceeds from disposal of plant and equipment		22 772	95 364
Cash inflows/(outflows) from financing activities		282 204	(1 437 738)
Interest-bearing borrowings raised/(repaid)		744 132	(1 437 738)
Repurchase of own shares		(461 928)	–
Net increase in cash and cash equivalents		27 194 022	17 622 732
Cash and cash equivalents held for sale	20	–	(140 917)
Cash and cash equivalents at beginning of year		5 722 112	(12 841 095)
Cash and cash equivalents held for sale at beginning of year		140 917	1 081 392
Cash and cash equivalents at end of year	22.4	33 057 051	5 722 112

Company statement of financial position

at 28 February 2017

	Note	COMPANY 2017 R	COMPANY 2016 R
Assets			
Non-current assets		69 706 120	39 995 316
Investment in subsidiary companies	5	69 706 120	39 995 316
Current assets		280 313	257 829
Cash and cash equivalents	9	280 313	257 829
Total assets		69 986 433	40 253 145
Equity and liabilities			
Equity attributable to owners of the company		49 298 420	21 563 335
Share capital	10	380 908	380 908
Share premium	11	316 702 119	316 702 119
Accumulated losses		(267 784 607)	(295 519 692)
Current liabilities		20 688 013	18 689 810
Trade and other payables	14	42 751	–
Amount owing to subsidiary company	13	20 645 262	18 689 810
Total equity and liabilities		69 986 433	40 253 145

Company statement of comprehensive income

for the year ended 28 February 2017

	Note	COMPANY 2017 R	COMPANY 2016 R
Dividend received from subsidiary	15	4 232 084	5 963 229
Other operating expenses		(1 975 719)	(1 925 735)
Reversal of impairment/(impairment) of investment in subsidiary company		29 710 804	(17 141 562)
Operating profit/(loss) before finance expense		31 967 169	(13 104 068)
Finance expense		–	(3 032)
Profit/(loss) before taxation		31 967 169	(13 107 100)
Taxation expense		–	–
Profit/(loss) for the year		31 967 169	(13 107 100)
Other comprehensive income		–	–
Total comprehensive income for the year		31 967 169	(13 107 100)

Company statement of changes in equity

for the year ended 28 February 2017

	COMPANY			
	Share capital R	Share premium R	Accumulated losses R	Total R
Balance at 1 March 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**
Total comprehensive income for the year				
Profit for the year	**–**	**–**	**31 967 169**	**31 967 169**
Contributions by and distributions to owners of the company				
Dividend paid to shareholders	**–**	**–**	**(4 232 084)**	**(4 232 084)**
Balance at 28 February 2017	**380 908**	**316 702 119**	**(267 784 607)**	**49 298 420**

Company statement of cash flows

for the year ended 28 February 2017

		COMPANY	
	Note	2017 R	2016 R
Profit/(loss) before taxation		**31 967 169**	(13 107 100)
(Reversal of impairment)/impairment of investment in subsidiary company		**(29 710 804)**	17 141 562
Cash generated from operating activities		**2 256 365**	4 034 462
Increase in trade and other payables		**42 751**	–
Decrease in interest-bearing borrowings		**–**	(251 422)
Cash inflows from operating activities		**2 299 116**	3 783 040
Dividend paid	22.3	**(4 232 084)**	(5 963 229)
Net cash outflows from operating activities		**(1 932 968)**	(2 180 189)
Loans received from subsidiary company		**1 955 452**	2 179 056
Net increase/(decrease) in cash and cash equivalents		**22 484**	(1 133)
Cash and cash equivalents at beginning of year		**257 829**	258 962
Cash and cash equivalents at end of year	22.4	**280 313**	257 829

Notes to the financial statements

for the year ended 28 February 2017

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 18 May 2017.

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. The methods used to measure fair values are discussed further in note 2.

1.2.3 Functional and presentation currency

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

1.2.4 Use of estimates and judgements

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

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

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

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

1.3 Significant accounting policies

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 classified 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 statement of comprehensive income 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 on the accrual basis.

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 financial 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 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.

Notes to the financial statements continued

for the year ended 28 February 2017

1. Accounting policies continued

1.3 Significant accounting policies continued

1.3.5 Income tax expense continued

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference 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. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 20%, after 22 February 2017, 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.

The carrying amount of an item of plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

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

Leased assets are depreciated over the shorter of their useful life and the lease period.

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

Notes to the financial statements continued

for the year ended 28 February 2017

1. Accounting policies continued

1.3 Significant accounting policies continued

1.3.10 Impairment of assets continued

Non-financial assets continued

assets on a pro-rata basis. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value, less costs to sell. In assessing value in use, the estimated future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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 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 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 and loans receivable.

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.

1.3.14 Share capital

Ordinary share capital

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

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 (par value against share capital and the excess over par value against share premium). 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 28 February 2017

1. Accounting policies continued

1.3 Significant accounting policies continued

1.3.15 Foreign currency transactions

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

1.3.16 Foreign operations

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

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such 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.

1.3.17 Employee benefits

Defined contribution plan

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

Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.3.18 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 subsidiary. 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 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.

1.3.19 New standards and interpretations not yet adopted

A number of standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2017, 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 is deemed to approximate 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 is deemed to approximate 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 approximate 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.

Notes to the financial statements continued

for the year ended 28 February 2017

3. Plant and equipment

	Computer equipment R	Manufacturing structures and handling equipment R
GROUP		
Cost		
Balance at 1 March 2016	**3 820 177**	**5 536 446**
Additions	**303 250**	**–**
Disposals	**(90 802)**	**–**
Transfers	**2 458**	**–**
Balance at 28 February 2017	**4 035 083**	**5 536 446**
Balance at 1 March 2015	3 700 055	5 536 446
Additions	331 846	–
Disposals	(249 193)	–
Transfers	37 469	–
Impairment	–	–
Balance at 29 February 2016	3 820 177	5 536 446
Accumulated depreciation and impairment losses		
Balance at 1 March 2016	**3 413 301**	**3 884 704**
Disposals	**(89 064)**	**–**
Depreciation for the year	**263 826**	**971 987**
Balance at 28 February 2017	**3 588 063**	**4 856 691**
Balance at 1 March 2015	3 064 971	2 834 068
Disposals	(190 995)	–
Depreciation for the year	539 325	1 050 636
Balance at 29 February 2016	3 413 301	3 884 704
Carrying value		
At 28 February 2017	**447 020**	**679 755**
At 29 February 2016	406 876	1 651 742

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
6 807 854	**151 590**	**7 476 509**	**7 338 956**	**19 539 947**	**293 700**	**50 965 179**
46 233	**33 758**	**98 794**	**14 474**	**1 380 590**	**1 364 666**	**3 241 765**
(206 620)	**–**	**(584 919)**	**–**	**(21 564)**	**–**	**(903 905)**
–	**–**	**572 267**	**–**	**571 383**	**(1 146 108)**	**–**
6 647 467	**185 348**	**7 562 651**	**7 353 430**	**21 470 356**	**512 258**	**53 303 039**
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
4 936 176	**113 764**	**5 438 956**	**7 250 804**	**17 632 616**	**–**	**42 670 321**
(202 153)	**–**	**(528 163)**	**–**	**(21 241)**	**–**	**(840 621)**
612 528	**28 865**	**1 181 443**	**88 872**	**1 130 857**	**–**	**4 278 378**
5 346 551	**142 629**	**6 092 236**	**7 339 676**	**18 742 232**	**–**	**46 108 078**
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
1 300 916	**42 719**	**1 470 415**	**13 754**	**2 728 124**	**512 258**	**7 194 961**
1 871 678	37 826	2 037 553	88 152	1 907 331	293 700	8 294 858

Notes to the financial statements continued

for the year ended 28 February 2017

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 12).

Carrying value

	2017 R	2016 R
Leased		
Office furniture and equipment	–	353 291
Shop fittings	1 083 595	473 966
Media televisions	–	50 725
	1 083 595	877 982

Assessment of useful lives, residual value and depreciation methods

During the year ended 28 February 2017, 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				
2017				
Balance at beginning of year	13 996 651	200 000	3 840 100	18 036 751
Additions	–	–	23 565	23 565
Disposals	–	–	(3 900)	(3 900)
Balance at end of year	13 996 651	200 000	3 859 765	18 056 416
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

4. Intangible assets continued

	Goodwill R	Trademarks R	Computer software R	Total R
GROUP				
Accumulated amortisation and impairment losses				
2017				
Balance at beginning of year	–	200 000	3 501 111	3 701 111
Disposals	–	–	(3 900)	(3 900)
Amortisation for the year	–	–	202 691	202 691
Balance at end of year	–	200 000	3 699 902	3 899 902
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
Carrying amounts				
At 28 February 2017	13 996 651	–	159 863	14 156 514
At 29 February 2016	13 996 651	–	338 989	14 335 640

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 26 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 based on past experience were made in the value in use determination:

- Revenue growth year 1 – 5, ranging between 10% and 15,6%;
- Terminal growth rate of 5%;
- Cost of equity 22,17%;
- After tax cost of debt 7,56%;
- Weighted average cost of capital (WACC) 21,78%; and
- Tax rate of 28%.

The value in use valuation reflected a CGU value of R215 million which is greater than the carrying value of the investment and related goodwill.

Notes to the financial statements continued

for the year ended 28 February 2017

4. Intangible assets continued

A sensitivity analysis of the value in use calculation showed that no impairment was required at 28 February 2017 even if the WACC and terminal growth rates were adjusted.

Valuation sensitivity analysis

		WACC		
		20,78%	21,78%	22,78%
	4%	220 695 036	208 034 967	196 752 101
Terminal growth rate	5%	229 392 374	215 534 201	203 263 469
	6%	239 266 903	223 984 123	210 551 090

	COMPANY	
	2017 R	2016 R
5. Investment in subsidiary companies		
Number of shares held		
– Verimark Proprietary Limited	116	116
– Verimark Singapore Private Limited deregistered	–	100
	%	%
Percentage holding		
– Verimark Proprietary Limited	100	100
– Verimark Singapore Private Limited deregistered	–	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.		
	R	R
Verimark Proprietary Limited		
– Opening balance	39 994 602	57 136 164
– Reversal of impairment/(impairment)	29 711 518	(17 141 562)
Closing balance	69 706 120	39 994 602
Reconciliation of original cost		
Original cost	283 229 623	283 229 623
Total impairment	(213 523 503)	(243 235 021)
Carrying value	69 706 120	39 994 602
Verimark Singapore Private Limited deregistered		
– Cost of shares	–	714
Closing balance	–	714
Net investment in subsidiary companies	69 706 120	39 995 316

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 (see note 26).

	GROUP	
	2017 R	2016 R
6. Deferred taxation asset		
Balance at beginning of year	3 305 308	4 960 827
Current year movement in profit or loss	1 086 947	(1 655 519)
Balance at end of year	4 392 255	3 305 308

	Assets R	Liabilities R	Total R
Deferred taxation is recognised at a rate of 28% (2016: 28%) and comprises temporary differences arising on:			
2017			
– Leave pay accrual	908 512	–	908 512
– Doubtful debts allowance	67 761	–	67 761
– Prepayments	–	(276 910)	(276 910)
– Lease straight-line accruals	1 339 408	–	1 339 408
– Income received in advance	15 590	–	15 590
– Depreciation/wear and tear on shop fittings	479 738	–	479 738
– Medical aid and provident fund accruals	196 070	–	196 070
– Audit fee accrual	231 840	–	231 840
– Bonus accrual	1 052 721	–	1 052 721
– Commission accrual	377 525	–	377 525
	4 669 165	(276 910)	4 392 255
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

Notes to the financial statements continued

for the year ended 28 February 2017

	GROUP		COMPANY	
	2017 R	2016 R	**2017 R**	2016 R
6. Deferred taxation asset continued				
Unrecognised deferred taxation assets				
Deferred taxation assets have not been recognised in respect of the following:				
Taxation losses	**559 795**	540 055	**559 795**	540 055

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 999 268 (2016: R1 928 768) for the group and company.

	GROUP	
	2017 R	2016 R
7. Inventories		
Merchandise	**79 196 342**	66 620 149
Merchandise in transit	**7 272 870**	2 966 753
Impairment of inventory	**(2 846 669)**	(4 005 996)
	83 622 543	65 580 906

Refer to note 17 for details of inventory written off during the year.

	GROUP	
8. Trade and other receivables		
Trade receivables	**42 506 007**	60 408 106
Sundry debtors	**287 361**	(290 433)
Advance payments made to foreign suppliers	**3 602 248**	2 302 930
Staff receivables	**14 730**	38 861
Franchise loans receivable	**4 738**	–
Deposits	**263 595**	152 459
Impairment of trade receivables	**(322 671)**	(642 139)
	46 356 008	61 969 784

Security

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

	GROUP		COMPANY	
	2017 R	2016 R	2017 R	2016 R
9. Cash and cash equivalents				
Bank balances and cash on hand	34 072 349	15 792 363	280 313	257 829
Cash and cash equivalents transferred to assets held for sale	–	(140 917)	–	–
	34 072 349	15 651 446	280 313	257 829
Bank overdraft	(1 015 298)	(9 929 334)	–	–
	33 057 051	5 722 112	280 313	257 829

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

Company

- 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 22.4 for split between bank balances and cash on hand.

	GROUP		COMPANY	
	2017 R	2016 R	2017 R	2016 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 (2016: 114 272 328) ordinary shares of 0,3333 cents each	381 024	381 024	380 908	380 908
7 351 959 (2016: 6 380 870) treasury shares of 0,3333 cents each held by Verimark Proprietary Limited	(24 506)	(21 267)	–	–
	356 518	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	(7 351 959)	(6 380 870)	–	–
Number of shares held externally at end of year	106 920 369	107 891 458	114 272 328	114 272 328

Notes to the financial statements continued

for the year ended 28 February 2017

	GROUP		COMPANY	
	2017 R	2016 R	2017 R	2016 R
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	(5 810 827)	(5 352 138)	–	–
Balance at end of year	31 810 000	32 268 689	316 702 119	316 702 119
12. Interest-bearing borrowings				
Secured local loans				
Investec Bank Limited	3 371 183	3 729 816	–	–
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	1 442 101	339 336	–	–
Instalment sale agreements, bearing interest at prime plus 1,45% and repayable over approximately 24 months (refer to note 24.2).				
The loans are secured by the financed assets (refer to note 3).				
Balance at end of year	4 813 284	4 069 152	–	–
Less: Current portion	(1 039 040)	(701 904)	–	–
– Investec Bank Limited	(390 820)	(362 568)	–	–
– Wesbank, a division of FirstRand Bank Limited	(648 220)	(339 336)	–	–
Long-term portion included in non-current liabilities	3 774 244	3 367 248	–	–

	COMPANY	
	2017 R	2016 R
13. Amount owing to subsidiary company		
Verimark Proprietary Limited	20 645 262	18 689 810
	20 645 262	18 689 810

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

	GROUP		COMPANY	
	2017 R	2016 R	2017 R	2016 R
14. Trade and other payables				
Trade payables	11 258 841	8 932 021	–	–
Accruals	7 835 342	4 651 799	–	–
Payroll accruals	8 300 990	4 479 029	–	–
Value added tax	–	1 297 291	–	–
Commissions	1 653 928	1 597 923	–	–
Royalties and licence fees	790 210	1 018 396	–	–
Store opening and space rentals	73 115	74 485	–	–
Straight-line accrual	4 783 599	3 219 678	–	–
Income received in advance	55 679	–	–	–
Directors' fees payable	42 751	–	42 751	–
Insurance payable	613 807	–	–	–
	35 408 262	25 270 622	42 751	–
15. Revenue				
Sale of merchandise (continuing operations)	439 118 603	430 798 744	–	–
Dividend received from subsidiary	–	–	4 232 084	5 963 229
	439 118 603	430 798 744	4 232 084	5 963 229
16. Other income				
Other income (refer to note 1.3.3)	1 636 140	963 671	–	–
Youth employment tax incentive	1 770 081	1 647 245	–	–
Loss on disposal of plant and equipment	(40 512)	(163 450)	–	–
	3 365 709	2 447 466	–	–

Notes to the financial statements continued

for the year ended 28 February 2017

	GROUP 2017 R	GROUP 2016 R
17. 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)	202 691	497 045
Auditor's remuneration	997 000	782 469
– current year	856 000	650 869
– NEXIA SAB-T	141 000	131 600
Depreciation on plant and equipment	4 278 378	5 309 451
Directors' emoluments for services as directors	7 036 721	8 008 903
Employee costs	76 601 712	71 265 793
Inventory adjustments and impairments	5 863 895	5 005 933
Operating lease charges:	34 647 094	31 379 953
– property	30 861 466	27 729 367
– motor vehicles	2 221 707	1 841 659
– lease straight-lining (property)	1 563 921	1 808 927
Retirement benefits contributions	4 192 598	4 311 866
18. Finance income/(expense)		
Finance income		
Foreign exchange gains – realised	2 749 563	1 481 337
Interest income from financial assets	887 427	303 793
	3 636 990	1 785 130
Finance expense		
Foreign exchange losses – realised	(1 416 964)	(5 270 936)
Interest expense paid on financial liabilities	(736 400)	(1 196 371)
	(2 153 364)	(6 467 307)
Net finance income/(expense)	1 483 626	(4 682 177)
19. Taxation expense		
South African normal taxation		
Current taxation	12 090 601	2 226 834
– current year expense	12 090 601	3 855 840
– prior year over accrual	–	(1 629 006)
Deferred taxation	(1 086 947)	1 655 519
– current year (credit)/debit	(1 086 947)	25 924
– prior year under accrual	–	1 629 595
Total income taxation	11 003 654	3 882 353

	GROUP	
	%	%

19. Taxation expense continued

Reconciliation of taxation rate		
Current year's charge as a percentage of profit before taxation	29,5	29,5
Non-deductible expenditure		
– write-off of intercompany loan	–	5,8
– donations	(0,1)	0,3
Exempt income		
– youth employment tax incentive	–	(3,5)
– SARS interest on overpayment	0,1	–
– deferred tax asset not recognised on tax losses	(1.5)	(4,1)
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.

20. 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. The company was finally deregistered in the current year.

	2017 R	2016 R
Results of discontinued operation		
Revenue	–	1 112 480
Expenses	(486 657)	(1 913 593)
Loss from operations before tax	(486 657)	(801 113)
Income tax	–	–
Loss for the year	(486 657)	(801 113)
The loss from discontinued operations is attributable entirely to the owners of the company.		
Cash flows utilised by discontinued operation		
Net cash utilised by operating activities	(140 917)	(1 054 243)
Net cash generated from investing activities	–	113 768
Net cash flow for the year	(140 917)	(940 475)
Statement of financial position of discontinued operation		
Prepayments	–	22 777
Bank and cash balances	–	140 917
Assets held for sale	–	163 694
Trade and other payables	–	–
Liabilities directly associated with assets held for sale	–	–
Net assets classified as held for sale	–	163 694
Additional statement of financial position information		
FCTR deficit	–	(322 962)

Notes to the financial statements continued

for the year ended 28 February 2017

21. Related party transactions

21.1 Identity of related parties

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

Details of shareholders are included on page 100 and 101.

The directors of the company are Mr MJ van Straaten, Mr BM Groome, Mr MM Patel, Mr JM Pieterse and Ms AT Nzimande. Directors who resigned during the financial year are Mr SR Beecroft and Dr JT Motlatsi.

Directors' emoluments are disclosed in notes 17 and 30.

At 28 February 2017, 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 12.

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

	COMPANY	
	2017 R	2016 R
21.2 Related party transactions		
21.2.1 Amounts owing to subsidiary company		
Verimark Proprietary Limited		
Opening balance	(18 689 810)	(16 510 754)
Advances from subsidiary	(1 955 452)	(2 179 056)
Closing balance	**(20 645 262)**	(18 689 810)

Refer to note 13.

	GROUP		COMPANY	
	2017 R	2016 R	2017 R	2016 R
21. Related party transactions continued				
21.2 Related party transactions continued				
21.2.2 Loans from related party				
Van Straaten Family Trust				
Opening balance	–	(251 422)	–	(251 422)
Amount repaid	–	251 422	–	251 422
Closing balance	–	–	–	–
21.2.3 Directors and key management purchases of goods				
SR Beecroft	–	465	–	–
MJ van Straaten	7 327	35 548	–	–
BM Groome	991	–	–	–
	8 318	36 013	–	–
Sale of goods to directors is at a discount of 67% and sale of goods to key management is at a discount of 20%.				
21.2.4 Directors and key management personnel compensation				
Directors				
Short-term employee benefits	7 036 721	8 008 903	685 365	682 450
Post-employment benefits	–	–	–	–
Other long-term benefits	–	–	–	–
Termination benefits	–	–	–	–
	7 036 721	8 008 903	685 365	682 450
Key management				
Short-term employee benefits	1 833 187	1 621 844	–	–
Post-employment benefits	–	–	–	–
Other long-term benefits	–	–	–	–
Termination benefits	–	–	–	–
	1 833 187	1 621 844	–	–
	8 869 908	9 630 747	685 365	682 450

Notes to the financial statements continued

for the year ended 28 February 2017

	GROUP 2017 R	GROUP 2016 R
22. Notes to the statement of cash flows		
22.1 Cash generated from operations		
Profit before taxation from continuing operations	**37 316 211**	13 147 634
Loss before taxation from discontinued operations	**(486 657)**	(801 113)
Adjustment for:		
– amortisation of computer software (intangible assets)	**202 691**	497 045
– depreciation on plant and equipment	**4 278 378**	5 309 451
– loss on disposal of plant and equipment	**40 512**	163 450
– finance income	**(3 636 990)**	(1 785 130)
– finance expense	**2 153 364**	6 467 307
– (decrease)/increase in inventory impairment allowance	**(1 159 327)**	615 392
– increase in straight-lining accrual	**1 563 921**	1 808 927
– foreign currency translation movement	**322 962**	(156 840)
– impairment of plant and equipment	**–**	23 195
	40 595 065	25 289 318
(Increase)/decrease in inventories	**(16 882 310)**	13 334 911
Decrease in trade and other receivables	**15 613 776**	2 102 615
(Increase)/decrease in prepayments	**(525 762)**	33 056
Increase/(decrease) in trade and other payables	**8 573 719**	(9 864 774)
	47 374 488	30 895 126
22.2 Taxation paid		
Amounts (owing)/prepaid at beginning of year	**(1 849 884)**	363 794
Current year charge	**(12 090 601)**	(2 226 834)
Amounts (prepaid)/owing at end of year	**(790 258)**	1 849 884
	(14 730 743)	(13 156)

	GROUP		COMPANY	
	2017 R	2016 R	2017 R	2016 R

22. Notes to the statement of cash flows

continued

22.3 Dividend paid

Amount owing at beginning of year	–	–	–	–
Current year charge	(3 995 772)	(5 629 696)	(4 232 084)	(5 963 229)
Amount owing at end of year	–	–	–	–
	(3 995 772)	(5 629 696)	(4 232 084)	(5 963 229)

22.4 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following:

Bank balances	33 976 352	15 675 964	280 313	257 829
Bank overdraft	(1 015 298)	(9 929 334)	–	–
Cash on hand	95 997	116 399	–	–
Cash and cash equivalents held for sale	–	(140 917)	–	–
	33 057 051	5 722 112	280 313	257 829

23. 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 0% and employees contribute 11,77%. The total value of contributions to the above schemes was	4 192 598	4 311 866	–	–

Notes to the financial statements continued

for the year ended 28 February 2017

	GROUP 2017 R	GROUP 2016 R
24. Commitments		
24.1 Future operating lease commitments entered into by the group		
Motor vehicles and office equipment		
– payable within one year	2 641 075	3 962 510
– payable in year two to five	3 208 311	4 042 901
Total	5 849 386	8 005 411
Property		
– payable within one year	23 656 398	18 907 853
– payable in year two to five	53 488 081	45 715 693
– payable thereafter	7 226 318	19 205 255
Total	84 370 797	83 828 801

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.

	GROUP 2017 R	GROUP 2016 R
24.2 Future instalment sale commitments entered into by the group		
Office equipment		
– payable within one year	648 220	339 336
– payable in year two to five	793 881	–
Total	1 442 101	339 336

	Future minimum lease payments 2017 R	Interest 2017 R	Present value of minimum lease payments 2017 R	Future minimum lease payments 2016 R	Interest 2016 R	Present value of minimum lease payments 2016 R
Instalment sale liabilities						
Less than one year	785 452	137 232	648 220	352 628	13 292	339 336
In two to five years	850 136	56 255	793 881	–	–	–
Total	1 635 588	193 487	1 442 101	352 628	13 292	339 336

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

	GROUP	
	2017 R	2016 R

24. Commitments continued

24.3 Future operating lease commitments entered into for property occupied by franchisees

	2017 R	2016 R
Property		
– payable within one year	71 120	421 451
– payable in year two to five	–	71 120
Total	71 120	492 571

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.

24.4 Advertising commitments

The group has an advertising commitment for the period 1 March 2017 to 1 April 2017. The minimum amount still to be expensed after the financial year end amounts to R16 080 (2016: R867 730).

24.5 Capital commitments

Capital expenditure authorised but not yet contracted for amounts to R3 527 135 (2016: R6 730 000) in respect of assets to be acquired to expand operations of the group. Included in the amount is R300 000 (2016: R750 000) in respect of intangible assets. These acquisitions will be financed through finance received from instalment sale agreements and cash generated from operations.

24.6 Guarantees

- Absa Bank Limited issued a R1 000 000 (2016: R1 000 000) guarantee in favour of Oracle Airtime Sales (DSTV) on behalf of the group.
- Absa Bank Limited issued guarantees amounting to R2 213 149 (2016: R1 988 655) in favour of various parties.

Notes to the financial statements continued

for the year ended 28 February 2017

25. Financial instruments

25.1 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 Committees 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.

25.2 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 61% (2016: 79%) of the trade receivables balance before impairment allowances at year end. Refer to note 25.7.

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.

25. Financial instruments continued

25.3 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

- Primary lending facility – R26 600 000
- Credit card facility – R350 000
- Credit card (Travel Lodge Card) facility – R400 000
- Fleet card facility – R400 000
- Guarantee facility – R4 750 000
- Letters of credit – R8 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 November 2017.

The group is currently in a cash positive position of R33,0 million (2016: R5,7 million). The group's credit (overdraft) facility with Absa Bank Limited 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.

25.4 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.

25.4.1 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).

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.

Notes to the financial statements continued

for the year ended 28 February 2017

25. Financial instruments continued

25.4 Market risk continued

25.4.2 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. .

25.5 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 12 for further details.

The Board also ensures compliance with the covenants required by Absa Bank Limited 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.

25.6 Summary of financial assets/(liabilities) classification

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

	28 February 2017 R	29 February 2016 R
GROUP		
Trade and other receivables	42 753 760	59 666 854
Cash and cash equivalents	34 072 349	15 651 446
Interest-bearing borrowings	(3 774 244)	(3 367 248)
Trade and other payables	(30 568 984)	(20 753 653)
Current portion of interest-bearing borrowings	(1 039 040)	(701 904)
Bank overdraft	(1 015 298)	(9 929 334)
COMPANY		
Cash and cash equivalents	280 313	257 829
Trade and other payables	(42 751)	–
Amount owing to subsidiary company	(20 645 262)	(18 689 810)

	GROUP		COMPANY	
	2017 **R**	2016 R	**2017** **R**	2016 R

25. Financial instruments continued

25.7 Credit risk

	GROUP 2017 R	GROUP 2016 R	COMPANY 2017 R	COMPANY 2016 R
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure and was:				
Trade and other receivables	**42 753 760**	59 666 854	**–**	–
Cash and cash equivalents (net of bank overdraft)	**33 057 051**	5 722 112	**280 313**	257 829
	75 810 811	65 388 966	**280 313**	257 829
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	**42 506 007**	60 408 106	**–**	–
Foreign – Singapore	**–**	–	**–**	–
	42 506 007	60 408 106	**–**	–
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	**41 817 256**	59 292 582	**–**	–
Franchisee customers	**688 751**	1 115 524	**–**	–
	42 506 007	60 408 106	**–**	–

The group's most significant customer, a domestic retailer, accounts for R28 591 954 (2016: R50 681 081) of the trade receivables' carrying amount at 28 February 2017. 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.

Notes to the financial statements continued

for the year ended 28 February 2017

25. Financial instruments continued

25.7 Credit risk continued

GROUP

Impairment allowance

The ageing of trade receivables at the reporting date was:

	2017		2016	
	Gross R	Impairment allowance R	Gross R	Impairment allowance R
Not past due	20 384 494	–	46 528 007	–
Past due 30 to 120 days	21 545 982	(142 232)	13 572 472	(434 253)
Past due more than 120 days	575 531	(180 439)	307 627	(207 886)
Total	42 506 007	(322 671)	60 408 106	(642 139)

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	
	2017 R	2016 R
Balance at beginning of year	(642 139)	(104 525)
Impairment allowance reversed/(raised)	319 468	(537 614)
Balance at end of year	(322 671)	(642 139)

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.

25. Financial instruments continued

25.8 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	28 February 2017 Face value R	28 February 2017 Carrying amount R	29 February 2016 Face value R	29 February 2016 Carrying amount R
GROUP							
Secured bank loans – Investec	ZAR	Prime –2%	2023	3 371 183	3 371 183	3 729 816	3 729 816
Secured bank loans – Wesbank	ZAR	Prime +1,45%	2019	1 442 101	1 442 101	339 336	339 336
Total liabilities				4 813 284	4 813 284	4 069 152	4 069 152

Refer to notes 3, 9 and 12 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					
28 February 2017					
Non-derivative financial liabilities					
Secured loans	4 813 284	6 037 199	721 662	721 662	4 593 875
Trade and other payables	30 568 984	30 568 984	30 568 984	–	–
	35 382 268	36 606 183	31 290 646	721 662	4 593 875
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

Notes to the financial statements continued

for the year ended 28 February 2017

25. Financial instruments continued

25.8 Liquidity risk continued

Profile of loans and borrowings continued

	Carrying amount R	Contractual cash flows R	6 months or less R	6 to 12 months R	>1 year R
COMPANY					
28 February 2017					
Non-derivative financial liabilities					
Trade and other payables	42 751	42 751	42 751	–	–
Amount owing to subsidiary company	20 645 262	20 645 262	20 645 262	–	–
	20 688 013	20 688 013	20 688 013	–	–
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	–	–

Fair value hierarchy

The group had no financial instruments carried at fair value, by valuation method, at 28 February 2017.

25.9 Market risk

25.9.1 Currency risk

Exposure to currency risk

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

	GROUP		COMPANY	
	2017 R	2016 R	2017 R	2016 R
Bank and cash balances	(1 015 298)	(738 223)	–	–
Trade and other payables	(3 158 912)	(1 311 343)	–	–
Gross exposure at year end	(4 174 210)	(2 049 566)	–	–
Forward exchange contracts for foreign purchases*	–	–	–	–

** Forward exchange contracts are taken out to hedge foreign currency risk exposure. At year end, no outstanding forward exchange contracts are in place.*

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2017 R	2016 R	2017 R	2016 R
GROUP				
US Dollar	14,26	13,49	12,94	16,14

25. Financial instruments continued

25.9 Market risk continued

25.9.1 Currency risk continued

Sensitivity analysis

A 10% strengthening/weakening of the South African Rand (ZAR) against the currencies noted above at 28 February 2017 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 as for 2016.

	Profit/loss and equity R
GROUP	
28 February 2017	
Rand effect	300 543
29 February 2016	
Rand effect	147 569

25.9.2 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	
	2017 R	2016 R	2017 R	2016 R
Variable rate instruments				
Financial assets	33 976 352	15 535 047	280 313	257 829
Financial liabilities	(5 828 582)	(13 998 486)	–	–
	28 147 770	1 536 561	280 313	257 829

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

Notes to the financial statements continued

for the year ended 28 February 2017

25. Financial instruments continued

25.9 Market risk continued

25.9.2 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 2016.

	Profit or loss		Equity	
	100 bp increase R	100 bp decrease R	100 bp increase R	100 bp decrease R
GROUP				
28 February 2017				
Variable rate instruments	281 478	(281 478)	202 664	(202 664)
Cash flow sensitivity (net)	281 478	(281 478)	202 664	(202 664)
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)

25.10 Capital management

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

	GROUP		COMPANY	
	2017 R	2016 R	2017 R	2016 R
Total liabilities	41 236 844	41 142 541	20 688 013	18 689 810
Less: Cash and cash equivalents	(34 072 349)	(15 651 446)	(280 313)	(257 829)
	7 164 495	25 491 095	20 407 700	18 431 981
Total equity	150 337 008	128 645 846	49 298 420	21 563 335
Adjusted debt to capital ratio	0,05	0,20	0,41	0,85

Refer to note 25.5 for details on how the group manages its capital.

26. 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.

27. 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 28 February 2017				
Revenue	**439 118 603**	**–**	**–**	**439 118 603**
Profit/(loss) before tax	**37 316 211**	**(486 657)**	**–**	**36 829 554**
Profit/(loss) for the year	**26 312 557**	**(486 657)**	**–**	**25 825 900**
Segment assets	**191 573 852**	**–**	**–**	**191 573 852**
Segment liabilities	**(41 236 844)**	**–**	**–**	**(41 236 844)**
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)

Notes to the financial statements continued

for the year ended 28 February 2017

27. Segmental information continued

The group has assessed external customers and determined that a customer in the retail sector which constitutes 61% (2016: 79%) of trade receivables 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, Gorilla;
- 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 25.7 for further details and information on the group's major customers.

28. Earnings per share

The calculation of basic earnings per share is based on profit after taxation of R25 825 900 (2016: R8 464 168) attributable to the ordinary shareholders and a weighted average of 107 782 370 (2016: 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 R25 855 069 (2016: R8 581 852) and a weighted average of 107 782 370 (2016: 107 891 458) ordinary shares in issue during the year.

	GROUP	
	2017 R	2016 R
Profit per statement of comprehensive income	25 825 900	8 464 168
Adjustments:		
Loss on disposal of plant and equipment	40 512	163 450
Tax effect	(11 343)	(45 766)
Headline earnings	25 855 069	8 581 852
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	(6 489 958)	(6 380 870)
Weighted average number of shares held externally at end of year	107 782 370	107 891 458
Diluted weighted average shares	107 782 370	107 891 458
Basic and diluted basic earnings per share	24,0	7,8
Headline and diluted headline earnings per share	24,0	8,0

29. Standards and interpretations not yet effective

At the date of authorisation of the financial statements of the group for the year ended 28 February 2017, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	Effective date
IAS 7 amendments	Disclosure Initiative	Annual periods beginning on or after 1 January 2017*
IAS 12 amendments	Recognition of Deferred Tax Assets for Unrealised Losses	Annual periods beginning on or after 1 January 2017*
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018*
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2018*
IFRS 2 amendments	Clarifying Share-based Payment Accounting	Annual periods beginning on or after 1 January 2018*
IFRS 4 amendments	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Annual periods beginning on or after 1 January 2018*
IAS 40 amendments	Transfers of Investment Property	Annual periods beginning on or after 1 January 2018*
IFRIC 22	Foreign Currency Transactions and Advance Considerations	Annual periods beginning on or after 1 January 2018*
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).*

IAS 12 amendments, IFRS 2 amendments, IFRS 4 amendments and IAS 40 amendments 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:

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the group initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The principles of IFRIC 22 have already been applied by management. The directors do not believe that the interpretation will as a result have a significant impact.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

Notes to the financial statements continued

for the year ended 28 February 2017

29. 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.

Revenue comprises the fair value of amounts invoiced in respect of goods sold, net of rebates and settlement discounts. Revenue is recognised when risk and rewards are passed to the customer, which in the case of credit sales is the date of delivery. In respect of cash sales, revenue is recognised when the transaction happens.

It is envisaged that the adoption of the new Standard will not have a significant impact on the timing and value of revenue recognised due to the nature of the group's operations.

The sales transaction does not involve multiple performance obligations, or complex contractual terms determining the timing over which revenue should be recognised. In terms of the new Standard, revenue will still be recognised at a point in time, which will be the date of delivery.

In terms of the current revenue recognition policy, the group already makes provision for any credit and warranty returns in terms of its warranty agreements. The impact and the timing of this performance obligation will not differ significantly under the new Standard.

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 includes 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 change from an incurred loss model to an expected credit loss model when assessing the impairment of trade receivables is not expected to have a significant impact on the group under the new Standard. Based on the nature of the customer base and the low level of historic credit losses, bad debts are not considered a major expense to the group.

The impairment allowance historically represented less than 1% of the trade receivables outstanding at the reporting date and less than 0,07% of the reported revenue for the year.

Based on the strong credit control process in place and the nature of the primary trade debtors, the directors do not believe that the new approach to credit loss calculation will have a significant impact.

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

29. Standards and interpretations not yet effective continued

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

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 2017 and early application is permitted.

Leases (IFRS 16)

IFRS 16 was published in January 2017. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie 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 entity 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.

The group leases a number of properties (head office and stores), motor vehicles and office equipment in terms of operating leases.

The leases are generally for periods ranging between 24 and 60 months.

Once the new Standard becomes effective, these leases will have to be capitalised and reflected as lease assets and lease liabilities on the statement of financial position.

As noted in note 24.1, the group had operating lease commitments of R84,37 million outstanding at 28 February 2017 in respect of current property leases.

This future commitment is indicative of the amount of the lease asset (right of use asset) and lease obligation which would have to be reflected on the statement of financial position.

Notes to the financial statements continued

for the year ended 28 February 2017

30. Directors' emoluments

	Basic salary R	Allowances and other benefits R	Incentive bonuses R	Pension and medical aid contributions R	Total R
GROUP					
28 February 2017					
Executive directors paid by subsidiary					
MJ van Straaten*	4 696 165	120 000	–	540 538	5 356 703
BM Groome*	773 746	9 187	–	86 015	868 948
SR Beecroft*	109 492	–	–	16 213	125 705
	5 579 403	129 187	–	642 766	6 351 356
Non-executive directors paid by company					
AT Nzimande	35 900	–	–	–	35 900
JM Pieterse	247 100	–	–	–	247 100
JT Motlatsi	113 400	–	–	–	113 400
MM Patel	288 965	–	–	–	288 965
	685 365	–	–	–	685 365
Total	6 264 768	129 187	–	642 766	7 036 721
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

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

There are no prescribed officers in the company.

Refer to note 21.2.3 for additional disclosure on transactions with directors.

30. Directors' emoluments continued

	Salary R	Other benefits and allowances R	Pension and medical aid R	Total R
Key management paid by subsidiary				
2017				
D Rabie	685 460	160 703	82 644	928 807
N du Plessis	481 760	37 854	60 988	580 602
W Els	287 799	–	35 979	323 778
Total	1 455 019	198 557	179 611	1 833 187
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
Total	1 341 716	116 523	163 605	1 621 844

31. 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.

32. 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 subsidiary have adequate resources to continue as going concerns in the foreseeable future.

33. Dividends

The Board declared and approved a final dividend of R12 912 950 or 11,30 cents per share in relation to the 28 February 2017 results (2016: 3,7 cents per share) on 18 May 2017.

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.

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

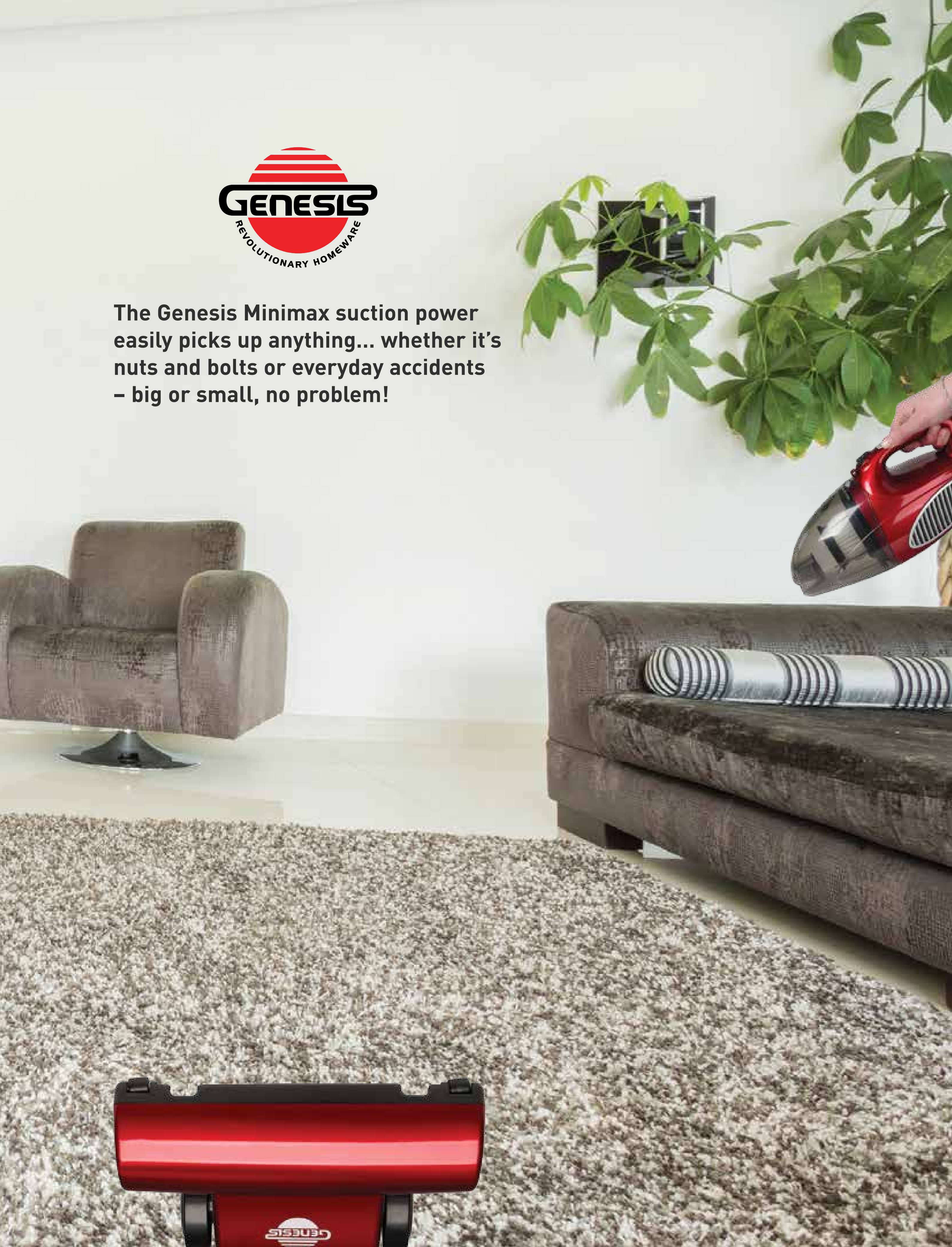
HIGH QUALITY BRAND
HEALTHY LIVING
HIGH QUALITY BRAND

GENESIS MINIMAX VACUUM

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


GENESIS
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!

Shareholder spread

as at 28 February 2017

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
Public shareholders				
Individuals	765	89,89	18 774 840	16,43
Collective investment schemes	1	0,12	3 699 124	3,24
Investment trusts and pension funds	37	4,35	3 531 617	3,09
Companies and other corporates	35	4,11	6 136 927	5,37
Banks and nominees	8	0,94	986 336	0,86
Non-public shareholders				
Directors	4	0,47	73 791 525	64,58
Treasury	1	0,12	7 351 959	6,43
Total	**851**	**100,00**	**114 272 328**	**100,00**
Size of shareholding				
Public shareholders				
1 – 1 000	343	40,31	124 854	0,11
1 001 – 10 000	310	36,43	1 399 090	1,22
10 001 – 100 000	151	17,74	4 625 548	4,05
100 001 – 1 000 000	35	4,11	9 940 750	8,70
1 000 001 and over	7	0,82	17 038 602	14,91
Non-public shareholders				
1 – 1 000	–	0,00	–	–
1 001 – 10 000	–	0,00	–	–
10 001 – 100 000	–	0,00	–	–
100 001 – 1 000 000	–	0,00	–	–
1 000 001 and over	5	0,59	81 143 484	71,01
Total	**851**	**100,00**	**114 272 328**	**100,00**

	Number of shares	% of shares in issue

Beneficial shareholders holding 5% or more of the issued share capital

	Number of shares	% of shares in issue
The Van Straaten Family Trust	64 000 000	56,01
Prime Rentals CC	8 000 000	7,00
Verimark Proprietary Limited	7 351 959	6,43
Total	**79 351 959**	**69,44**

Geographical holdings by owner

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
South Africa	843	99,05	108 692 096	95,12
Mauritius	1	0,12	3 699 124	3,24
United Kingdom	1	0,12	962 098	0,84
Namibia	4	0,47	894 360	0,78
Belgium	1	0,12	15 400	0,01
Greece	1	0,12	9 250	0,01
Total	**851**	**100,00**	**114 272 328**	**100,00**

Total number of shareholdings	**851**
Total number of shares in issue	**114 272 328**

Share price performance

Opening price 2 March 2016	R0,35
Closing price 28 February 2017	R0,61
Closing high for the period	R0,63
Closing low for the period	R0,21

Number of shares in issue	114 272 328
Volume traded during period	11 735 797
Ratio of volume traded to shares issued (%)	10,27%
Rand value of shares traded during period	R4 908 537
Total number of deals	328
P/E ratio	4,42

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, 3 August 2017 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, 28 July 2017 ("meeting record date"). Therefore the last day to trade to be registered as a shareholder in the company's register is Tuesday, 25 July 2017. 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, 1 August 2017 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, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 or PO Box 61051, Marshalltown 2107) by no later than 10:00 on Tuesday, 1 August 2017. 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 28 February 2017 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

- 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 28 February 2017.
- Present the Audit Committee report.
- Present the Social and Ethics Committee report.
- Consider any matters raised by shareholders.
- 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 28 February 2017 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 Ahmed Bulbulia 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 JM Pieterse

To elect, as an Ordinary Resolution, Mr JM Pieterse, 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 JM Pieterse, whose abridged curriculum vitae appears in the integrated annual report, in terms of Ordinary Resolution number 3.

4. Ordinary Resolution number 4: Confirmation of Ms AT Nzimande's appointment

To resolve, as an Ordinary Resolution, that Ms AT Nzimande, who was appointed by the Board as an independent non-executive director with effect from 1 November 2016, be appointed as a director of the company.

The Board unanimously recommends the appointment of Ms AT Nzimande, whose abridged curriculum vitae appears in the integrated annual report, in terms of Ordinary Resolution number 4.

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 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 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.

Notice of annual general meeting continued

The Board is satisfied that 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.

7. Ordinary Resolution number 7: Election of Ms AT Nzimande as Audit Committee member

To resolve, as an Ordinary Resolution, that Ms AT Nzimande 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 Ms AT Nzimande, 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 her Audit Committee obligations as set out in section 95 of the Act.

8. Ordinary Resolution number 8: 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 page 96 in the integrated annual report, by way of a non-binding advisory vote.

9. Special Resolutions 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	32 536
2.	Board member	12 035
3.	Audit Committee Chairman	24 548
4.	Audit Committee member	8 733
5.	Risk Committee Chairman	24 548
6.	Risk Committee member	8 733
7.	Remuneration, Social and Ethics Committee Chairman	24 548
8.	Remuneration, Social and Ethics Committee member	8 733
9.	Nominations Committee Chairman	24 548
10.	Nominations Committee member	8 733
11.	Any ad hoc Board committee Chairman	24 548
12.	Any ad hoc Board committee member	8 733
13.	Annual general meeting Chairman	30 550
14.	Annual general meeting member	12 035

Reason for and effect of these Special Resolutions

The approval of the remuneration of the non-executive directors was based on a 6,5% 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.

Each of the Special Resolutions numbers 1 to 14 in respect of each of the proposed remuneration, will be considered by way of a separate vote.

10. 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.

11. 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 the 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; and
- 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.

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.

In terms of the JSE Listings Requirements, any shares currently held by the Verimark Share Incentive Scheme will not have their votes at the annual general meeting taken into account in determining the results of voting on this Special Resolution.

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.

Notice of annual general meeting continued

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

Major shareholders	page 101
Share capital	page 71
Responsibility statement	page 43
Material changes	page 97

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.

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 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.

12. Special Resolution number 17: New memorandum of incorporation (MOI)

To resolve, by way of a Special Resolution, that the Board of Directors abrogate the existing MOI in its entirety and replace same with a new MOI, which will be tabled at the meeting and initialled by the Chairman for purposes of identification, with effect from the date of filing thereof with the Companies and Intellectual Property Commission.

The salient features of the company's new MOI are set out on pages 107 and 109 and form an integral part of this notice of annual general meeting.

Reason for and effect of this Special Resolution

The reason for Special Resolution number 17 is to abrogate the existing MOI in its entirety and replace same with an MOI to ensure compliance with the Companies Act and the amended Listings Requirements.

The MOI is amended on the basis that the amendments thereto have been approved by the JSE Limited, and will lie for inspection during normal business hours at Verimark's registered address.

13. Ordinary Resolution number 9: Authority to implement Resolutions passed at the annual general meeting

To resolve, as an Ordinary Resolution, that any director or the 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

18 May 2017

Salient features of the memorandum of incorporation

The numbering of the salient features of the memorandum of incorporation set out in the document below is consistent with the numbering of the full memorandum of incorporation.

4. Powers of the company and status as a public company

4.1 The Company has, subject to section 19(1)(b) of the Act, all of the legal powers and capacity of an individual.

4.2 There is no provision contained in this Memorandum of Incorporation which constitutes a restriction condition as contemplated in section 15(2)(b) of the Act.

4.3 The legal powers and capacity of the Company are not subject to any restrictions, limitations or qualifications, as contemplated in section 19(1)(b)(ii) of the Act.

4.4 The Board shall publish a copy of any rules of the Company as contemplated in sections 15(3), (4) and (5) of the Act which it may create for the Company or which it may amend in any manner permitted in terms of these sections.

4.5 No special resolution contemplated in section 20(2) or section 20(6) of the Act to ratify any action, which is contrary to the JSE Listings Requirements, shall be proposed to the shareholders unless otherwise agreed to by the JSE.

4.6 The Company, incorporated in terms of the Act on 9 April 1998, is a pre-existing company as defined in the Act, and accordingly continued to exist as a public company upon the Act taking effect, as if it had been incorporated and registered in terms of the Act, in accordance with the provisions of item 2 of Schedule 5 to the Act. This Memorandum of Incorporation replaces and supersedes the Memorandum of Incorporation of the Company applicable immediately prior to the filing date.

6. Issue of shares and variation of rights

6.4 If a fraction of a Share comes into being as a result of any corporate action, the Board may, to the extent applicable:

6.4.1 ensure the treatment of such fraction, together with any consequential cash payment, will be subject to compliance with the treatment of fractions as set out in the JSE Listings Requirements;

6.4.2 appoint a person to sell or transfer it;

6.4.3 pay the proceeds of such sale to the holders of the consolidated Share or deal with it in the manner otherwise agreed.

6.5 If a fraction is sold in the manner referred to in clause 6.4 the person referred to in clause 6.4.2 shall for all purposes be deemed to be authorised to enter into such contract of sale.

6.6 Any alterations of share capital, authorised shares and rights attaching to class/es of shares must be in accordance with the JSE Listings Requirements.

6.7 Each Share issued by the Company has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that Share as contemplated in clause 22.2. If any amendment to this Memorandum of Incorporation relates to the variation of any preferences, rights, limitation and other terms associated with any class of Shares already in issue, such amendments shall not be implemented without a special resolution adopted by the holders of Shares of that class at a separate meeting. The holders of Shares of that class will, subject to the further provisions of clause 22.2 also be entitled to vote at the meeting of ordinary Shareholders where the amendment is tabled for approval.

14. Capitalisation shares

14.1 Subject to the provisions of clauses 6.12 and 6.13 and compliance with the JSE Listings Requirements and section 47 of the Act, to the extent applicable, the Board shall have the power and authority to:

14.1.1 approve the issuing of any authorised Shares as capitalisation Shares , on a pro rata basis to the Shareholders of one or more classes of Shares; or

14.1.2 issue Shares of one class as capitalisation Shares in respect of Shares of another class; and/or

14.1.3 subject to the provisions of clause 14.2 to resolve to permit Shareholders to elect to receive a cash payment in lieu of a capitalisation Share.

14.2 The Board may not resolve to offer a cash payment in lieu of awarding a capitalisation share, as contemplated in clause 14.1.3 unless the Board:

14.2.1 has considered the Solvency and Liquidity Test as required by section 46 of the Act, on the assumption that every such Shareholder would elect to receive cash; and

Salient features of the memorandum of incorporation continued

14.2.2 is satisfied that the Company would satisfy the Solvency and Liquidity Test immediately upon the completion of the distribution. [LR10.6]

14.3 If, on any capitalisation issue, Shareholders would, but for the provisions of this clause 14.3, become entitled to fractions of shares, the Board shall, subject to any contrary provisions in the resolution authorising the capitalisation issue, be entitled to round off the number of capitalisation shares to be received by a Shareholder up or down to the nearest whole number (i.e. capitalisation shares will be rounded down to the nearest whole number if they are less than 0,5 and will be rounded up to the nearest whole number if they are equal to or greater than 0,5 resulting in allocations of whole shares and no fractional entitlements).

16. Financial assistance

Subject to compliance with the further requirements of the Act, the Board may authorise the Company, as contemplated in section 44 of the Act to provide financial assistance by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any Securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any such Securities, as set out in section 45 of the Act, to provide direct or indirect financial assistance to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, and the authority of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.

21. Shareholders' meetings by electronic communication

21.1 Subject to the provisions of the JSE Listings Requirements, and without derogating from the generality of the provisions of clause 20.5, the Company may conduct a Shareholders' meeting entirely by Electronic Communication or provide for participation in a meeting by Electronic Communication, as set out in section 63 of the Act, and the power of the Company to do so is not limited or restricted by this Memorandum of Incorporation. Accordingly:

21.1.1 any Shareholders' meeting may be conducted entirely by Electronic Communication; or

21.1.2 one or more Shareholders, or proxies for Shareholders, may participate by Electronic Communication in all or part of any Shareholders' meeting that is being held in person, so long as the Electronic Communication employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other and without an intermediary, and to participate reasonably effectively in the meeting.

21.2 Any notice of any meeting of Shareholders at which it will be possible for Shareholders to participate by way of Electronic Communication shall inform Shareholders of the ability to so participate and shall provide any necessary information to enable Shareholders or their proxies to access the available medium or means of Electronic Communication, provided that such access shall be at the expense of the Shareholder or proxy concerned.

22. Votes of shareholders

22.1 Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with this Memorandum of Incorporation, at a meeting of the Company:

22.1.1 every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;

22.1.2 on a poll any person who is present at the meeting, whether as a Shareholder or as proxy for a Shareholder, has the number of votes determined in accordance with the voting rights associated with the Securities held by that Shareholder; and

22.1.3 the holders of Securities other than ordinary Shares and any special shares created for the purpose of black economic empowerment in terms of the BEE Act and BEE Codes shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in clause 22.2.

26. Composition and powers of the Board of Directors

26.1 Number of Directors

26.1.1 In addition to the minimum number of Directors, if any, that the Company must have to satisfy any requirement in terms of the Act to appoint an audit committee and a social and ethics committee, the Board must comprise at least 4 (four) Directors to be elected by the Shareholders as contemplated in section 68 of the Act. The Shareholders shall be entitled, by ordinary resolution, to determine such maximum number of Directors as they from time to time shall consider appropriate. [LR10.16(a)]

26.1.2 All Directors shall be elected by an ordinary resolution of the Shareholders at a general or annual general meeting of the Company as set out in section 68(2) of the Act and no appointment of a Director in accordance with a resolution passed in terms of section 60 of the Act shall be competent. [LR10.16(b)]

26.1.3 Every person holding office as a Director, Prescribed Officer, company secretary or auditor of the Company immediately before the effective date of the Act will, as contemplated in item 7(1) of Schedule 5 to the Act, continue to hold that office.

26.2 The authority of the Board to fill a vacancy on the Board on a temporary basis, as set out in section 68(3) of the Act is not limited or restricted by this Memorandum of Incorporation provided that such Directors must be elected by the Shareholders at the next annual general meeting of the Company.

26.3 The Board shall have the power at any time and from time to time to appoint any person as Director, either to fill a casual vacancy or as an addition to the Board.

40. Notices

40.1 All notices shall be given by the Company to each Shareholder of the Company who has elected to receive such notices and simultaneously to the Issuer Services Division of the JSE, and shall be given in writing in any manner authorised by the JSE Listings Requirements and/or the Act, as may be applicable. All notices shall, in addition to the above, be released through SENS provided that, in the event that the Shares or other Securities of the Company are not listed on the JSE, all the provisions of this Memorandum of Incorporation relating to the publication of notices via SENS shall no longer apply and such notices shall thereafter only be delivered in accordance with the provisions of the Act.

Shareholders' diary

Financial year-end	28 February 2017
Announcement of annual results	23 May 2017
Annual general meeting	3 August 2017
Announcement of interim results	12 October 2017

Any changes to the above dates will be announced on SENS.

Administration

Verimark Holdings Limited

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

Directors

MM Patel *(Chairman)**
JM Pieterse*
AT Nzimande*
MJ van Straaten *(Chief Executive Officer)*
BM Groome *(Financial Director)*

** 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
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
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, 3 August 2017 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 chairperson 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 JM Pieterse			
Ordinary Resolution number 4 – Appointment of Ms AT Nzimande			
Ordinary Resolution number 5 – Election of Mr JM Pieterse as member of the Audit Committee			
Ordinary Resolution number 6 – Election of Mr MM Patel as member of the Audit Committee			
Ordinary Resolution number 7 – Election of Ms AT Nzimande as member of the Audit Committee			
Ordinary Resolution number 8 – Non-binding advisory endorsement			

Form of proxy continued

	Number of votes		
	For	Against	Abstain
Special Resolution number – Approval of non-executive directors' 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, Social and Ethics Committee Chairman			
8. Remuneration, Social and Ethics Committee member			
9. Nominations Committee Chairman			
10. Nominations 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			
Special Resolution number 17 – New memorandum of incorporation			
Ordinary Resolution number 9 – Authority to implement Resolutions			

(Indicate instruction to proxy by way of a cross in space provided above). Except as instructed above, or if no instructions are inserted above, my/our proxy may vote as he/she thinks fit.)

Signed this ______________________ day of ______________________ 2017

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, 1 August 2017. 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 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, 1 August 2017; 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, 1 August 2017. 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
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
(PO Box 61051, Marshalltown 2107)

HEALTHY LIVING

HIGH QUALITY BRAND

Premium forged aluminium cookware with ultra Eco-Stone coating

BAUER ECO CLASSIC FRYING PAN

Bauer – the brand you've come to love and trust for healthy cooking now brings you the New Bauer Eco-Classic cookware range. It's suitable for all cooking surfaces and the revolutionary heat indicator on the handle lets you know when you're at the best temperature to cook. Bauer heats up quickly and evenly. Bauer has a superior non-stick surface which contains no harmful chemicals, and is PFOA and PTFE free!

The white eco-stone non-stick surface makes cooking a pleasure and cleaning a breeze. Even though it may discolour slightly over time, this will not adversely affect the coating's properties. Bauer makes cooking a pleasure and cleaning a breeze.

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