INTEGRATED ANNUAL REPORT 2018

for the year ended 28 February

VERIMARK

Contents

About this report: Verimark's integrated report covers the group's South African operations for the period from 1 March 2017 to 28 February 2018. As a group we aim to provide our shareholders and the broader investment community with accurate, balanced and transparent reporting to enable them to make an informed view of the group's performance.

There has been no change in the scope and boundary of the report, nor has there been any significant change to the structure.

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 inside back cover).

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

The consolidated report further incorporates the data on all other entities as prescribed by International Financial Reporting Standards (IFRS).

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

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

This integrated annual report has been approved by the Verimark Board of Directors on 18 May 2018 and has been signed on their behalf by 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).

Financial highlights

REVENUE

↑15,7% to R508 137 million

(2017: R439 119 million)

DIVIDEND PER SHARE

15,0 CENTS PER SHARE

(2017: 11,3 cents)

PROFIT BEFORE TAX

↑25,1% to R46 686 million

(2017: R37 316 million)

EARNINGS PER SHARE

31,9 CENTS PER SHARE

(2017: 24,0 cents)

HEADLINE EARNINGS

↑30,3% to R33 680 million

(2017: R25 855 million)

ENJOYING SUCCESS SPANNING OVER 41 YEARS

1

OUR MISSION

TO BRING THE BEST INNOVATIONS FROM ACROSS THE GLOBE TO CONSUMERS IN SOUTH AFRICA AND OTHER SELECTED TERRITORIES.

2

OUR VISION

TO BE THE BEST IN EACH AREA OF OUR BUSINESS OPERATIONS.

3

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.

About Verimark

VERIMARK HAS, OVER ITS SUCCESSFUL 41 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 STRIVES TO BE THE FIRST TO MARKET FOR NEW INNOVATION AND REMAIN THE NUMBER ONE DRTV COMPANY IN AFRICA.

VERIMARK CONTINUES TO CREATE VALUE BY INCREASING NEW CUSTOMER SALES THROUGH INNOVATION AND MAINTAINING VERIMARK CUSTOMERS THROUGH CUSTOMER SERVICE.

1977
Verimark opened its doors

1981
First international show – Santiago Chile

1984
Launch first home gym (Gymtrim)

1989
Pioneered DRTV in Africa

1992
Introduced DRTV into retailers, first in the world

1994
Launched and registered the Bauer Brand

1998
Launched and registered the Maxxus and Twista Brands

2001
Launched and registered the Genesis Brand

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

2013
Verimark is today ranked as the largest buyer of TV airtime compared to any other DRTV company in South Africa

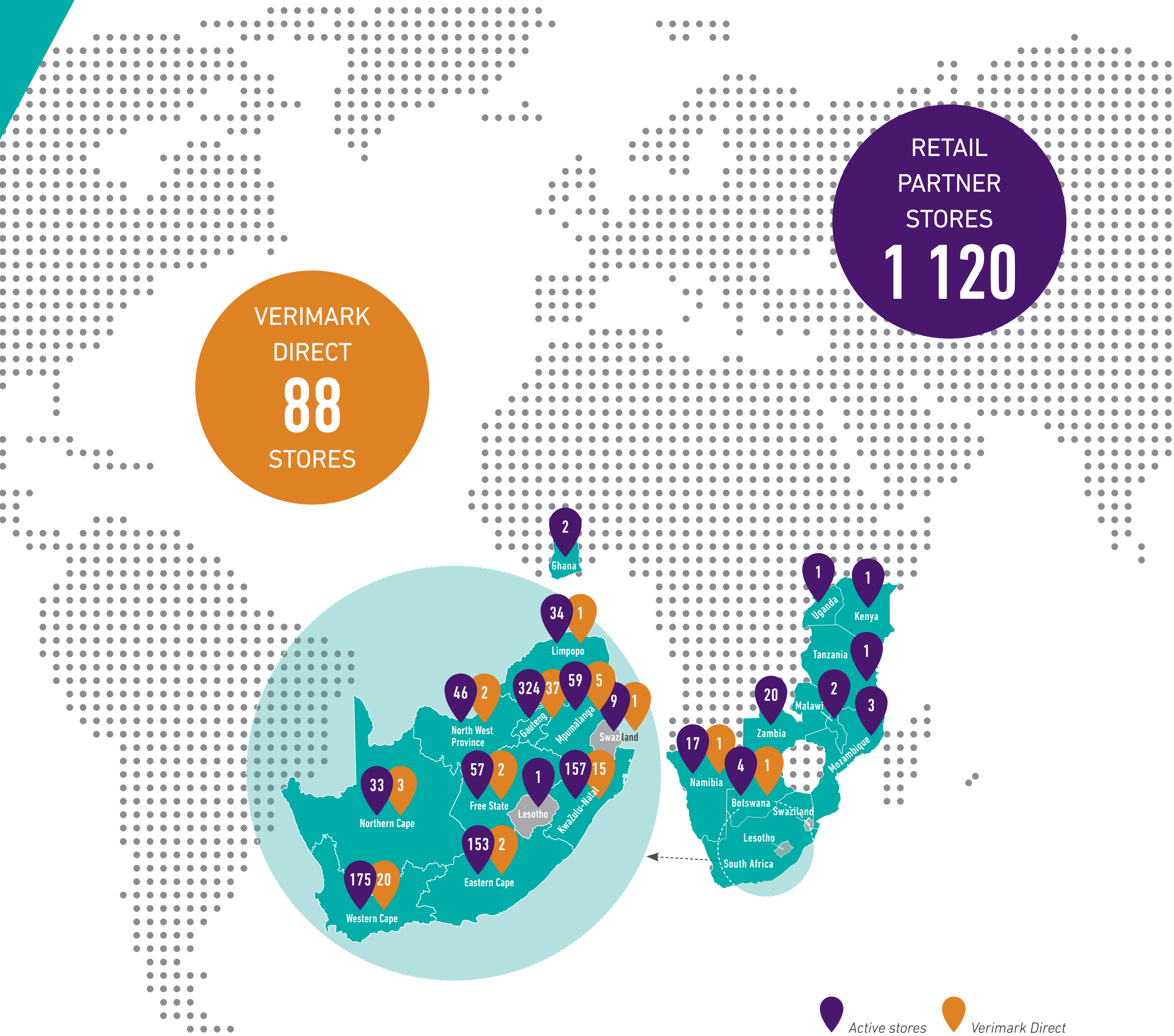
2017
Highest dividend yield on the JSE

40 years in business

2018
Achieved R500 million in revenue

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 88 **Verimark Direct** outlets, but also to in excess of 1 120 individual stores of our major retail customers such as Game, Makro, Checkers, Pick n Pay, Builders Warehouse, Spar Group 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.



HOUSEWARE	COOKWARE	CLEANING	DIY	TOYS	HEALTH AND BEAUTY	EXERCISE AND FITNESS
SHOGUN	BAUER COOKWARE	GENESIS	GORILLA A GUARANTEED BRAND	i-PLAY	SSAGE	MAXXUS
TOBi	bastille	MICROWIZ	TOOL GOBBLER PRO		Pink Armor Nail Gel	OrbiTrek ELITE
TWISTA		FLOORWIZ			DR-HO'S Pain Relief Experts	WONDER Core
		HAUSMEISTER			Jean Robère	
					miss belt	

What's new at Verimark

IRONS BETTER AND FASTER WITH POWERFUL, CONTINUOUS STEAM!

- Super powerful continuous steam
- Up to 100g/min steam burst
- Ultra durable ceramic soleplate
- Self cleaning function for enhanced durability
- Anti-drip and anti-scale
- 2600 Watts
- 2 Year quality guarantee

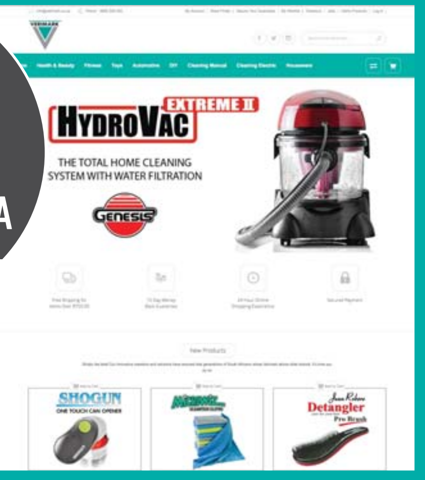
Power Steam Advance STEAM IRON

- Durable design that is guaranteed to last
- Suitable for use all around the house
- Range of accessories included
- Large usable capacity dust tank
- Wet & dry with washable filters
- 2 Year quality guarantee
- 14 Litre dust tank
- 1200W

WET AND DRY MULTI-PURPOSE VACUUM.

VERIMARK'S NEW WEBSITE ALLOWS THE USER TO HAVE AN EASY ONLINE SHOPPING EXPERIENCE... EASY TO NAVIGATE AND A SAFE SHOPPING INTERFACE.

NEW VERIMARK WEBSITE
WWW.VERIMARK.CO.ZA



SA'S ONLY ENGLISH, AFRIKAANS, ZULU AND TSWANA EDUCATIONAL LAPTOP.

i-PLAY
MULTILINGUAL LAPTOP
English - Afrikaans - Zulu - Tswana

TURNS ANY SURFACE INTO A NON-STICK GRILL.

What's new at Verimark continued

YOU CAN RACE THEM IN THE LIGHT OR RACE THEM IN THE DARK. I-PLAY FUN TRACKS RACES YOU TO THE MAX!

FASTER AND SAFER THAN IRONING.

- Multi-surface cleaning with powerful suction
- Bagless cyclonic technology
- Cleans carpets and hard floor surfaces
- Thermal Motor Protection
- Ultraefficient suction head
- Washable and reusable filters
- Automatic cord winder
- Easy to empty tank
- Multiple attachments included
- 1 Year quality guarantee

THE IDEAL COMPACT AND POWERFUL CYCLONIC VACUUM.

SO BRIGHT IT CAN BE SEEN TWO NAUTICAL MILES AWAY.

- Gorilla Lightforce Ultra Torch can been seen two nautical miles away
- Converts from a spot to flood with a simple pull action
- Bulb lasts 100 000 hours
- Manufactured from aircraft aluminium
- Just 13 centimetres in length
- 500 Metres of radiance
- 3 Easy-to-use brightness modes
- A disorientating strobe
- A handy SOS signal
- 30 Day money back guarantee

22X

Brighter than a regular flashlight

Our business model

INPUTS

The capital resources Verimark uses to create value:

Financial

Manufactured

Human

Intellectual property

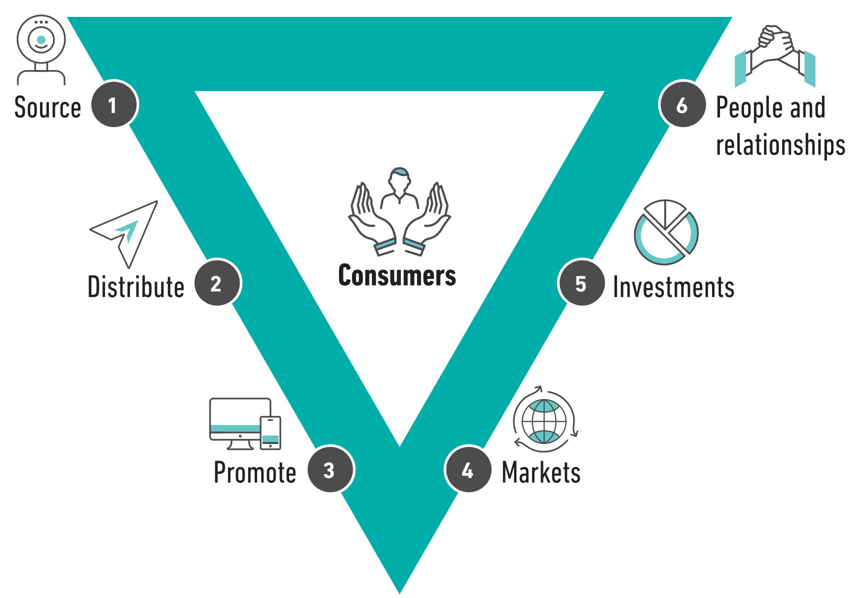
Relationship

Natural

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.

OUR BUSINESS ACTIVITIES

PRODUCTIVITY



SUSTAINABILITY

THE MAJORITY OF OUR BRANDS ARE RATED BEST SELLERS IN THEIR PARTICULAR PRODUCT CATEGORIES.

OUTPUTS (what we deliver)

1 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.

2 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 275 000 parcels of product to its customers during the year.

3 Promotion and advertising

Verimark actively drives and manage its brands through its in-house product development and marketing capability. DRTV commercials are conceptualised and produced in-house with the support of long-standing Verimark service providers. Consumer response is tested via Verimark's 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. Digital advertising has also become essential to ensure all marketing avenues have been addressed as well as improve the new website sales. Verimark's website was revamped and launched in November 2017.

4 Channel/markets

The group is the largest DRTV shopping retailer in South Africa and offers its products through retail, online shopping, call centre, export, and various shows and promotions. The retail experience, via our own Verimark Direct stores and our retail customers, remains our primary channel through which our products are offered. Verimark's retail expertise was developed from its first pioneering "Store within a Store" retail offering to its current vast offering to over 1 120 retail outlets. A number of opportunities in the other channels, in particular, online shopping as well as export, are currently being activated.

5 Investment in sales staff

The focus of this investment has been on our consumer-facing, in-store teams who operate in the retail environment through our Verimark Direct stores and our retail customers. One of the cornerstones of our success is the investment in training and equipping our employees to ensure that they can provide our customers with the highest level of service. Over 3 000 staff were trained and more than 16 700 hours (combined hours for all staff) occupied on 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. Verimark has also taken on interns as well as contributed by taking on learnerships and contributing to youth employment across South Africa; this will remain a focus in the coming years.

6 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

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 for consistent, reliable and improved execution will create value for both its customers and shareholders.

Challenges and opportunities

Verimark continued in 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. The tough consumer environment pushed Verimark to look at stock levels and rate of sales in order to keep up with rising costs; this presents a number of opportunities.

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 your greatest asset, so recruiting and retaining the right people is very important to your business success. Our employees create value and generate a return on investment for your 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.

Challenges and opportunities

The focus of our investment has been to equip our customer-facing sales force to enhance and improve our customers' experience and satisfaction. Our headquarters boasts a large and modern training facility to ensure that they are fully equipped. We also have training centres in the major regions. We have taken on interns as well as learnerships contributing to youth employment and this will continue to be a goal we strive to achieve.

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 we are consistently looking for top talent.

PASSION FOR INNOVATION

Innovation has driven our successful track record over the last 41 years and will continue to drive our future success. Verimark's choice of innovative products and developing of its brands will ensure their longevity and sustainability. Several of our brands, such as Bastille, Bauer, Genesis, Floorwiz, etc, have proven to stay in demand over many years – a testimony to their appeal and the quality we pride ourselves on.

Innovation remains a core priority and we will continue to optimise the wealth of intellectual property accumulated over the past 41 years.

Challenges and opportunities

The improvement of the Rand Dollar 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. We strive to be the first to market with the new innovation and we have the proven track record to ensure product success.

NEW MARKET OPPORTUNITIES

South Africa remains the core market for Verimark. We do recognise the volatility in the South African economy, however our resilient business model has withstood the ebb and flow of the changes in the economy over the years. We have however placed additional emphasis on the export model, which has been in effect for one and a half years now.

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.

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.

The international expansion will remain in our sights; however, there is an ongoing process to establish relationships overseas. 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 fluctuations.

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 • Annual general meeting • 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 annual 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
EMPLOYEES	• Attract and retain talent • Employee motivation • Increase productivity • Engender loyalty	• Company communications • Regular meetings, both formal and informal. • Induction and training courses	• Skill development and training • Reduced staff turnover • Employment equity • Career development • Workplace environment

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
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

Financial statistics

at 28 February 2018

	2018 %	**2017 %**
Sales growth	**15,7**	1,9
Gross margin	**45,4**	44,7
Operating margin	**9,2**	8,0
Return on shareholders' equity	**20,1**	17,2

	R'000	**R'000**
Revenue	**508 137**	439 119
Gross profit	**230 899**	196 320
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**51 446**	40 314
Profit before tax	**46 686**	37 316
Earnings attributable to owners	**33 697**	26 149
Operating profit	**46 880**	35 833
Headline earnings	**33 697**	25 855
Cash generated by operations	**21 151**	47 374
Shareholders' equity	**167 546**	150 337
Total assets	**226 367**	191 574

	Cents	**Cents**
ORDINARY SHARE PERFORMANCE		
Earnings per share	**31,9**	24,0
Headline earnings per share	**31,9**	24,0
Diluted earnings per share	**31,9**	24,0
Diluted headline earnings per share	**31,9**	24,0
Dividend per share	**15,0**	11,3

	Rand	**Rand**
SHARE STATISTICS		
Listing price	**2,50**	2,50
Lowest price traded	**0,47**	0,21
Highest price traded	**0,93**	0,63
Closing price	**0,78**	0,61

	R'000	**R'000**
EBITDA RECONCILIATION		
EBITDA	**51 446**	40 314
Interest	**(195)**	1 484
Depreciation	**(4 153)**	(4 278)
Amortisation	**(412)**	(203)
Profit before tax	**46 686**	37 316

DEFINITIONS

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

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

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

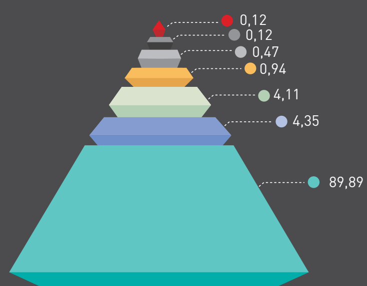
Debt to equity: Total interest-bearing debt divided by total equity.

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).

VERIMARK SHAREHOLDER SPREAD (%)



- Treasury
- Collective investment schemes
- Directors
- Banks and nominees
- Companies and other corporates
- Investment trust and pension funds
- Individuals

VERIMARK

OUR WAREHOUSE AND SUPPORT FUNCTIONS ARE FOCUSED ON PROVIDING SERVICES TO THE FRONTLINE CUSTOMER-FACING TEAMS.

Board of Directors




MICHAEL J VAN STRAATEN (64)

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 M GROOME (29)

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.

NOLUTHANDO P GOSA (55)

INDEPENDENT NON-EXECUTIVE CHAIRMAN

MBA (University of New Brunswick, Canada), BA Hons (Comms) (University of Fort Hare)

Noluthando Gosa was a member of the National Planning Commission that crafted the National Development Plan and Vision 2030. In addition to her degrees, she holds several postgraduate qualifications in business administration. Before her entrepreneurial interests which started in 2004, Noluthando was an investment analyst with Investec Bank. Prior to investment banking, she was one of the founding regulators of the then SA Telecommunications Regulatory Authority (now ICASA).

In addition to being Chairman and one of the founding members of Likamva Resources, ArcelorMittal South Africa's B-BBEE partner and 17% shareholder, she is also the current CEO and founder of Akhona Group, independent non-executive director of Investec Asset Management and Hulisani, non-executive director of Southern Africa – Canada Chamber of Commerce and a Member of the Advisory Board of the Mining Indaba. She has also sat on the boards of other companies including Broll Property Group and AON South Africa.

TANDI NZIMANDE (47)

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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 2016 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. She recently joined Chapter One, a business model research, Harambee and the ECD Incubator.

MAHLATSE KABI (48)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chartered Institute of Management Accountant (CIMA), MBA - Gordon Institute of Business Science, Certificate of Theory in Accounting, Bachelor of Accounting Science (Honours) and Bachelor of Commerce

Mahlatse has over 20 years' experience in management, of which 12 years was in finance and eight years in investments and structuring of BEE transactions. She is currently Chief Financial Officer at the Gordon Institute of Business Science (GIBS) and a part-time member of Makalani Advisory team doing advisory work on mergers and acquisitions.

After serving her articles at KPMG Inc., Mahlatse held senior finance positions at Standard Bank, SA Breweries and Multichoice SA before joining Mineworkers Investment Company (MIC) in 2005 to set up and head the finance function. She subsequently took up the role of Senior Investment Manager at MIC involved in all aspects of investment – sourcing, due diligence, acquisitions, valuations, strategic oversight, and divestitures and reporting.

She served on the boards and sub-committees of various portfolio companies of MIC including Tracker Connect, Westcon SA, Mine Safety Appliances, General Electric SA (Transportation), Masana Petroleum Solutions, IZAZI Solutions and Wesbank, a division of FirstRand Bank and their various sub-committees.

Mahlatse is currently serving on the boards of Stangen Insurance Company, JM Busha Asset Management Company and Rand Water Foundation.

JOHANN M PIETERSE (68)

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.

SIMONE VAN STRAATEN (28)

ALTERNATE DIRECTOR

Bachelor Business Science (Finance and Accounting), Post Graduate Diploma in Accounting at the University of Cape Town

During her school and university days, Simone was involved in Verimark as a sales representative at the Rand Easter Show as well as in an auditing and accounting capacity during holiday periods. Simone since completed her articles and qualified as a Chartered Accountant. In 2016 Simone joined Verimark as New Project Manager where she assisted in launching the new Verimark website, reactivation of the company's international trade division, and the sourcing and marketing of new products. Simone was recently appointed as Chief Operating Officer on 1 March 2018.

Chairman's report

AS NEWLY ELECTED CHAIRMAN OF THE VERIMARK BOARD OF DIRECTORS, I AM PLEASED TO PRESENT THE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS WHO WERE INCUMBENT FOR THE 2018 FINANCIAL YEAR.

Despite South Africa's continued retail landscape challenges, our sales revenue has increased for a second year in a row. Gross profit is up by a resounding 17,6% and profit before tax increased 25,1% from R37,3 million last year to R46,7 million, with a significant improvement coming in the second half of the year. Headline earnings has risen by 30,3% to R33,7 million, or 31,9 cents a share.

Last year we paid one of the highest dividend in the company's history, returning 11,3 cents a share to shareholders. And I am pleased to report that this year's total dividend has achieved another record and increased to 15,0 cents per share. This remains one of the highest dividend yields by a company listed on the JSE Limited.

While the strength of the South African Rand over the period certainly contributed, this year's performance is indicative of the various strategic transformation and enhancement initiatives implemented during the year by Verimark's management team. We continued to increase the rate of new product introductions and innovations, which have been well received by the market.

We elevated our advertising spend, cost containment has been a key feature within the company, while stock level assessments and better stock management processes, such as better visibility in-store, have been made more efficient wherever necessary.

The net result is that Verimark has performed well among its peer group of retailers in South Africa. One of the key success factors of this performance has been our ability to continue working closely with our core group of retailers allowing us to introduce a wider spread of existing and new products, which ensures that our product mix is improved and better adapted to specific retail outlets. Additionally, product availability, store location, price, product visibility, stock levels and delivery efficiencies have all played an important part in ensuring growth.

In South Africa, there has been a significant improvement in confidence in the economy, largely reflected by the political and economic developments since President Ramaphosa assumed office on 15 February. He has already made important decisions to change the direction of economic policy, including the reappointment of Mr Nhlanhla Nene as Minister of Finance, and a budget that will hike taxes to contain the bloated fiscal deficit and help avert a credit rating downgrade.

We believe that these and various other government actions, should contribute to a recovery in business and consumer confidence, in turn helping buoy growth in private consumption and fixed investment. The economy is expected to grow 1,7% in 2018, which is up 0,2% points from last month's forecast, and 1,8% in 2019. South Africa's retail sales increased 3,1% year on year in January of 2018, slowing from a downwardly revised 5,1% rise in the prior month and below market expectations of a 6,2% gain.

The Rand improved over the remainder of year under review to a low of R11,82 to the US Dollar, the average exchange rate for the financial year strengthened by 8,27%.

Looking forward, and over the next year, Verimark will further enhance the marketing of its newly launched website, which will become increasingly important.

There is some traction emerging in terms of export sales. Working more closely with international agents and exhibiting at international fairs has started to produce results. It is, however, still early in the process and will take some time to produce the intended results. We are also continuing to introduce locally produced products and, as always, we have an unwavering focus on boosting the sales of key attractive-to-the-market lines.

On behalf of the Board and executive team, I would like to convey my gratitude to the entire Verimark team for their tremendous efforts and unselfish contributions over the last year. Thank you to our customers for investing in our trusted brands and products.

Noluthando P Gosa
Chairman

18 May 2018

NOLUTHANDO P GOSA
CHAIRMAN

MICHAEL J VAN STRAATEN
CHIEF EXECUTIVE OFFICER

Chief Executive Officer's report

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VERIMARK'S 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

South Africa's economic challenges, experienced over recent years, continued during the year under review, with a downgrade to 'junk' status by S&P Global, numerous cabinet reshuffles, as well as lower than expected economic growth, all contributing to a recessionary environment with GDP declining 0,7% in the first quarter of 2017.

These factors impacted negatively on consumer confidence, resulting in lower spend in the retail market.

The challenging economic environment increased Rand volatility against foreign currencies. The Rand strengthened by 10,12% between the start and end of Verimark's financial year. The average exchange rate for the current year of R13,08, compared with the previous financial year's R14,26, improved by only 8,27%.

This reversal of the Rand's downward trend was the result of a number of international and local developments including, most importantly, encouraging changes in political leadership in South Africa. The strengthening of the Rand is positive for all importers, including Verimark. The financial benefits of the improved Rand Dollar exchange rate, however, were small given that most of the improvement occurred in the later part of the financial year.

VERIMARK'S PERFORMANCE

Verimark's performance will always be determined by management's ability to execute its proven business model optimally. As pointed out in the past, our business model is substantially different from that of typical retailers and suppliers/wholesalers to the retail trade. Notwithstanding the challenging economic environment in South Africa, Verimark is pleased to announce one of its best performances to date, as reflected by growth in sales and profitability.

Sales for the year increased by 15,7% from R439 million (2017) to R508 million (2018). The increase in the last six months of the financial year, compared to the same period in the previous year, was 17,2%. What contributed mainly to this increase was the number of new innovative products introduced as well as the range and assessment of stock levels in trade across our retail partners. A key contributor to this exceptional growth is the trust in, and credibility of, the Verimark brand and sub-brands (Bauer, Floorwiz, Genesis, I-Play). These brands were created, built and enhanced over many years and carry a significant off-balance sheet equity.

The strengthening of the Rand/Dollar exchange rate by 8,27%, effectively reversing the trend in the previous years, resulted in Verimark not needing to increase selling prices, in fact some

SALES FOR THE YEAR

↑ **15,7%** to R508 million

(2017: R439 million)

PROFIT BEFORE TAX

↑ **25,2%** to R46,7 million

(2017: R37,3 million)

Chief Executive Officer's report continued

products' prices were reduced. This had a positive impact on sales volumes.

When comparing "sales through the till (STT)" year on year, most of our retail partners commented that, unlike most suppliers, Verimark's growth through its stores was exceptional, with some retailers' STTs growing as much as 55% in the last few months. This is an excellent endorsement for Verimark and its various products.

This impressive growth to record levels yet again confirms Verimark's proven ability to source or develop the best innovations, and create TV commercials and marketing materials for these products which result in exceptional sales notwithstanding the tough retail environment.

COST CONTAINMENT AND PROFITABILITY

Profit before tax increased by 25,2% from R37,3 million (2017) to R46,7 million (2018). This increase in profits is a result of both the improved sales, as well as strict cost containment throughout the business. During the financial year, the company opened up eleven new Verimark emporium stores. These stores expand the servicing function as well as improving our customer care reach across South Africa. While costs have been incurred, the anticipated financial benefits will only be seen in the coming financial years.

The Verimark balance sheet is robust, being highly liquid with little debt as well as positive cash reserves. The improvement in stock holding, which fluctuated significantly during the financial year, has assisted with the improved revenue growth by ensuring stocks in most retail outlets were improved and maintained at appropriate levels to prevent out-of-stock situations.

Given the healthy state of the Verimark balance sheet and share price trading below net asset value, the company bought back shares in the current financial year, with Verimark Holdings buying back and cancelling 2 022 696 shares. Verimark Proprietary Limited also bought 3 389 640 shares, however this is eliminated on consolidation.

Pleasingly, an increased dividend of R16 848 732 (15,0 cents per share) compared to R12 912 950 (11,3 cents per share) in 2017, will be declared and paid to our valued shareholders.

THE FUTURE

Verimark's future is promising and we are excited about what is to come. We are well-positioned, our products are gaining more market acceptance and we are assessing various growth and expansion possibilities, The South African economy has, as usual, kept us focused in recent months, with the change in South Africa's presidency, not being downgraded by Moody's rating agency, interest rate cuts of 25 basis points, but which were offset by the 1% increase in the VAT rate.

Incidentally, Verimark has decided not to transfer the VAT increase onto the consumer, but rather absorb the cost.

The company will continue to focus on bringing the best innovation to the South African market as well as remain the number one Direct TV selling company in the country.

Verimark has re-activated the international market, this will however take some time to establish itself and produce satisfactory results. Our website W www.verimark.co.za has been re-vamped and upgraded and this will allow Verimark to participate meaningfully in the e-commerce space. Additionally, this is a multi-purpose offering and will allow even closer interactions with customers, while also ensuring that our customer service remains at the highest level.

Training and development of staff is, and always will be, a key focus for the company. We have participated in youth employment for the last 41 years and will continue to assist in reducing the unemployment rate for youth and previously disadvantaged individuals. We will pursue further learnerships and partnerships to ensure we can continue employing the best possible candidates and assist in ongoing career development. We are also seeing a diversity in our junior and senior management staff levels.

My sincere thanks to the entire Verimark 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, the hard work and commitment has resulted in us being able to deliver one of our best performances to date.

Our management and 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 2018

GENESIS HYDROVAC EXTREME II

WET VAC, DEEP CLEANER, WATER FILTRATION VAC AND AIR CLEANER IN ONE!

Corporate governance report

COMPLIANCE STATEMENT

Verimark is listed on the JSE and is subject to the JSE Listings Requirements, disclosure and corporate governance requirements of the JSE. Besides not having a fully independent internal audit function and the Chairman of the Board being a member of the Audit Committee, the group complied with all applicable governance requirements as well as with all the mandatory specific governance requirements contained in the JSE Listings Requirements. These areas will be reviewed in the ensuing year.

Application of the 16 core principles of the King IV Report on Corporate Governance for South Africa 2016 (King Code) and the corresponding explanations is set out on P page 36.

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

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 Verimark limits its impact on the environment as much as possible by its management of waste and its use of energy, in the form of electricity and fuel, and water.

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 12 years. Considering all relevant factors which could impact on Johann Pieterse's independence and performance, the Board considers there are no factors which prevent the director 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 Chairman of the Board is an independent non-executive director.

COMPOSITION OF THE BOARD AT YEAR END

Board membership at year end comprised five main members, the majority being independent non-executive directors, namely Mitesh Patel, Johann Pieterse and Tandi Nzimande. 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 Audit Committee considered and expressed its satisfaction at the level of expertise and experience of the Financial Director, Bryan Groome. The members of the Verimark Board have the necessary skills to guide the decision-making of the Board. Biographies of the Board members are to be found on P pages 16 and 17.

CHANGES TO BOARD

Mitesh Patel resigned as independent non-executive Chairman of the Board on Monday, 2 April 2018. Simone van Straaten was appointed as Chief Operating Officer and alternate director to Michael van Straaten on Thursday, 1 March 2018. Noluthando Gosa and Mahlatse Kabi were appointed as independent non-executive directors on Monday, 7 May 2018. Ms Gosa was appointed as independent non-executive Chairman of the Board on Friday, 18 May 2018.

As at the date of this integrated annual report, the Board consists of four independent non-executive directors, two executive directors, and an alternate to Michael van Straaten.

APPOINTMENT AND ROTATION OF DIRECTORS

New directors are appointed pursuant to the recommendations of the Nomination Committee, which conducts a rigorous assessment of the credentials of each candidate. The procedures for appointment are made in a formal and transparent manner and forms part of the 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, 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. The abridged curricula vitae details for directors eligible for re-election and appointment at the forthcoming annual general meeting are provided on pages 16 and 17 of this integrated annual report.

GENDER AND RACE DIVERSITY POLICY

The company's approved policy aims to promote gender and race diversity at Board level. Currently, out of six Board members, three are black and female. The Board, following review and recommendation from the Nomination Committee, approves the policy on an annual basis.

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 2018, 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.

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 which assist it with the discharge of its duties. Appropriate structures for this delegation are in place, as are appropriate monitoring and reporting systems. The terms of reference for each committee were reviewed and amendments approved by the Board on 10 October 2017.

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. The Company Secretary attends all Board and Board committee meetings.

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

The composition of the Board committees and attendance by members at the meetings is set out on page 26.

Audit Committee

Members at financial year end: JM Pieterse *(Chairman)*, AT Nzimande, MM Patel

JM Pieterse, AT Nzimande, NP Gosa and M Kabi will be elected at the upcoming annual general meeting as members of the Audit Committee. Please refer to the report prepared terms of section 94(7)(f) of the Companies Act 71 of 2008, as amended set out on page 49 of this integrated annual report.

At the forthcoming annual general meeting, shareholders will be requested to authorise the Audit Committee members, failing which the Board, to elect a Chairman of the Audit Committee from among its members, from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of the company.

Risk Committee

Members at financial year end: JM Pieterse *(Chairman)*, AT Nzimande, MM Patel, MJ van Straaten, BM Groome

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 summary of the identified risks see page 32.

Corporate governance report continued

The committee's key focus areas during the year included:
- A proactive approach has been employed to address and identify risks and as such there is an IT department that monitors the current changes in the market to ensure that Verimark is up to date with software and licences as well as external virus threats;
- To ensure that there are sufficient resources for the business, the cash flows are forecast six months ahead and regular review is undertaken by the Finance Director and his team; and
- Updating the committee terms of reference to accommodate King IV.

Nomination Committee

Members at financial year end: MM Patel *(Chairman)*, JM Pieterse, AT Nzimande

The committee is responsible for nominating successors for key positions in the company, ensuring that a succession plan is in place for executive directors and non-executive directors, and maintains the procedure and policy for the appointments to the Board.

Johann Pieterse has served as an independent non-executive director for 12 years. Considering all relevant factors which could impact on Johann Pieterse's independence and performance, the committee considered there are no factors which prevent the director from exercising independent judgement or acting in an independent manner.

The committee's key focus areas during the year included:
- Succession planning in respect of the executive directors and senior leadership team;
- Reviewing the composition and mix of skills of the Board; and
- Updating the committee terms of reference to accommodate King IV.

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.

Remuneration, Social, Ethics and Transformation Committee

Members at financial year end: AT Nzimande *(Chairman)*, JM Pieterse, MM Patel

The Board adopted a King IV implementation plan whose provisions included the annual tabling of the remuneration policy for a non-binding advisory vote by shareholders at the annual general meeting, with a recording of measures that the Board commits to take should either the remuneration policy or implementation report be voted against by 25% or more of voting rights.

King IV recommends that the remuneration policy incentivise the achievement of strategic objectives and positive outcomes.

BOARD AND BOARD COMMITTEE MEETING ATTENDANCE

The attendance by the Board at meetings for the financial year ended 28 February 2018 is set out below:

Name	Appointment date	Category	Board	Audit	Risk	Remuneration, Social, Ethics and Transformation	Nomination
MM Patel	28 May 2012 (Resigned on 2 April 2018)	Independent non-executive Chairman	4/4[1]	4/4	4/4	2/2	1/1[1]
JM Pieterse	3 November 2005	Independent non-executive director	3/4	4/4[1]	4/4[1]	1/2	1/1
AT Nzimande	1 November 2016	Independent non-executive director	2/4	3/4	3/4	2/2[1]	1/1
MJ van Straaten	1 July 2005	Chief Executive Officer	4/4	4/4[2]	3/4	2/2[2]	1/1[2]
BM Groome	23 March 2016	Financial Director	4/4	4/4[2]	4/4	2/2[2]	1/1[2]

Notes
[1] Chair *[2] By invitation*

The committee's focus during the year included:

- Approval of 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;
- The company's Code of Ethics as approved by the Board on 18 May 2017 is made available to all newly recruited employees. Key items in the Code of Ethics are explained to those staff during their induction process. Disciplinary processes are in place where formal breaches occur;
- All employment equity plan submissions and annual reporting requirements have complied with annual reporting. The Department of Labour has performed an audit on Verimark's five-year plan;
- Verimark has a BBBEE certificate which achieved a level of non-compliant. The committee considered solutions to improve the certification level;
- 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; consumer relationships; and
- Labour and employment. Certificates to confirm that no child labour is used are requested from all the factories that supply goods to Verimark.

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 an assessment concluded by the Audit Committee on 10 May 2018, the Board satisfied itself that the Company Secretary, who has more than 22 years' experience in providing guidance to JSE-listed boards and as a company secretary, has the appropriate competence and experience. As the company secretarial duties are outsourced to an independent firm, the Board in its assessment has considered the individuals who perform the Company Secretary role, as well as the directors and shareholders of the Company Secretary, and confirms that PremCorp has maintained an arm's-length relationship with the Board.

SHARE DEALINGS

Verimark has a share dealing policy requiring all directors, senior executives and the group Company Secretary to obtain prior written clearance from either the Board Chairman or the Audit Committee Chairman to deal in Verimark shares. Closed periods are implemented in accordance with the JSE Listings Requirements, during which the group's directors, executives and employees are prohibited from trading in Verimark shares. Additional closed periods are enforced should Verimark be subject to any corporate activity requiring a cautionary announcement.

CODE OF ETHICS

The group's values commit employees to high standards of integrity, behaviour and ethics in dealing with stakeholders. The directors believe that the ethical standards of the group, as stipulated in the Code of Ethics, are monitored and are being met. Where there is non-compliance the appropriate disciplinary action is taken, as Verimark responds to offences and prevents recurrence.

INTERNAL CONTROLS

Internal control systems were introduced to provide management and the Board with reasonable assurance as to the integrity and reliability of the financial statements. Management monitors the functioning of the internal control systems and makes recommendations to management and to the Audit Committee of the Board. Responsibility for the adequacy and operation of these systems is delegated to the executive directors. These records and systems are designed to safeguard assets and prevent and detect fraud.

GOING CONCERN

The annual financial statements contained in this integrated annual report have been prepared on the going concern basis. The directors report that, after making enquiries, they have a reasonable expectation that the group has adequate resources to continue 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.

Risk Committee report

THE RISK COMMITTEE (THE COMMITTEE) HAS DETERMINED THAT DURING THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018, IT HAS DISCHARGED ITS LEGAL AND OTHER RESPONSIBILITIES, AND IS PLEASED TO PRESENT ITS REPORT.

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 page 26 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 2018 according to its terms of reference, and has presented the group key risk summary as set out on page 32 of the integrated annual report.

JM Pieterse
Chairman of the Risk Committee

Remuneration, Social, Ethics and Transformation Committee report

THE RESPONSIBILITY OF THE REMUNERATION, SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE (THE COMMITTEE) IS TO ENSURE THAT THE COMPANY ACTS AS A RESPONSIBLE CORPORATE CITIZEN. THE COMMITTEE PROVIDES GUIDELINES TO THE COMPANY WITH RESPECT TO TRANSFORMATION, ETHICAL CONDUCT AND SUSTAINABILITY. THE COMMITTEE IS ALSO RESPONSIBLE FOR THE REMUNERATION POLICY.

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 26 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 transformation, remuneration practices in respect of salaries and bonuses for Verimark employees and management, as well as the ethical conduct of business. The Committee also regularly monitors 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 and the values of the company;
- 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

The Board adopted a King IV recommendation to include the annual tabling of the remuneration policy for a non-binding advisory vote by shareholders at the Annual General Meeting, with a recording of measures that the Board commits to take should either the remuneration policy or implementation report be voted against by 25% or more of voting rights.

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

Approve the remuneration policy

The Verimark Remuneration Policy aims, by means of fair, reasonable and market-related remuneration practices, to ensure that Verimark attracts and retains key people (specifically executive and senior management members of the quality required by the Board) in order to continue delivering shareholder return on investment and fulfilling its role as corporate citizen sustainably. The Policy sets out the remuneration structure which comprises total guaranteed package (TGP) and short-term incentives (STI) for all employees as well as the guidelines for non-executive directors' remuneration.

The Committee approves salary increases as well as performance bonuses. The executive directors are precluded from voting on their individual salary increases and performance bonuses.

Monitor the independent whistleblowing facility

An independently monitored whistleblowing hotline has been made available to employees across the group, whereby employees can report suspected fraud and/or activities which are considered to be transgressions of the group's Code of

Conduct. All logged calls were reported to relevant managers. Corrective action has been implemented where necessary to improve controls and to prevent recurrence of the incident. Reports detailing the tip-offs received, how these tip-offs have been investigated and the corrective measures taken are submitted to the 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 2018 year. The Committee has begun a re-evaluation of the new B-BBEE Codes and its impact on Verimark's status. This outcome of this re-evaluation will form the basis of a revised B-BBEE strategy at Verimark for the 2019 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 pages 36, 42 and 43 of the integrated annual report.

PLANS FOR THE 2019 PERIOD

Focus will be placed on improving Verimark's B-BBEE status. 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. Key performance indicators (KPIs) have been set for executive management to incentivise performance aligned to the company's strategy. A long-term incentive scheme will also be implemented in 2019 to retain talent.

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. The remuneration policy has been approved as well as KPIs.

This report will be presented to shareholders at the forthcoming annual general meeting.

AT Nzimande
Chairman of the Remuneration, Social, Ethics and Transformation Committee

Summary of company risks

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

	Impact	Mitigation
1 ECONOMIC OUTLOOK	**Risk: Ongoing uncertain economic conditions**	
	This could negatively affect our ability to achieve our sales and profitability forecasts.	Introducing innovative products that are relevant and affordable to consumers greatly assists with mitigating the impact of uncertain economic conditions. Expanding our export market which will act as a natural hedge against foreign currency fluctuations.
2 PRODUCT OFFERING	**Risk: Failure to introduce suitable/innovative new products before competitors**	
	Will result in poor business, lower revenue and profits.	Verimark has achieved historical success in establishing reputable brands. 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.
3 PRODUCT COST	**Risk: Currency fluctuations of the Rand against foreign currencies**	
	Adversely affects the purchase price of Imported products, which affects 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.
4 SELLING CHANNELS	**Risk: 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. Verimark has adapted to recent changes by cross-merchandising as well as utilising our talented in-store demonstrators.

5 OPERATIONAL RISK

Impact	Mitigation
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.
Risk: Advertising market fragmentation	
As media has developed so have the number of advertising means and television channels. This can negatively affect the return on investment and identification of the correct LSM.	Verimark is the number one DRTV company in South Africa, with the highest Television spend compared to all its competitor, and as a result has the necessary experience to identify the correct advertising space. Recently Verimark has also advertised in the digital space.
Risk: Loss of key retailers and direct store space	
This will adversely affect the group's revenue and profits.	Verimark's management has regular meetings with retailers and landlords to ensure there are strong working relationships which promote continuity. As the number one DRTV company In South Africa, Verimark has the ability and know how to bring the best innovation to the South African market.

Summary of company risks continued

5 OPERATIONAL RISK
continued

Impact	Mitigation
Risk: Supplier failure to deliver Inventory	
Supplier failure could result in failure to meet sales targets because of lack of availability of inventory as well as affect relationships with suppliers.	Verimark has developed strong relationships with its suppliers, over the last 41 years in business resulting in open communication with regard to availability of inventory to the market.
Risk: 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.
Risk: Energy and water supply risk	
Energy and water supply shortages could adversely affect our ability to operate.	We are aware of the need to reduce our electricity, water consumption and waste management. Our head office premises were built with green principles in mind.
Risk: 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. Verimark has a fully operational customer service department to deal with all queries and complaints as well as full training facilities which equip our staff with the resources to deal with customer issues at store level.

	Impact	Mitigation
6 COST CONTROL	**Risk: 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.
7 LABOUR AND KEY EMPLOYEES	**Risk: Succession planning and loss of key employees**	
	Business will be negatively impacted by loss of knowledge transfer within the company, increasing costs for training as well as relationship building.	Verimark has a succession plan in place to ensure that there is appropriate knowledge transfer. All employees joining and leaving the business have a full handover process to ensure business continuity.
8 BRAND AND REPUTATION	**Risk: 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.

King IV compliance

The application of all the principles will be assumed and companies will be required to explain the practices that have been implemented to give effect to each principle.

Applied   Partially applied

Stakeholder	Application to principle
LEADERSHIP The Board should set the tone and lead ethically and effectively. Applied	In terms of the Board Charter, the Board discharges its role and responsibilities with due regard to the values which support its name and while applying, and continuing to improve and implement, the recommended governance principles contained in King IV. The Board of Directors comprises six members and one alternate, the majority of whom are independent non-executive directors, with the positions of the Chief Executive Officer and Board Chairman being held separately, indicating a clear balance of power and authority at Board level. The Board has delegated its authority to four Board committees, namely the Audit Committee, Risk Committee, Remuneration, Social, Ethics and Transformation Committee (RSEC) and Nomination Committee (RSEC). The brief mandates, composition and attendance at meetings is set out in the 2018 integrated annual report. The Board approved amendments to the terms of reference for all the committees, to ensure alignment with King IV, on 10 October 2017. Board effectiveness forms part of the annual Board work plan.
ORGANISATION VALUES, ETHICS AND CULTURE The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. Applied	The Board, with the assistance of the RSEC, together with the Risk Committee oversees the management of ethics and monitors the company's activities to ensure they are in line with the Code of Ethics. A full whistleblowing service is in place and active where employees can report alleged instances of fraud or approach management directly. Statistics detailing all the people that have been disciplined and what sanctions were taken are provided in the report to the Board. The Code of Ethics was approved by the Board on 18 May 2017 following review and recommendation from the RSEC (the ethics code). RSEC ensures that management monitors and promotes compliance with the ethics code which is made available to all newly recruited employees. Key items in the ethics code are explained to those staff during their induction process. Disciplinary processes are in place where formal breaches occur.
RESPONSIBLE CORPORATE CITIZENSHIP The Board should ensure that Verimark is and is seen to be a responsible corporate citizen. Applied	The Board has delegated to the RSEC the responsibility for monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship. Management tables reports to enable RSEC to monitor Vermark's good corporate citizenship. Verimark has been part of the initiative in supporting Impact Kids Pre-School for years by donating prizes for fundraising for underprivileged children in the Kya Sands area. Donations are made to Animals in Distress on a half-yearly basis.

Applied *Partially applied*

Stakeholder	Application to principle
STRATEGY, IMPLEMENTATION, PERFORMANCE The Board should appreciate that the organisation's core purpose; its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The Board approved the strategy for Verimark Group and monitored the implementation by receiving regular reports from management. The Board, assisted by the Risk Committee, reviewed the key risks and opportunities impacting on the achievement of its strategic objectives. Detail of the to 10 key risks as well as a risk governance report is set out in the integrated annual report.
REPORTS AND DISCLOSURE The Board should ensure that reports and other disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner.	The Audit Committee assists the Board in reviewing and approving the integrated annual report and the annual financial statements, which are prepared in line with recognised local and international guidelines including the Companies Act requirements, IFRS, the reporting principles contained in King IV and the JSE Limited Listings Requirements (JSE LR). The Company Secretary tables a report setting out compliance by the company with the JSE LR which is reviewed by the Audit Committee and the Board. The full annual financial statements and integrated annual report are made available on W www.verimark.co.za and provide comprehensive insight into the financial position and performance of the company for the year under review. Copies of the full financial statements may also be requested from the Company Secretary through our registered offices.
ROLE OF THE BOARD The Board should serve as the focal point and custodian of corporate governance in the organisation.	The Board has an approved Board Charter, which it reviews annually. The Board's role and responsibilities are set out in the Board Charter. The Board is the focal point and custodian of corporate governance; both in terms of how its role and responsibilities are documented and the way it executes its duties and responsibilities. The Board has delegated its authority to four Board committees. The brief mandates, composition and attendance at meetings is set out in the integrated annual report.

King IV compliance continued

Applied Partially applied

Stakeholder	Application to principle
COMPOSITION OF THE BOARD The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. (Partially applied)	The Nominations Committee considers, on an annual basis, the composition of the Board in terms of the balance of skills, experience, diversity, independence, and knowledge needed to discharge the Board's role and responsibility. The Board approved the Gender and Race Diversity Policy on 18 May 2018. The Board appointed Ms AT Nzimande as independent non-executive director on 1 November 2016 and Ms NP Gosa and Ms M Kabi on 7 May 2018. The Chairman of the Board is a member of the Audit Committee, which is a practice not recommended by the King Code. This has been communicated to the JSE. All directors sign a directors' declaration confirming their interests and their professional positions held. As the Chairman is an Independent director, the appointment of a lead independent director is not required. The Nomination Committee work plan includes the requirement to recommend a succession plan for Board members, including the Board Chairman, on an annual basis. As part of the 2018 annual evaluation, the Chairman, together with the Board, shall determine the number of outside professional positions that the Chairman is allowed to hold, taking into account the relative size and complexity of the organisations involved.
COMMITTEES OF THE BOARD The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties. (Applied)	The Board has delegated its authority to four Board committees, namely the Audit, Risk, RSEC and Nomination committees. Each committee has a minimum of three independent non-executive directors as members. Executive and senior management are invited to attend meetings. The brief mandates, composition and attendance at meetings is set out in the integrated annual report. The committees operate in accordance with written terms of reference, which are reviewed and approved by the Board annually. The Board approved amendments to the terms of reference for all the committees, to ensure alignment with King IV, on 10 October 2017. Delegation to individuals and committees are in writing as part of the directors' appointment letter and set out in the approved terms of reference for each committee. The Nomination Committee annually ensures that collectively the committees have the requisite skills and capacity to fulfil their mandates effectively.
EVALUATIONS OF THE PERFORMANCE OF THE BOARD The Board should ensure that the evaluation of its own performance and that of its committees, its Chair and its individual members, supports continued improvement in its performance and effectiveness. (Applied)	Formal assessments of the effectiveness of the Board, Board committees, Chairman, directors and Group Company Secretary were conducted in May 2017 under the auspices of the Nominations Committee. Board effectiveness forms part of the annual Board work plan.

Applied | Partially applied

Stakeholder	Application to principle
APPOINTMENT AND DELEGATION TO MANAGEMENT The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities. (Applied)	While retaining overall accountability, and subject to matters reserved to itself, the Board has delegated authority to the Chief Executive Officer to run the day-to-day affairs of the company. Succession planning for the CEO and the Board is considered by the Nomination Committee and forms part of the approved annual work plan.
RISK GOVERNANCE The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives. (Partially applied)	The Board, supported by the Risk Committee, is ultimately responsible for the governance of risk. On a quarterly basis, the Risk Committee and the Board review the risk management process and maturity of the company, the effectiveness of risk management activities, the key risks facing the company, and managements' responses to address these key risks. The committee keeps the Board up to date on progress of these plans. Measures taken to mitigate the top strategic risks are set out in detail in the integrated annual report. Verimark currently does not have an Independent Internal Audit Function, however, a non-independent internal audit assurance process will be implemented in 2019. The Board will consider the need to receive periodic independent assurance on the effectiveness of risk management in 2018.
TECHNOLOGY AND INFORMATION GOVERNANCE The Board should govern technology and information in a way that supports the organisation in defining core purpose and to set and achieve strategic objectives. (Applied)	The Board, supported by the Risk Committee, is responsible for information and technology governance in accordance with King IV. The Risk Committee ensures that IT risks are adequately addressed through its risk management, monitoring and assurance processes. Verimark recently acquired new software and hardware servers as its system was under pressure with the new Point of Sales (POS) rollouts at store level. IT software (including malware/security software) is maintained and kept up to date by third party vendors. Annual licence, maintenance and regular upgrades are included in their scope of work. The current POS system has been upgraded and all stores are now trading on Syspro POS.

King IV compliance continued

Applied   Partially applied

Stakeholder	Application to principle
COMPLIANCE GOVERNANCE The Board should ensure governance compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Board is responsible for the group's compliance with applicable laws. The Board has delegated the responsibility for implementing compliance to management. The RSEC and Risk committees, in monitoring compliance, assist the Board. Progress on compliance with regulations and law is tabled at every Board meeting. The RSEC assists the Board with ensuring responsible business practices within the group and monitors the group's activities with applicable laws.
REMUNERATION GOVERNANCE The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Board, supported by RSEC, ensures that Verimark remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes. The remuneration report and remuneration policy set out in the integrated annual report have been designed to give effect to the group's strategic objectives. The RSEC report set out in the integrated annual report is disclosed by means of a background statement, overview of the main provisions of the remuneration policy as well as the implementation report of all remuneration awarded to individual members of the Board and executive management. The Verimark remuneration policy is not complicated and does not have any complex remuneration targets. Bonuses are based on company performance and are approved by the board if targets have been reached. Each executive employee's bonus structure is approved by the remuneration committee and paid accordingly if targets are reached. During the current financial year the Directors had a bonus accrual of R2 981 910 (2017: R2 538 359). The notice of the annual general meeting sets out the measures that the Board commits to take if either of the above (remuneration policy/the implementation report) receives 25% of more votes against.
ASSURANCE The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The Board has delegated to the Audit Committee and Risk Committee oversight of, *inter alia*, effectiveness of the company's assurance services with focus on combined assurance including external audit and the finance function as well as the integrity of the integrated annual report and the annual financial statements. Fraud and theft at the direct stores have minimised since April 2017 following internal audits conducted. The Board is however currently determining how to ensure that a more effective internal audit assurance is provided. Management believes that there are sufficient internal controls to ensure the maintenance of fair and accurate books and to prohibit 'off the books' accounts.

Applied Partially applied

Stakeholder	Application to principle
STAKEHOLDER RELATIONSHIPS In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Details of stakeholder relationships and stakeholder engagements are included in the integrated annual report. The Board is the custodian of corporate governance across the group. Policies are developed and implemented at group and subsidiary levels. In cases where policies are required to address special needs of business, these are developed and applied at business unit level with appropriate group oversight by the group operational executive Board. Directors attend the annual general meetings and encourage shareholders to attend. The results of the annual general meetings are released on SENS immediately following the meetings. Details of the governance framework are set out in the integrated annual report where details of the Board and its committee structures are explained.

Corporate accountability

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.

OUR ENVIRONMENT

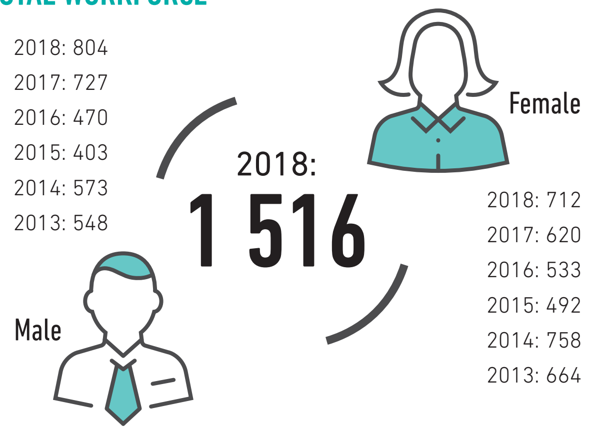
- Due to the nature of our business, Verimark has little direct impact on the environment. We generally have low consumption of water and limited emissions to air. Verimark is committed to conserving energy and aims to reduce its relatively small carbon footprint. Our head office and warehouse premises, 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.
- 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.
- Attracting and retaining the right people is critical to our success. Verimark invests in employees' growth through further education as well as on the job training.
- Succession planning is important in our business as is ensuring that our employees have growth opportunities resulting in retaining of key retail knowledge.
- 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 employee 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);
  - We are actively involved in reducing the unemployment rate of youth by giving them an opportunity in the sales field; and
  - We have entered into learnerships and are involved in creating jobs for the youth and lowering the youth unemployment rate. Learnerships will be a focus area in the future.

- We pride ourselves in 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 employees 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.

TOTAL WORKFORCE



Category	2013	2014	2015	2016	2017	2018
Full-time	335	329	314	283	312	**334**
Part-time	877	1 002	581	720	1 035	**1 182**
Total	1 212	1 331	895	1 003	1 347	**1 516**

Category	2013	2014	2015	2016	2017	2018
HDSA	1 090	1 230	809	915	1 256	**1 437**
White	122	101	86	88	91	**79**
Total	1 212	1 331	895	1 003	1 347	**1 516**

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. Donations were made to assist the church supporting the disadvantaged families in the Kya Sands informal settlement as well as Animals in Distress.

WE ARE DEDICATED TO ENHANCING THE CUSTOMER SERVICE EXPERIENCE.

VERIMARK

Group annual financial statements and annual financial statements

The group annual financial statements and annual 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 annual financial statements.

These group financial statements and financial statements for the year ended 28 February 2018 were published on 22 May 2018.

Certificate by the Company Secretary

In terms of section 88 (2)(e) of the Companies Act 71 of 2008, as amended, 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.

PremCorp Consulting Services Proprietary Limited
18 May 2018

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 2018 and signed by:

MJ van Straaten
Chief Executive Officer
Authorised director

NP Gosa
Chairman

Directors' report

for the year ended 28 February 2018

The directors have pleasure in submitting their report for the financial year ended 28 February 2018.

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 2018 amounted to R33,7 million (2017: R25,8 million). This translates into headline earnings per share of 31,9 cents (2017: 24,0 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 P pages 54 to 102 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 R195 674 910 (2017: R213 523 503).

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 issued share capital has changed during the current financial year, due to a share buyback. At the 2017 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. During the financial year 2 022 696 shares were bought back and cancelled on 18 January 2018, resulting in the issued share capital reducing to 112 249 632 shares.

Verimark Proprietary Limited purchased 3 389 640 Verimark Holdings Limited shares during the 2018 financial year at an average of 81 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 R16 848 732 or 15,0 cents per share in relation to the 28 February 2018 results (2017: 11,3 cents per share) on 18 May 2018.

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

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
S van Straaten[1]	Alternate Director to MJ van Straaten

[1] S van Straaten was appointed as Chief Operating Officer, Alternate Director to MJ van Straaten on 1 March 2018.

Independent non-executive directors

MM Patel[2]	Independent non-executive Chairman
JM Pieterse	Independent non-executive director
AT Nzimande	Independent non-executive director
NP Gosa[3]	Independent non-executive director
M Kabi[3]	Independent non-executive director

[2] Resigned on 2 April 2018.
[3] Appointed on 7 May 2018.

COMPANY SECRETARY

PremCorp 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.

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 2018, and the statements of profit or loss and other 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 2018, 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
2018				
MJ van Straaten and associates	**–**	**72 000 000**	**72 000 000**	**64,14**
JM Pieterse and associates	**–**	**1 791 525**	**1 791 525**	**1,60**
2017				
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 2018

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:

	2018 R	2017 R
Verimark Proprietary Limited	**33 697 464**	28 248 266
Verimark Singapore Private Limited*	–	(486 657)
Verimark Employees Empowerment Trust*	–	63 559
Selcovest 35 Proprietary Limited*	–	(23 549)

** 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.

SPECIAL RESOLUTIONS

A special resolution was passed by the Board, authorising the company 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 Companies 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

Another special resolution was passed by the Board, that the mandate given to the company providing authorisation, by way of a general approval, to acquire the holding company's 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 memorandum of incorporation, the provisions of the Companies Act 71 of 2008 and the Listings Requirements of JSE Limited

No other special resolutions were passed during the period under review, or between the reporting date and the date of this report.

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:

MJ van Straaten
Chief Executive Officer

NP Gosa
Chairman

Johannesburg
18 May 2018

Audit Committee report

The Audit Committee (the Committee) has determined that during the financial year ended 28 February 2018, 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), as follows:

- 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 the group's risk management processes, identifying and reviewing the group's exposure to significant risks and its risk mitigation strategy, including the adequacy of the group's internal financial and operational controls; and
- Considering the appropriateness of the expertise and experience of the Financial Director and the 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, 3 August 2017. 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.

At the forthcoming annual general meeting, shareholders will be requested to elect JM Pieterse, AT Nzimande, NP Gosa and M Kabi as members of the Audit Committee and to authorise the Audit Committee members, failing which the Board, to elect a Chairman of the Audit Committee from among its members, from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of the company.

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 page 26 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.

COMMITTEE FUNCTIONS

The functions carried out by the Committee during the financial year ended 28 February 2018 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 its 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;
- 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 2018; 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 2018 for approval by the Board.

Audit Committee report continued

The key audit matters as disclosed in the report of the independent auditor were communicated and reviewed by the Committee.

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 2018 following the recommendation received from the Committee. These reports will be tabled for discussion at the forthcoming annual general meeting.

Assessment of auditor and designated individual partner

The Committee has satisfactorily assessed the suitability for appointment of KPMG and A Bulbulia as the designated individual partner for reappointment at the forthcoming annual general meeting. The key audit matters as disclosed in the report of the independent auditor were communicated and reviewed by the Committee.

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.

Expertise and experience of the Company Secretary

The Committee has satisfied itself that the Company Secretary has the appropriate competence and experience and has maintained an arm's-length relationship with directors.

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 page 47 of the integrated annual report.

Recommendation of the annual financial statements and integrated annual report

The Committee, having fulfilled the oversight role regarding the reporting process for both the annual financial statements and the integrated annual report and having regard to material factors that may impact the integrity of these reports, recommends the integrated annual report and the annual financial statements for approval by the Board of Directors.

JM Pieterse
Chairman of the Audit Committee

10 May 2018

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 54 to 102, which comprise the statements of financial position as at 28 February 2018, and the statements of profit or loss and other 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 2018, 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters with regard to the separate financial statements to communicate in our report.

Valuation of inventories – (R84 484 860) – relates to consolidated financial statements

Refer to pages 64 to 67 for the accounting policy applied and note 7 to the financial statements.

The key audit matter	How we addressed the matter in our audit
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 sell all of its inventory, resulting in an increased risk of slow moving, redundant and obsolete inventory. 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 included: • Obtained the calculation performed by management to evaluate the level of impairment required to measure the 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 • Challenged 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.

Independent auditor's report continued

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Certificate by the Company Secretary, the directors' report and the Audit Committee's report as required by the Companies Act of South Africa and the directors' responsibility statement, which we obtained prior to the date of this report, 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, on the other information obtained prior to the date of the auditors report, 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 13 years.

KPMG Inc.
Registered Auditor

A Bulbulia
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road, Parktown, Johannesburg

18 May 2018

Group statement of financial position

at 28 February 2018

	Note	GROUP 2018 R	2017 Restated* R	2016 Restated* R
ASSETS				
Non-current assets		**30 136 637**	25 743 730	25 935 806
Plant and equipment	3	**8 459 145**	7 194 961	8 294 858
Intangible assets	4	**15 749 938**	14 156 514	14 335 640
Deferred taxation	6	**5 927 554**	4 392 255	3 305 308
Current assets		**196 230 720**	165 830 122	143 852 581
Inventories	7	**84 484 860**	83 622 543	65 580 906
Trade and other receivables	8	**87 265 175**	46 356 008	61 969 784
Prepayments		**662 284**	988 964	463 202
Prepaid taxation		**–**	790 258	23 549
Assets held for sale		**–**	–	163 694
Cash and cash equivalents	9	**23 818 401**	34 072 349	15 651 446
Total assets		**226 367 357**	191 573 852	169 788 387
EQUITY AND LIABILITIES				
Equity attributable to owners of the company		**167 546 139**	150 337 008	128 645 846
Share capital	10	**338 481**	356 518	359 757
Share premium	11	**27 421 877**	31 810 000	32 268 689
Foreign currency translation deficit		**–**	–	(322 962)
Retained earnings		**139 785 781**	118 170 490	96 340 362
Non-current liabilities		**8 939 015**	8 557 843	6 586 926
Interest-bearing borrowings	12	**3 237 394**	3 774 244	3 367 248
Operating lease accrual*		**5 701 621**	4 783 599	3 219 678
Current liabilities		**49 882 203**	32 679 001	34 555 615
Trade and other payables*	14	**40 881 475**	30 624 663	22 050 944
Current portion of interest-bearing borrowings	12	**2 160 545**	1 039 040	701 904
Taxation payable		**440 168**	–	1 873 433
Bank overdraft	9	**6 400 015**	1 015 298	9 929 334
Total liabilities		**58 821 218**	41 236 844	41 142 541
Total equity and liabilities		**226 367 357**	191 573 852	169 788 387

**Refer to note 31 for disclosure on prior period error.*

Group statement of profit or loss and other comprehensive income

for the year ended 28 February 2018

	Note	GROUP 2018 R	GROUP 2017 R
CONTINUING OPERATIONS			
Revenue	15	**508 137 088**	439 118 603
Cost of sales		**(277 238 335)**	(242 798 821)
Gross profit		**230 898 753**	196 319 782
Other income	16	**4 017 663**	3 365 709
Selling expenses		**(52 077 646)**	(45 154 302)
Other operating expenses		**(135 958 416)**	(118 698 604)
Operating profit before finance income and finance expense	17	**46 880 354**	35 832 585
Finance income	18	**2 363 187**	3 636 990
Finance expense	18	**(2 557 691)**	(2 153 364)
Profit before taxation		**46 685 850**	37 316 211
Taxation	19	**(12 988 386)**	(11 003 654)
Profit for the year from continuing operations		**33 697 464**	26 312 557
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations (after tax)	20	**–**	(486 657)
Profit for the year		**33 697 464**	25 825 900
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation reserve movement		**–**	322 962
Total comprehensive income for the year attributable to owners of the company		**33 697 464**	26 148 862
Earnings per share			
Basic and diluted earnings per share (cents)	28	**31,9**	24,0
Basic and diluted earnings per share (cents) – continuing operations		**31,9**	24,4
Basic and diluted loss per share from discontinued operations (cents)		**–**	(0,5)

Group statement of changes in equity

for the year ended 28 February 2018

	GROUP				
	Share capital R	Share premium R	Foreign currency translation deficit R	Retained earnings R	Total R
Balance at 1 March 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
Treasury 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**
Total comprehensive income for the year					
Profit for the year					
– Continuing operations	**–**	**–**	**–**	**33 697 464**	**33 697 464**
Repurchase of shares	**(6 742)**	**(1 654 499)**	**–**	**–**	**(1 661 241)**
Treasury shares	**(11 295)**	**(2 733 624)**	**–**	**–**	**(2 744 919)**
Dividend paid to shareholders	**–**	**–**	**–**	**(12 082 173)**	**(12 082 173)**
Balance at 28 February 2018	**338 481**	**27 421 877**	**–**	**139 785 781**	**167 546 139**

Group statement of cash flows

for the year ended 28 February 2018

	Note	GROUP 2018 R	GROUP 2017 R
Cash flows from operating activities			
Cash generated from operations	22.1	**21 151 360**	47 374 488
Finance income received	18	**2 363 187**	3 636 990
Finance expense paid	18	**(2 557 691)**	(2 153 364)
Taxation paid	22.2	**(13 293 259)**	(14 730 743)
Dividend paid	22.3	**(12 082 173)**	(3 995 772)
Net cash (outflows)/inflows from operating activities		**(4 418 576)**	30 131 599
Cash outflows from investing activities		**(5 970 607)**	(3 219 781)
Acquisitions of plant and equipment to expand operations		**(3 997 089)**	(3 241 765)
Acquisitions of intangible assets to maintain operations		**(2 005 794)**	(23 565)
Movement in or assets held for sale realised		**–**	22 777
Proceeds from disposal of plant and equipment		**32 276**	22 772
Cash (outflows)/inflows from financing activities		**(5 249 482)**	282 204
Advances in interest-bearing borrowings		**274 351**	744 132
Repayment of interest-bearing borrowings		**(1 117 673)**	–
Repurchase of own shares		**(4 406 160)**	(461 928)
Net (decrease)/increase in cash and cash equivalents		**(15 638 665)**	27 194 022
Cash and cash equivalents at beginning of year		**33 057 051**	5 722 112
Cash and cash equivalents held for sale at beginning of year		**–**	140 917
Cash and cash equivalents at end of year	22.4	**17 418 386**	33 057 051

Company statement of financial position

at 28 February 2018

	Note	COMPANY 2018 R	COMPANY 2017 R
ASSETS			
Non-current assets		**87 554 713**	69 706 120
Investment in subsidiary companies	5	**87 554 713**	69 706 120
Current assets		**264 483**	280 313
Trade and other receivables		**101 243**	–
Prepayments		**13 680**	–
Cash and cash equivalents	9	**149 560**	280 313
Total assets		**87 819 196**	69 986 433
EQUITY AND LIABILITIES			
Equity attributable to owners of the company		**63 604 963**	49 298 420
Share capital	10	**374 166**	380 908
Share premium	11	**315 047 620**	316 702 119
Accumulated losses		**(251 816 823)**	(267 784 607)
Current liabilities		**24 214 233**	20 688 013
Trade and other payables	14	**54 310**	42 751
Amount owing to subsidiary company	13	**24 159 923**	20 645 262
Total equity and liabilities		**87 819 196**	69 986 433

Company statement of profit or loss and other comprehensive income

for the year ended 28 February 2018

	Note	COMPANY 2018 R	COMPANY 2017 R
Dividend received from subsidiary	15	**12 912 956**	4 232 084
Other operating expenses		**(1 880 809)**	(1 975 719)
Reversal of impairment of investment in subsidiary company	5	**17 848 593**	29 710 804
Operating loss before taxation		**28 880 740**	31 967 169
Taxation		**–**	–
Profit for the year		**28 880 740**	31 967 169
Other comprehensive income		**–**	–
Total comprehensive income for the year		**28 880 740**	31 967 169

Company statement of changes in equity

for the year ended 28 February 2018

	COMPANY			
	Share capital R	Share premium R	Accumulated losses R	Total R
Balance at 1 March 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**
Total comprehensive income for the year				
Profit for the year	**–**	**–**	**28 880 740**	**28 880 740**
Repurchase of own shares	**(6 742)**	**(1 654 499)**	**–**	**(1 661 241)**
Dividend paid to shareholders	**–**	**–**	**(12 912 956)**	**(12 912 956)**
Balance at 28 February 2018	**374 166**	**315 047 620**	**(251 816 823)**	**63 604 963**

Company statement of cash flows

for the year ended 28 February 2018

		COMPANY	
	Note	2018 R	2017 R
Profit before taxation		**28 880 740**	31 967 169
Reversal of impairment in subsidiary company	5	**(17 848 593)**	(29 710 804)
Cash generated from operating activities		**11 032 147**	2 256 365
Increase in trade and other payables		**11 559**	42 751
Increase in trade and other receivables		**(101 243)**	–
Increase in prepayments		**(13 680)**	–
Cash inflows from operating activities		**10 928 783**	2 299 116
Dividend paid	22.3	**(12 912 956)**	(4 232 084)
Net cash outflows from operating activities		**(1 984 173)**	(1 932 968)
Cash inflows from financing activities		**1 853 420**	1 955 452
Repurchase of shares		**(1 661 241)**	–
Loans received from subsidiary company		**3 514 661**	1 955 452
Net (decrease)/increase in cash and cash equivalents		**(130 753)**	22 484
Cash and cash equivalents at beginning of year		**280 313**	257 829
Cash and cash equivalents at end of year	22.4	**149 560**	280 313

Notes to the financial statements

for the year ended 28 February 2018

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 and are consistently applied in the prior year.

The financial statements were authorised for issue by the Board of Directors on 18 May 2018.

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

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

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

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

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

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

1.3.2 Basis of consolidation

Subsidiaries

Investment in subsidiaries

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

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

Investments in subsidiary companies are stated at cost less accumulated impairment losses in the company's separate financial statements.

Loss of control

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

1.3.3 Revenue

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

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

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

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

Other income consists of skills development levy refunds for training provided, benefits derived from the youth employment tax incentive, profit/loss or disposal of plant and equipment and ad hoc fees charged to franchisees which are recognised on receipt of funds.

1.3.4 Finance income/(expense)

Finance income/(expense) comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, gains and losses on derivative instruments that are recognised in profit or loss. Interest income and interest expense is recognised in profit or loss as it accrues, using the effective interest method. Foreign exchange gains and losses are recognised when currency gains and losses occur. Foreign exchange gains and losses are reported on a gross basis.

1.3.5 Income tax

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

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Notes to the financial statements continued

for the year ended 28 February 2018

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.

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

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

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

1.3.6 Earnings per share

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

1.3.7 Segment reporting

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

1.3.8 Plant and equipment

Recognition and measurement

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

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

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

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

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

The residual values, if significant, depreciation method and useful lives of plant and equipment are reviewed at each financial year end and adjusted if appropriate.

1.3.9 Intangible assets

Goodwill

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

Other intangibles

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

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

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

Computer software	3 years
Trademarks	10 years

The residual values, if significant, amortisation method and useful lives of intangible assets are reviewed at each financial year end and adjusted if appropriate.

1.3.10 Impairment of assets

Non-financial assets

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

An impairment loss is recognised in profit and loss if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets on a pro-rata basis. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value, less costs to sell.

In assessing value in use, the estimated future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Notes to the financial statements continued

for the year ended 28 February 2018

1. ACCOUNTING POLICIES continued

1.3 Significant accounting policies continued

1.3.10 Impairment of assets continued

Non-financial assets continued

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

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

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

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

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

Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.3.11 Inventories

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

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

1.3.12 Leases

Operating leases – lessee

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

Finance leases – lessee

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

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

1.3.13 Financial instruments

Non-derivative financial assets

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

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

Non-derivative financial assets comprise loans and receivables and cash and cash equivalents.

Loans and receivables

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

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

Cash and cash equivalents

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

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

Non-derivative financial liabilities

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

Non-derivative financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost, using the effective interest method.

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. When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings or share premium.

1.3.15 Foreign currency transactions

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

Notes to the financial statements continued

for the year ended 28 February 2018

1. ACCOUNTING POLICIES continued

1.3 Significant accounting policies continued

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 is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Short-term employee benefits

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

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

Share-based payment transactions

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

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

1.3.18 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 subsidiaries. The fair value of the investment is determined by reference to the quoted share price at the reporting date. If the value of any investment has decreased below the carrying amount of the investment, the carrying value is written down to the recoverable amount.

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

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

Impairment of goodwill

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

Impairment of inventory

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

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 sell all of its inventory.

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 2018, and have not been applied in preparing these financial statements. Refer to note 29 for further details.

2. DETERMINATION OF FAIR VALUES

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

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

2.1 Trade and other receivables

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

2.2 Loans and borrowings repayable on demand

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

2.3 Cash and cash equivalents

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

2.4 Trade and other payables

The fair value of trade and other payables with a repayment term of less than one year approximates the amortised cost.

2.5 Interest-bearing borrowings

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

2.6 Derivative financial instruments

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

Notes to the financial statements continued

for the year ended 28 February 2018

3. PLANT AND EQUIPMENT

	Computer equipment R	Manufacturing structures and handling equipment R
GROUP		
Cost		
Balance at 1 March 2017	**4 035 083**	**5 536 446**
Additions	**1 642 835**	**–**
Disposals	**(628 132)**	**–**
Transfers	**–**	**–**
Balance at 28 February 2018	**5 049 786**	**5 536 446**
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
Accumulated depreciation and impairment losses		
Balance at 1 March 2017	**3 588 063**	**4 856 691**
Disposals	**(628 132)**	**–**
Depreciation for the year	**345 339**	**638 806**
Balance at 28 February 2018	**3 305 270**	**5 495 497**
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
Carrying value		
At 28 February 2018	**1 744 516**	**40 949**
At 29 February 2017	447 020	679 755

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
6 647 467	**185 348**	**7 562 651**	**7 353 430**	**21 470 356**	**512 258**	**53 303 039**
22 181	**64 900**	**110 002**	**429 548**	**1 037 589**	**2 118 011**	**5 425 066**
(905 810)	**(34 088)**	**(192 020)**	**(2 506 085)**	**(6 980 700)**	**–**	**(11 246 835)**
–	**–**	**2 361 720**	**–**	**100 091**	**(2 461 811)**	**–**
5 763 838	**216 160**	**9 842 353**	**5 276 893**	**15 627 336**	**168 458**	**47 481 270**
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
5 346 551	**142 629**	**6 092 236**	**7 339 676**	**18 742 232**	**–**	**46 108 078**
(905 810)	**(25 915)**	**(192 020)**	**(2 506 085)**	**(6 980 700)**	**–**	**(11 238 662)**
579 008	**31 476**	**1 244 178**	**57 765**	**1 256 137**	**–**	**4 152 709**
5 019 749	**148 190**	**7 144 394**	**4 891 356**	**13 017 669**	**–**	**39 022 125**
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
744 089	**67 970**	**2 697 959**	**385 537**	**2 609 667**	**168 458**	**8 459 145**
1 300 916	42 719	1 470 415	13 754	2 728 124	512 258	7 194 961

Notes to the financial statements continued

for the year ended 28 February 2018

3. PLANT AND EQUIPMENT continued

Leased assets

The company leases shop fittings and computer equipment under instalment sale agreements from Wesbank, a division of FirstRand Bank Limited. The leased equipment is secured for the lease obligations (see note 12).

Carrying value

	2018 R	2017 R
Leased		
Shop fittings	**1 147 238**	1 083 595
Computer equipment	**1 127 712**	–
	2 274 950	1 083 595

Assessment of useful lives, residual value and depreciation methods

During the year ended 28 February 2018, 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				
Cost				
2018				
Balance at beginning of year	**13 996 651**	**200 000**	**3 859 765**	**18 056 416**
Additions	**–**	**–**	**2 005 794**	**2 005 794**
Balance at end of year	**13 996 651**	**200 000**	**5 865 559**	**20 062 210**
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

	Goodwill R	Trademarks R	Computer software R	Total R
4. INTANGIBLE ASSETS continued				
GROUP				
Accumulated amortisation and impairment losses				
2018				
Balance at beginning of year	**–**	**200 000**	**3 699 902**	**3 899 902**
Amortisation for the year	**–**	**–**	**412 370**	**412 370**
Balance at end of year	**–**	**200 000**	**4 112 272**	**4 312 272**
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
Carrying amounts				
At 28 February 2018	**13 996 651**	**–**	**1 753 287**	**15 749 938**
At 28 February 2017	13 996 651	–	159 863	14 156 514

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) (CGU). The recoverable amount of Verimark was based on a value in use calculation performed by the directors based on a five-year forecast.

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

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

- Revenue growth year 1 – 5, ranging between 10% and 15,6%;
- Terminal growth rate of 5%;
- Cost of equity 21,37%;
- After tax cost of debt 7,38%;
- Weighted average cost of capital (WACC) 20,87%; and
- Tax rate of 28%.

The value in use valuation reflected a CGU value of R220,8 million, which is greater than the carrying value of the investment and related goodwill.

A sensitivity analysis of the value in use calculation showed that no impairment was required at 28 February 2018 even if the WACC and terminal growth rates were adjusted.

Notes to the financial statements continued

for the year ended 28 February 2018

4. INTANGIBLE ASSETS continued

Valuation sensitivity analysis

		WACC		
		19,87%	20,87%	21,87%
	4%	226 846 288	211 394 433	197 764 821
Terminal growth rate	5%	237 888 938	220 846 721	205 922 554
	6%	250 523 894	231 570 195	215 108 357

	COMPANY	
	2018	2017
5. INVESTMENT IN SUBSIDIARY COMPANIES		
Number of shares held		
– Verimark Proprietary Limited	**116**	116

	%	%
Percentage holding		
– Verimark Proprietary Limited	**100**	100

The group has no interests in unconsolidated structured entities.

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

	R	R
Verimark Proprietary Limited		
– Opening balance	**69 706 120**	39 994 602
– Reversal of impairment	**17 848 593**	29 711 518
Closing balance	**87 554 713**	69 706 120
Reconciliation of original cost		
Original cost	**283 229 623**	283 229 623
Total impairment	**(195 674 910)**	(213 523 503)
Carrying value	**87 554 713**	69 706 120
Net investment in subsidiary companies	**87 554 713**	69 706 120

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	
	2018 R	**2017 R**

6. DEFERRED TAXATION

	2018 R	2017 R
Balance at beginning of year	**4 392 255**	3 305 308
Current year movement in profit or loss	**1 535 299**	1 086 947
Balance at end of year	**5 927 554**	4 392 255

	Assets R	Liabilities R	Total R
Deferred taxation is recognised at a rate of 28% (2017: 28%) and comprises temporary differences arising on:			
2018			
– Leave pay accrual	**1 057 476**	**–**	**1 057 476**
– Doubtful debts allowance	**97 405**	**–**	**97 405**
– Prepayments	**–**	**(181 610)**	**(181 610)**
– Operating lease accruals	**1 596 454**	**–**	**1 596 454**
– Depreciation/wear and tear on shop fittings	**310 609**	**–**	**310 609**
– Other		**(43 240)**	**(43 240)**
– Credit note provision	**197 597**	**–**	**197 597**
– Medical aid and provident fund accruals	**214 587**	**–**	**214 587**
– Audit fee accrual	**236 592**	**–**	**236 592**
– Bonus accrual	**1 954 145**	**–**	**1 954 145**
– Commission accrual	**487 539**	**–**	**487 539**
	6 152 404	**(224 850)**	**5 927 554**
2017			
– Leave pay accrual	908 512	–	908 512
– Doubtful debts allowance	67 761	–	67 761
– Prepayments	–	(276 910)	(276 910)
– Operating lease accruals	1 339 408	–	1 339 408
– Deferred revenue	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

Unrecognised deferred taxation assets

Verimark Proprietary Limited has unutilised capital gains losses amounting to R201 806. A deferred tax asset has not been raised on this amount as it is uncertain whether the asset will be utilised.

Notes to the financial statements continued

for the year ended 28 February 2018

	GROUP	
	2018 R	2017 R
7. INVENTORIES		
Merchandise	**80 204 403**	79 196 342
Merchandise in transit	**6 532 231**	7 272 870
Impairment of inventory	**(2 251 774)**	(2 846 669)
	84 484 860	83 622 543

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

Management reviewed all slow moving stock items and raised an impairment for inventories that had not moved in more than two years.

	GROUP	
	2018 R	2017 R
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	**84 229 737**	42 506 007
Sundry debtors	**104 823**	287 361
Advance payments made to foreign suppliers	**3 010 545**	3 602 248
Staff receivables	**2 588**	14 730
Franchise loans receivable	**19 149**	4 738
Deposits	**362 167**	263 595
Impairment of trade receivables	**(463 834)**	(322 671)
	87 265 175	46 356 008

Security

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

Refer to notes 17 and 25.7 for details of trade receivables written off during the year.

	GROUP		COMPANY	
	2018 R	**2017 R**	**2018 R**	**2017 R**

9. CASH AND CASH EQUIVALENTS

Bank balances and cash on hand	**23 818 401**	34 072 349	**149 560**	280 313
	23 818 401	34 072 349	**149 560**	280 313
Bank overdraft	**(6 400 015)**	(1 015 298)	**–**	–
	17 418 386	33 057 051	**149 560**	280 313

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

Company

- None

Verimark Proprietary Limited (legal subsidiary)

Investec Import Solutions

Security

- Reversionary cession after Absa Bank Limited
- Refer to note 25.3 for total facilities

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.

Notes to the financial statements continued

for the year ended 28 February 2018

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 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 (2017: 114 272 328) ordinary shares of 0,3333 cents each	**381 024**	381 024	**380 908**	380 908
Verimark Holdings buy back of shares – 2 022 696 shares at 0,3333 cents each	**(6 742)**	–	**(6 742)**	–
112 249 632 (2017: 114 272 328) ordinary shares in issue at 0,333 cents each	**374 282**	381 024	**374 166**	380 908
10 741 599 (2017: 7 351 959) treasury shares of 0,3333 cents each held by Verimark Proprietary Limited	**(35 801)**	(24 506)	**–**	–
	338 481	356 518	**374 166**	380 908
Number of shares				
Number of shares at beginning of year	**114 272 328**	114 272 328	**114 272 328**	114 272 328
Verimark Holdings repurchase and cancellation of shares	**(2 022 696)**	–	**(2 022 696)**	–
Treasury shares held by Verimark Proprietary Limited	**(10 741 599)**	(7 351 959)	**–**	–
Number of shares held externally at end of year	**101 508 033**	106 920 369	**112 249 632**	114 272 328
11. SHARE PREMIUM				
Premium on total issued shares	**37 620 827**	37 620 827	**316 702 119**	316 702 119
Share buy back	**(1 654 499)**	–	**(1 654 499)**	–
Treasury shares held by Verimark Proprietary Limited	**(8 544 451)**	(5 810 827)	**–**	–
Balance at end of year	**27 421 877**	31 810 000	**315 047 620**	316 702 119

Verimark Holdings

Verimark Holdings purchased 2 022 696 of its own shares on 28 December 2017 at a cost of 81 cents per share. The total value paid for the shares was R1 661 240,86. These shares were cancelled and reversed to authorised but unissued share capital.

Verimark Proprietary Limited purchased a total of 3 300 501 shares on 24 November 2017 at an average price of 80 cents per share. Verimark Proprietary Limited then purchased an additional 89 139 shares on 28 November 2017 at an average price of 81 cents per share. This resulted in a total share purchase of 3 389 640 shares at a cost of R2 744 919.

	GROUP		COMPANY	
	2018 R	**2017 R**	**2018 R**	**2017 R**
12. INTEREST-BEARING BORROWINGS				
Secured local loans				
Investec Bank Limited	**2 979 074**	3 371 183	**–**	–
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	**2 418 865**	1 442 101	**–**	–
Instalment sale agreements, bearing interest at prime plus 1,45% and repayable over approximately 24 months.				
The loans are secured by the financed assets (refer to note 3).				
The loan bore interest at a variable rate of 78% of the prime interest rate.				
Balance at end of year	**5 397 939**	4 813 284	**–**	–
Less: Current portion	**(2 160 545)**	(1 039 040)	**–**	–
– Investec Bank Limited	**(427 299)**	(390 820)	**–**	–
– Wesbank, a division of FirstRand Bank Limited	**(1 733 246)**	(648 220)	**–**	–
Non-current portion of interest-bearing liabilities	**3 237 394**	3 774 244		

	COMPANY	
	2018 R	**2017 R**
13. AMOUNT OWING TO SUBSIDIARY COMPANY		
Verimark Proprietary Limited	**24 159 923**	20 645 262
	24 159 923	20 645 262

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

Notes to the financial statements continued

for the year ended 28 February 2018

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
14. TRADE AND OTHER PAYABLES				
Trade payables	**18 504 552**	11 258 841	**–**	–
Accruals	**7 324 535**	7 835 342	**–**	–
Payroll accruals	**12 186 294**	8 300 990	**–**	–
Value added tax	**249 147**	–	**–**	–
Commissions	**1 925 878**	1 653 928	**–**	–
Royalties and licence fees	**572 269**	790 210	**–**	–
Store opening and space rentals	**64 490**	73 115	**–**	–
Income received in advance	**–**	55 679	**–**	–
Directors' fees payable	**54 310**	42 751	**54 310**	42 751
Insurance payable	**–**	613 807		
	40 881 475	30 624 663	**54 310**	42 751
15. REVENUE				
Sale of merchandise (continuing operations)	**508 137 088**	439 118 603	**–**	–
Dividend received from subsidiary	**–**	–	**12 912 956**	4 232 084
	508 137 088	439 118 603	**12 912 956**	4 232 084
16. OTHER INCOME				
Other income (refer to note 1.3.3)	**1 913 375**	1 636 140	**–**	–
Youth employment tax incentive	**2 080 185**	1 770 081	**–**	–
Profit/(loss) on disposal of plant and equipment	**24 103**	(40 512)	**–**	–
	4 017 663	3 365 709	**–**	–

	GROUP	
	2018 R	**2017 R**

17. OPERATING PROFIT BEFORE FINANCE INCOME AND FINANCE EXPENSE

	2018 R	2017 R
Operating profit before finance income and finance expense is arrived at after charging/(crediting):		
Bad debt expense	**21 062**	17 549
Employee costs	**89 111 469**	76 601 712
Inventory adjustments and impairments	**6 528 948**	5 863 895
Operating lease charges:	**38 438 291**	34 647 094
– Property	**34 953 579**	30 861 466
– Motor vehicles	**2 566 691**	2 221 707
– Lease straight-lining	**918 021**	1 563 921
Debtor's impairment allowance adjustment	**141 163**	(319 468)

18. FINANCE INCOME/(EXPENSE)

	2018 R	2017 R
Finance income		
Foreign exchange gains – realised	**2 141 979**	2 749 563
SARS interest received	**82 851**	–
Interest income from bank balances	**138 357**	887 427
	2 363 187	3 636 990
Finance expense		
Foreign exchange losses – realised	**(1 565 626)**	(1 416 964)
Interest expense from financial liabilities	**(992 065)**	(736 400)
– Investec Bank Limited	**(262 479)**	(298 428)
– Overdraft	**(444 175)**	(368 192)
– Wesbank, a division of First Rand National Bank	**(148 016)**	(58 672)
– Other	**(137 395)**	(11 108)
	(2 557 691)	(2 153 364)
Net finance expense	**194 504**	1 483 626

19. TAXATION

	2018 R	2017 R
South African normal taxation		
Current taxation		
– current year expense	**14 523 685**	12 090 601
Deferred taxation		
– current year debit/(credit)	**(1 535 299)**	(1 086 947)
Total income taxation	**12 988 386**	11 003 654

Notes to the financial statements continued

for the year ended 28 February 2018

	GROUP 2018 %	GROUP 2017 %
19. TAXATION continued		
Reconciliation of taxation rate		
Current year's charge as a percentage of profit before taxation	**27,7**	29,5
Non-deductible expenditure		
– Donations	**–**	(0,1)
Exempt income		
– Learnership allowance	**0,2**	–
– Youth employment tax incentive	**1,2**	–
– SARS Interest on overpayment	**–**	0,1
– Disallowed expenditure	**(1,1)**	(1,5)
Prior year under accrual		
Standard taxation rate	**28,0**	28,0

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

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 2017 financial year.

	2018 R	2017 R
Results of discontinued operation		
Expenses	**–**	(486 657)
Loss from operations before tax	**–**	(486 657)
Loss for the year	**–**	(486 657)

The loss from discontinued operations is attributable entirely to the owners of the company.

	2018 R	2017 R
Cash flows utilised by discontinued operation		
Net cash utilised by operating activities	**–**	(140 917)
Net cash flow for the year	**–**	(140 917)

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 P pages 104 and 105.

The directors of the company are Mr MJ van Straaten, Mr BM Groome, Ms S van Straaten, Mr MM Patel, Mr JM Pieterse and Ms AT Nzimande. Mr MM Patel resigned during the financial year.

Ms S van Straaten was appointed as an alternate director to MJ van Straaten on 28 February 2018.

Mr MM Patel resigned on 2 April 2018.

Directors' emoluments are disclosed in note 30.

At 28 February 2018, 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:

	Indirect	Total number of shares held	Percentage of issued share capital
Director			
MJ van Straaten and associates	72 000 000	72 000 000	64,14
JM Pieterse and associates	1 791 525	1 791 525	1,60

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	
	2018 R	**2017 R**
21.2 Related party transactions		
21.2.1 Amounts owing to subsidiary company		
Verimark Proprietary Limited		
Opening balance	**(20 645 262)**	(18 689 810)
Advances from subsidiary	**(3 514 661)**	(1 955 452)
Closing balance	**(24 159 923)**	(20 645 262)

Refer to note 13.

Notes to the financial statements continued

for the year ended 28 February 2018

	GROUP		COMPANY	
	2018 R	**2017 R**	**2018 R**	**2017 R**
21. RELATED PARTY TRANSACTIONS continued				
21.2 Related party transactions continued				
21.2.2 Directors and key management purchases of goods				
MJ van Straaten	**13 542**	7 327	**–**	–
BM Groome	**1 657**	991	**–**	–
	15 199	8 318	**–**	–
Sale of goods to directors is at a discount of 67% and sale of goods to key management is at a discount of 20%.				
21.2.3 Directors and key management personnel compensation				
Directors				
Short-term employee benefits	**9 911 747**	7 036 721	**652 502**	685 365
	9 911 747	7 036 721	**652 502**	685 365
Key management				
Short-term employee benefits	**1 541 207**	1 833 187	**–**	–
	1 541 207	1 833 187	**–**	–
	11 452 954	8 869 908	**652 502**	685 365

22. NOTES TO THE STATEMENT OF CASH FLOWS

22.1 Cash generated from operations

	GROUP 2018 R	GROUP 2017 R
Profit before taxation from continuing operations	**46 685 850**	37 316 211
Loss before taxation from discontinued operations	**–**	(486 657)
Adjustment for:		
– amortisation of computer software	**412 370**	202 691
– depreciation on plant and equipment	**4 152 709**	4 278 378
– (profit)/loss on disposal of plant and equipment	**(24 103)**	40 512
– finance income	**(2 363 187)**	(3 636 990)
– finance expense	**2 557 691**	2 153 364
– decrease in inventory impairment allowance	**(594 895)**	(1 159 327)
– increase in straight-lining accrual	**918 022**	1 563 921
– foreign currency translation movement	**–**	322 962
	51 744 457	40 595 065
Increase in inventories	**(267 422)**	(16 882 310)
(Increase)/decrease in trade and other receivables	**(40 909 167)**	15 613 776
Decrease/(increase) in prepayments	**326 680**	(525 762)
Increase in trade and other payables	**10 256 812**	8 573 719
	21 151 360	47 374 488

22.2 Taxation paid

	GROUP 2018 R	GROUP 2017 R
Amounts prepaid/(owing) at beginning of year	**790 258**	(1 849 884)
Current year charges	**(14 523 685)**	(12 090 601)
Amounts owing/(prepaid) at end of year	**440 168**	(790 258)
	(13 293 259)	(14 730 743)

22.3 Dividend paid

	GROUP 2018 R	GROUP 2017 R	COMPANY 2018 R	COMPANY 2017 R
Amount owing at beginning of year	**–**	–	**–**	–
Current year charge	**(12 082 173)**	(3 995 772)	**(12 912 956)**	(4 232 084)
Amount owing at end of year	**–**	–	**–**	–
	(12 082 173)	(3 995 772)	**(12 912 956)**	(4 232 084)

22.4 Cash and cash equivalents

	GROUP 2018 R	GROUP 2017 R	COMPANY 2018 R	COMPANY 2017 R
Cash and cash equivalents included in the statement of cash flows comprise the following:				
Bank balances	**23 693 995**	33 976 352	**149 560**	280 313
Bank overdraft	**(6 400 015)**	(1 015 298)	**–**	–
Cash on hand	**124 406**	95 997	**–**	–
	17 418 386	33 057 051	**149 560**	280 313

Notes to the financial statements continued

for the year ended 28 February 2018

	GROUP 2018 R	GROUP 2017 R	COMPANY 2018 R	COMPANY 2017 R
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% of their pensionable salaries. The total value of contributions to the above schemes was	**4 753 371**	4 192 598	**–**	–

	GROUP 2018 R	GROUP 2017 R
24. COMMITMENTS		
24.1 Future operating lease commitments entered into by the group		
Motor vehicles and office equipment		
– Payable within one year	**4 000 666**	2 641 075
– Payable in year two to five	**5 087 470**	3 208 311
Total	**9 088 136**	5 849 386
Property		
– Payable within one year	**30 073 194**	23 656 398
– Payable in year two to five	**54 428 158**	53 488 081
– Payable thereafter	**–**	7 226 318
Total cash outflow	**84 501 352**	84 370 797
– *Less:* Operating lease accrual	**(5 701 621)**	(4 783 599)
Total accounting expense	**78 799 731**	79 587 198

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

The leases for property include company owned stores, regional offices and the head office premises. The period of the head office lease is from 1 October 2012 to 30 September 2022 with a 7% escalation in the rental payment for the first five years and 6% for the remaining lease term. Verimark may terminate the lease after five years.

	GROUP 2018 R	GROUP 2017 R
24.2 Future instalment sale commitments entered into by the group		
Office equipment		
– Payable within one year	**1 733 247**	648 220
– Payable in year two to five	**685 618**	793 881
	2 418 865	1 442 101

	Future minimum lease payments 2018 R	Interest 2018 R	Present value of minimum lease payments 2018 R	Future minimum lease payments 2017 R	Interest 2017 R	Present value of minimum lease payments 2017 R

24. COMMITMENTS continued

24.2 Future instalment sale commitments entered into by the group continued

	Future minimum lease payments 2018 R	Interest 2018 R	Present value of minimum lease payments 2018 R	Future minimum lease payments 2017 R	Interest 2017 R	Present value of minimum lease payments 2017 R
Instalment sale liabilities						
Less than one year	**1 922 744**	**189 497**	**1 733 247**	785 452	137 232	648 220
In two to five years	**729 230**	**43 612**	**685 618**	850 136	56 255	793 881
Total	**2 651 974**	**233 109**	**2 418 865**	1 635 588	193 487	1 442 101

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

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

	COMPANY 2018 R	COMPANY 2017 R
Property		
– Payable within one year	**237 645**	71 120
	237 645	71 120

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 2018 to 1 April 2018. The minimum amount still to be expensed after the financial year end amounts to R1 601 905 (2017: R16 080).

24.5 Capital commitments

Capital expenditure authorised but not yet contracted for amounts to R9 054 244 (2017: R3 527 135) in respect of assets to be acquired to expand operations of the group. Included in the amount is R463 000 (2017: R300 000) in respect of computer software. 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 (2017: R1 000 000) guarantee in favour of Oracle Airtime Sales (DSTV) on behalf of the group.
- Absa Bank Limited issued guarantees amounting to R3 719 872 (2017: R2 213 149) in favour of various parties.

Notes to the financial statements continued

for the year ended 28 February 2018

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

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

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 79% (2017: 61%) of the trade receivables balance 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.

25. FINANCIAL INSTRUMENTS continued

25.2 Credit risk continued

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.

25.3 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 – R32 000 000
- Credit card facility – R350 000
- Credit card (Travel Lodge Card) facility – R150 000
- Fleet card facility – R20 000
- Guarantee facility – R5 980 000
- Letters of credit – R2 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 2018.

The group is currently in a cash positive position of R17,4 million (2017: net positive of R33,0 million). The group's credit (overdraft) facility with Absa Bank is monitored and renegotiated where necessary. The facility is available for use when required.

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

The group makes use of bankers' acceptances where necessary. The group will continue to migrate to the use of "cash against documents" instead of "letters of credit" for foreign imports.

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 2018

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 2018 R	28 February 2017 R
GROUP		
Trade and other receivables	**84 254 630**	42 753 760
Cash and cash equivalents	**23 818 401**	34 072 349
Interest-bearing borrowings	**(3 237 394)**	(3 774 244)
Trade and other payables	**(40 881 475)**	(30 624 663)
Current portion of interest-bearing borrowings	**(2 160 545)**	(1 039 040)
Bank overdraft	**(6 400 015)**	(1 015 298)
COMPANY		
Trade and other receivables	**101 243**	–
Cash and cash equivalents	**149 560**	280 313
Trade and other payables	**(54 310)**	(42 751)
Amount owing to subsidiary company	**(24 159 923)**	(20 645 262)

25. FINANCIAL INSTRUMENTS continued

25.7 Credit risk

	GROUP 2018 R	GROUP 2017 R	COMPANY 2018 R	COMPANY 2017 R
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure and was:				
Trade and other receivables	**84 254 630**	42 753 760	**101 243**	–
Cash and cash equivalents (net of bank overdraft)	**17 418 386**	33 057 051	**149 560**	280 313
	101 673 016	75 810 811	**250 803**	280 313
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	**83 325 255**	42 506 007	**–**	–
Foreign – Export	**904 482**	–		–
	84 229 737	42 506 007	**–**	–
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	**83 599 282**	41 817 256	**–**	–
Franchisee customers	**630 455**	688 751	**–**	–
	84 229 737	42 506 007	**–**	–

The group's most significant customer, a domestic retailer, accounts for R68 844 986 (2017: R28 591 954) of the trade receivables' carrying amount at 28 February 2018. 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.

	2018 Gross R	2018 Impairment allowance R	2017 Gross R	2017 Impairment allowance R
GROUP				
Impairment allowance				
The ageing of trade receivables at the reporting date was:				
Not past due	**25 249 528**	**(7 892)**	20 384 494	–
Past due 30 to 120 days	**58 934 344**	**(455 942)**	21 545 982	(142 232)
Past due more than 120 days	**45 865**	**–**	575 531	(180 439)
Total	**84 229 737**	**(463 834)**	42 506 007	(322 671)

Notes to the financial statements continued

for the year ended 28 February 2018

25. FINANCIAL INSTRUMENTS continued

25.7 Credit risk continued

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	
	2018 R	**2017 R**
Balance at beginning of year	**(322 671)**	(642 139)
Impairment allowance released	**30 250**	319 468
Impairment allowance (created)/released	**(171 413)**	–
Balance at end of year	**(463 834)**	(322 671)

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.

25.8 Liquidity risk

Profile of loans and borrowings

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

				28 February 2018		28 February 2017	
	Currency	**Nominal interest rate***	**Year of maturity**	**Face value R**	**Carrying amount R**	**Face value R**	**Carrying amount R**
GROUP							
Secured bank loans							
– Investec	ZAR	Prime -2%	2023	**2 979 074**	**2 979 074**	3 371 183	3 371 183
Secured bank loans							
– Wesbank	ZAR	Prime +1.25% to Prime +1,45%	2019	**2 418 865**	**2 418 865**	1 442 101	1 442 101
Total liabilities				**5 397 939**	**5 397 939**	4 813 284	4 813 284

** Refer to notes 3, 9 and 12 for the security provided for the bank loans.*

25. FINANCIAL INSTRUMENTS continued

25.8 Liquidity risk continued

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

	Carrying amount R	Contractual cash flows R	6 months or less R	6 to 12 months R	>1 year R
GROUP					
28 February 2018					
Non-derivative financial liabilities					
Secured loans	**5 397 939**	**6 371 128**	**1 287 781**	**1 287 781**	**3 795 566**
Trade and other payables	**40 881 475**	**40 881 475**	**40 881 475**	**–**	**–**
	46 279 414	**47 252 603**	**42 169 256**	**1 287 781**	**3 795 566**
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

	Carrying amount R	Contractual cash flows R	6 months or less R	6 to 12 months R	>1 year R
COMPANY					
28 February 2018					
Non-derivative financial liabilities					
Trade and other payables	**54 310**	**54 310**	**54 310**	**–**	**–**
Amount owing to subsidiary company	**24 159 923**	**24 159 923**	**24 159 923**	**–**	**–**
	24 214 233	**24 214 233**	**24 214 233**	**–**	**–**
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	–	–

Fair value hierarchy

The group had no financial instruments carried at fair value, by valuation method, at 28 February 2018.

Notes to the financial statements continued

for the year ended 28 February 2018

25. FINANCIAL INSTRUMENTS continued

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	
	2018 R	2017 R	2018 R	2017 R
Bank and cash balances	**(6 400 015)**	(1 015 298)	**–**	–
Foreign trade and other payables	**(1 396 307)**	(3 158 912)	**–**	–
Foreign trade and other receivables	**904 482**	–	**–**	–
Gross exposure at year end	**(6 891 840)**	(4 174 210)	**–**	–

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE MID-SPOT RATE	
	2018 R	2017 R	2018 R	2017 R
GROUP				
US Dollar	**13,08**	14,26	**11,64**	12,94

Sensitivity analysis

A 10% strengthening/weakening of the ZAR against the currencies noted above at 28 February 2018 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Profit/loss and equity R
GROUP	
28 February 2018	
Rand effect	**496 212**
28 February 2017	
Rand effect	300 543

25. FINANCIAL INSTRUMENTS continued

25.9 Market risk continued

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	
	2018 R	2017 R	2018 R	2017 R
Variable rate instruments				
Financial assets	**23 818 401**	33 976 352	**149 560**	280 313
Financial liabilities	**(11 797 954)**	(5 828 582)	**–**	–
	12 020 447	28 147 770	**149 560**	280 313

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (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 2017.

	PROFIT OR LOSS		EQUITY	
	100 bp increase R	100 bp decrease R	100 bp increase R	100 bp decrease R
GROUP				
28 February 2018				
Variable rate instruments	**120 204**	**(120 204)**	**86 547**	**(86 547)**
Cash flow sensitivity (net)	**120 204**	**(120 204)**	**86 547**	**(86 547)**
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)

Notes to the financial statements continued

for the year ended 28 February 2018

25. FINANCIAL INSTRUMENTS continued

25.10 Capital management

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

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Total liabilities	**58 821 218**	41 236 844	**24 214 233**	20 688 013
Less: Cash and cash equivalents	**(23 818 401)**	(34 072 349)	**(149 560)**	(280 313)
	35 002 817	7 164 495	**24 064 673**	20 407 700
Total equity	**167 546 139**	150 337 008	**63 604 963**	49 298 420
Adjusted debt to capital ratio	**0,21**	0,05	**0,38**	0,41

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, to the fair value of the legal parent (accounting acquiree). 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

In the past 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 2018				
Revenue	**508 137 088**	**–**	**–**	**508 137 088**
Profit before tax	**46 685 850**	**–**	**–**	**46 685 850**
Profit for the year	**33 697 464**	**–**	**–**	**33 697 464**
Segment assets	**226 367 357**	**–**	**–**	**226 367 357**
Segment liabilities	**(58 821 218)**	**–**	**–**	**(58 821 218)**
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)

The group has assessed external customers and determined that a customer in the retail sector which constitutes 79% (2017: 61%) 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.

Notes to the financial statements continued

for the year ended 28 February 2018

28. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after taxation of R33 697 464 (2017: R25 825 900) attributable to the ordinary shareholders and a weighted average of 105 686 243 (2017: 107 782 370) ordinary shares in issue during the year.

The calculation of headline earnings is based on the net profit attributable to ordinary shareholders of R33 680 110 (2017: R25 855 069) and a weighted average of 105 686 243 (2017: 107 782 370) ordinary shares in issue during the year.

	GROUP	
	2018 R	**2017 R**
Profit per statements of profit or loss and other comprehensive income	**33 697 464**	25 825 900
Adjustments:		
(Profit)/loss on disposal of plant and equipment	**(24 103)**	40 512
Tax effect	**6 749**	(11 343)
Headline earnings	**33 680 110**	25 855 069
Weighted average shares reconciliation		
Number of shares at beginning of year	**114 272 328**	114 272 328
Weighted number of shares repurchased and cancelled during the year	**(343 581)**	
Treasury shares held by Verimark Proprietary Limited weighted for the period	**(8 242 504)**	(6 489 958)
Weighted average number of shares held externally at end of year	**105 686 243**	107 782 370
Diluted weighted average shares	**105 686 243**	107 782 370
Basic earnings per share (cents)	**31,9**	24,0
Headline earnings per share (cents)	**31,9**	24,0
Diluted basic earnings per share (cents)	**31,9**	24,0
Diluted headline earnings per share (cents)	**31,9**	24,0

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 2018, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	**Effective date**
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 Payments Accounting	Annual periods beginning on or after 1 January 2018*
IFRS 4 amendments	Applying IFRS9 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*
IFRIC 23	Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019*
IFRS 9 amendment	Prepayment Features with Negative Compensation	Annual periods beginning on or after 1 January 2019*
IAS 28 amendment	Long-term Interests in Associates and Joint Ventures	Annual periods beginning on or after 1 January 2019*
IFRS 17	Insurance Contracts	Annual periods beginning on or after 1 January 2021*

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

IFRS 17, IAS 28 amendments, IFRS 2 amendments, IFRS 9 amendments, IFRS 4 amendments and IAS 40 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 company 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 been quantified in the current year but amounts are not material.

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 2018

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, Verimark 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 company'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 company.

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 company under the new standard. Based on the nature of the customer base and the low level of historic credit losses, bad debt is not considered a major expense to the company.

The impairment allowance historically represented less than 0,6% of the trade receivables outstanding at the reporting date and less than 0,1% 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

IFRS 16 Leases

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

The company has begun assessing the potential impact of IFRS 16 on the financial statements.

Verimark 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 right of use assets and lease liabilities on the statement of financial position.

As noted in note 24.1, the group had operating lease commitments of R84,5 million outstanding at 28 February 2018 in respect of current property leases.

The present value of 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. The present value of the commitments is R76,1 million using an annual interest rate of 6% which will result in an increase on non-current assets and non-current liabilities of R76,1 million. The income statement will be affected by future depreciation charges on the asset, future interest expense costs on the lease liability, and a decrease in rental charges.

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.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by the authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgements made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

The group does not have complex income tax treatments and ensures that all tax deductions and incomes are in accordance with the relevant taxation legislation.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

Notes to the financial statements continued

for the year ended 28 February 2018

30. DIRECTORS' EMOLUMENTS

	Basic salary R	Allowances and other benefits R	Pension and medical aid contributions R	Total R
GROUP				
28 February 2018				
Executive directors paid by subsidiary				
MJ van Straaten[1]	**5 003 245**	**2 460 556**	**576 453**	**8 040 254**
BM Groome[1]	**910 755**	**206 990**	**101 246**	**1 218 991**
S van Straaten[2]	**527 148**	**61 872**	**58 601**	**647 621**
	6 441 148	**2 729 418**	**736 300**	**9 906 866**
Non-executive directors paid by company				
AT Nzimande	**133 231**	**–**	**–**	**133 231**
JM Pieterse	**253 793**	**–**	**–**	**253 793**
MM Patel	**265 478**	**–**	**–**	**265 478**
	652 502	**–**	**–**	**652 502**
Total	**7 093 650**	**2 729 418**	**736 300**	**10 559 368**
28 February 2017				
Executive directors paid by subsidiary				
MJ van Straaten[1]	4 696 165	120 000	540 538	5 356 703
BM Groome[1]	773 746	9 187	86 015	868 948
SR Beecroft[1]	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

[1] *Director of the subsidiary Verimark Proprietary Limited and Verimark Holdings Limited.*
[2] *Alternate director.*

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				
2018				
D Rabie	**645 229**	**174 442**	**73 914**	**893 585**
Total	**645 229**	**174 442**	**73 914**	**893 585**
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

31. PRIOR PERIOD ERROR

During 2018, the group discovered that the rent straight-lining provision was erroneously disclosed as a current liability since inception. As a consequence, the current liabilities were overstated and the non-current liabilities understated. The error has been corrected by restating each of the affected financial statement line items for prior periods. The following table summarise the impacts on the group's consolidated financial statements.

	As previously reported R	Adjustments R	As restated R
1 March 2016			
Trade and other payables (current liabilities)	25 270 622	(3 219 678)	22 050 944
Operating lease accrual (non-current liabilities)	–	3 219 678	3 219 678
Total liabilities	41 142 541	–	41 142 541
28 February 2017			
Trade and other payables (current liabilities)	35 408 262	(4 783 599)	30 624 663
Operating lease accrual (non-current liabilities)	–	4 783 599	4 783 599
Total liabilities	41 236 844	–	41 236 844

Notes to the financial statements continued

for the year ended 28 February 2018

32. SUBSEQUENT EVENTS

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

33. GOING CONCERN

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

34. DIVIDENDS

The Board declared and approved a final dividend of R12 912 956 or R111 318,58 per share (2017: R4 232 087 or R36 483,48 per share) relating to the year ended 28 February 2017 on 18 May 2017.

The Board declared and approved a final dividend of R16 848 732 or R145 248 per share relating to the year ended 28 February 2018 on 18 May 2018.

GENESIS MULTI VORTEX VACUUM

THE VACUUM THAT CLEANS BETTER AND FASTER WITH ITS PATENTED MULTI-VORTEX SYSTEM.

VERIMARK

Shareholder spread

as at 28 February 2018

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
PUBLIC SHAREHOLDERS				
Individuals	1 005	92,63	18 960 543	16,89
Collective investment schemes	1	0,09	3 699 124	3,30
Investment trusts and pension funds	31	2,86	2 239 833	1,99
Companies and other corporates	34	3,13	1 983 570	1,77
Banks and nominees	11	1,01	833 438	0,74
NON-PUBLIC SHAREHOLDERS				
Directors	2	0,18	73 791 525	65,74
Treasury	1	0,09	10 741 599	9,57
Total	**1 085**	**100,00**	**112 249 632**	**100,00**
SIZE OF SHAREHOLDING				
Public shareholders				
1 – 1 000	535	49,31	173 515	0,15
1 001 – 10 000	357	32,90	1 552 965	1,38
10 001 – 100 000	152	14,01	5 078 045	4,52
100 001 – 1 000 000	33	3,04	10 025 614	8,93
1 000 001 and over	5	0,46	10 886 369	9,70
Non-public shareholders				
1 – 1 000	–	–	–	–
1 001 – 10 000	–	–	–	–
10 001 – 100 000	–	–	–	–
100 001 – 1 000 000	–	–	–	–
1 000 001 and over	3	0,28	84 533 124	75,31
Total	**1 085**	**100,00**	**112 249 632**	**100,00**

	Number of shares	% of issued capital
BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE OF THE ISSUED SHARE CAPITAL		
The Van Straaten Family Trust	64 000 000	57,02
Verimark Proprietary Limited	10 741 599	9,57
Prime Rentals CC	8 000 000	7,13
Total	**82 741 599**	**73,72**

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
GEOGRAPHICAL HOLDINGS BY OWNER				
South Africa	1 074	98,99	106 080 453	94,50
Mauritius	1	0,09	3 699 124	3,30
Namibia	5	0,46	1 354 045	1,21
Denmark	1	0,09	807 427	0,72
United States	2	0,18	306 445	0,27
Japan	1	0,09	1 700	–
Zimbabwe	1	0,09	438	–
Total	**1 085**	**100,00**	**112 249 632**	**100,00**

Total number of shareholdings	1 085
Total number of shares in issue	112 249 632

SHARE PRICE PERFORMANCE

Opening price 1 March 2017	R0,61
Closing price 28 February 2018	R0,78
Closing high for period	R0,93
Closing low for period	R0,47

Number of shares in issue	112 249 632
Volume traded during period	21 873 113
Ratio of volume traded to shares issued	19,49%
Rand value traded during the period	R16 750 457
Price/earnings ratio as at 28 February 2018	3,42
Earnings yield as at 28 February 2018	29,23
Dividend yield as at 28 February 2018	11,59
Market capitalisation at 28 February 2018	R16 750 457

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)

Notice is hereby given that the annual general meeting of the company will be held at Verimark, 50 Clairwood Avenue, Hoogland Ext 55, Randburg, South Africa 2154 on Thursday, 2 August 2018 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, 27 July 2018 (meeting record date). Therefore the last day to trade to be registered as a shareholder in the company's register is Tuesday, 24 July 2018. 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 Central Securities Depository Participant (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, 31 July 2018 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, should be completed and delivered in accordance with the instructions contained therein.

For effective administration, the form appointing a proxy and the authority (if any) under which it is signed, should be received by 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, 31 July 2018, or handed to the Chairman prior to commencement of the meeting. 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% and 75%, 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 2018 may be obtained from the website www.verimark.co.za, or on request during normal business hours at Verimark's registered address, or a request may be sent to the Company Secretary (by email at the address sw@premcorp.co.za).

PURPOSE OF THE ANNUAL GENERAL MEETING

The purpose of this annual general meeting is to:

- present the audited annual financial statements of the company and its subsidiaries (the group) for the year ended 28 February 2018, which incorporates the directors' report, the Audit Committee report and the report of the independent auditors;
- present the Remuneration, Social, Ethics and Transformation Committee report;
- consider any matters raised by shareholders; and
- consider and if deemed fit, pass, with or without modification, the Resolutions which form part of this notice of annual general meeting.

1. Ordinary Resolution number 1: 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.

2. Ordinary Resolution number 2: Re-election of Mr JM Pieterse

To elect, as an Ordinary Resolution, Mr JM Pieterse, who retires by rotation and, 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 2.

3. Ordinary Resolution number 3: Re-election of Ms AT Nzimande

To resolve, as an Ordinary Resolution, that Ms AT Nzimande, who retires by rotation, being eligible, offers herself for re-election 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 3.

4. Ordinary Resolution number 4: Appointment of Ms S van Straaten

To resolve, as an Ordinary Resolution, that Ms S van Straaten, who was appointed by the Board as an alternate director to M van Straaten with effect from 1 March 2018, be appointed as a director of the company.

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

5. Ordinary Resolution number 5: Appointment of Ms NP Gosa

To resolve, as an Ordinary Resolution, that Ms NP Gosa, who was appointed by the Board as an independent non-executive director with effect from 7 May 2018, be appointed as a director of the company.

The Board unanimously recommends the appointment of Ms NP Gosa, whose abridged curriculum vitae appears in the integrated annual report, in terms of Ordinary Resolution number 5.

6. Ordinary Resolution number 6: Appointment of Ms M Kabi

To resolve, as an Ordinary Resolution, that Ms M Kabi, who was appointed by the Board as an independent non-executive director with effect from 7 May 2018, be appointed as a director of the company.

The Board unanimously recommends the appointment of Ms M Kabi, whose abridged curriculum vitae appears in the integrated annual report, in terms of Ordinary Resolution number 6.

7. Ordinary Resolution number 7: 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 Companies Act.

8. Ordinary Resolution number 8: Election of Ms NP Gosa as Audit Committee member

To resolve, as an Ordinary Resolution, that Ms NP Gosa 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 NP Gosa, 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

Notice of annual general meeting continued

fulfil her Audit Committee obligations as set out in section 95 of the Companies Act.

9. Ordinary Resolution number 9: 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 Companies Act.

10. Ordinary Resolution number 10: Election of Ms M Kabi as Audit Committee member

To resolve, as an Ordinary Resolution, that Ms M Kabi 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 M Kabi, 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 Companies Act.

11. Ordinary Resolution number 11: Election of Audit Committee Chairman

To resolve, as an Ordinary Resolution, that the Audit Committee members, failing which the Board, be and are hereby authorised to elect a Chairman of the Audit Committee from among its members, 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.

12. Non-binding Resolution number 1: Approval of the remuneration policy

The resolution is proposed to shareholders to endorse the company's remuneration policy as set out in the integrated annual report. Shareholders are reminded that in terms of the fourth King Report on Corporate Governance for South Africa (King IV), the passing of this non-binding resolution is by way of a non-binding vote.

Should 25% or more of the votes cast be against this resolution, the company undertakes to engage with shareholders as to the reasons why and to appropriately address legitimate and reasonable objections and concerns raised.

13. Non-binding Resolution number 2: Implementation of the remuneration policy

The resolution is proposed to shareholders to endorse the implementation report, which includes the remuneration disclosure in terms of the Companies Act, as set out in the Remuneration, Social, Ethics and Transformation Committee report in the integrated annual report, with an extract included in this annual general meeting notice. Shareholders are reminded that in terms of King IV, the passing of this non-binding resolution is by way of a non-binding vote.

Should 25% or more of the votes cast be against this resolution, the company undertakes to engage with shareholders as to the reasons why and to appropriately address legitimate and reasonable objections and concerns raised.

14. Special Resolution numbers 1 to 12: 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	**34 325**
2. Board member	**12 696**
3. Audit Committee Chairman	**25 898**
4. Audit Committee member	**9 213**
5. Risk Committee Chairman	**25 898**
6. Risk Committee member	**9 213**
7. Remuneration, Social, Ethics and Transformation Committee Chairman	**25 898**
8. Remuneration, Social, Ethics and Transformation Committee member	**9 213**
9. Nomination Committee Chairman	**25 898**
10. Nomination Committee member	**9 213**
11. Any ad hoc Board committee Chairman	**25 898**
12. Any ad hoc Board committee member	**9 213**

Reason for and effect of these Special Resolutions

The approval of the remuneration of the non-executive directors was based on a 5,5% increase from the previous year. The reason for and effect of Special Resolutions numbers 1 to 12 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 12 in respect of each of the proposed remuneration will be considered by way of a separate vote.

15. Special Resolution number 13: 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 Companies 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.

16. Special Resolution number 14: 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 memorandum of incorporation (MOI), the provisions of the Companies Act and the Listings Requirements of JSE be extended, provided that:

- any repurchase of securities must be effected through the order book operated by the JSE Limited (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 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% 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% 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% of the company's issued share capital as at the date of passing this special resolution or 10% 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% above the weighted average of the market value of the securities for the 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 months after the date of this notice;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements for a period of 12 months after the date of this notice;
- the share capital and reserves will be adequate for the ordinary business purposes of the company and the group for a period of 12 months after the date of this notice; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice.

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.

Notice of annual general meeting continued

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 Companies 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 months from the date of this general meeting.

The passing and registration of this Special Resolution will have the effect of authorising the company or any of its subsidiaries to acquire securities issued by the company.

Information required by the JSE Listings Requirements

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

Major shareholders	P page 105
Share capital	P page 76
Responsibility statement	P page 47
Material changes	P page 102

Litigation

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

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 Special Resolutions numbers 13 and 14 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 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 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 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 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.

17. Ordinary Resolution number 12: Authority to implement Resolutions passed at the annual general meeting

To resolve, as an Ordinary Resolution, that any director or Company Secretary of the company be authorised to do all such things, perform all acts and sign all such documentation as may be required to give effect to the Ordinary and Special Resolutions adopted at this annual general meeting.

By order of the Board

PremCorp Consulting Services Proprietary Limited
Company Secretary

18 May 2018

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 Verimark, 50 Clairwood Avenue, Hoogland Ext 55, Randburg, South Africa 2194 at 10:00 on Thursday, 2 August 2018. 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 do hereby appoint

______________________________ or failing him/her

______________________________ or failing him/her

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

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

	Number of votes		
	For	**Against**	**Abstain**
Ordinary Resolution number 1 – Re-appointment of auditors			
Ordinary Resolution number 2 – Re-election of Mr JM Pieterse			
Ordinary Resolution number 3 – Re-election of Ms AT Nzimande			
Ordinary Resolution number 4 – Appointment of Ms S van Straaten			
Ordinary Resolution number 5 – Appointment of Ms NP Gosa			
Ordinary Resolution number 6 – Appointment of Ms M Kabi			
Ordinary Resolution number 7 – Election of Mr JM Pieterse as member of the Audit Committee			
Ordinary Resolution number 8 – Election of Ms NP Gosa as member of the Audit Committee			
Ordinary Resolution number 9 – Election of Ms AT Nzimande as member of the Audit Committee			

Form of proxy continued

	Number of votes		
	For	Against	Abstain
Ordinary Resolution number 10 – Election of Ms M Kabi as member of the Audit Committee			
Ordinary Resolution number 11 – Election of Chairman of the Audit Committee			
Non-binding Resolution number 1 – Approval of the remuneration policy			
Non-binding Resolution number 2 – Implementation of the remuneration policy			
Special Resolution number – 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, Ethics and Transformation Committee Chairman			
8. Remuneration, Social, Ethics and Transformation Committee member			
9. Nomination Committee Chairman			
10. Nomination Committee member			
11. Any ad hoc Board committee Chairman			
12. Any ad hoc Board committee member			
Special Resolution number 13 – Financial assistance			
Special Resolution number 14 – Acquisition of own shares			
Ordinary Resolution number 12 – 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 ____________________ 2018

Shareholders' 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. For effective administration, this proxy form should be received at the company's transfer office, Computershare Investor Services Proprietary Limited (Computershare), Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 by no later than 10:00 on Tuesday, 31 July 2018, or handed to the Chairman prior to the commencement of the meeting. 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 14 below.

   Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.

5. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this proxy form at the meeting record date unless a lesser number of shares is inserted.

6. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the Chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the proxy form and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him in this proxy form by delivering to the company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy in this proxy form.

7. Unless revoked, the appointment of a proxy in terms of this proxy form remains valid until the end of the meeting, even if the meeting or part thereof is postponed or adjourned.

8. If:
   - 8.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting or any resolution; or
   - 8.2 the shareholder gives contradictory instructions in relation to any matter; or
   - 8.3 any additional resolution/s which are properly put before the meeting; or
   - 8.4 any resolution listed in the proxy form is modified or amended,

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

9. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this proxy form will not be effective unless:
   - 9.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   - 9.2 the company has already received a certified copy of that authority.

Notes to the form of proxy continued

10. The Chairman of the meeting may, in his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the Chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the Chairman shall not accept any such appointment of a proxy unless the Chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.

11. Any alternations made in this proxy form must be initialled by the authorised signatory/ies.

12. This proxy form is revoked if the shareholder who granted the proxy:
    12.1 gives written notice of such revocation to the company, so that it is received by the company by not later than 10:00 on Tuesday, 31 July 2018; 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, 31 July 2018. 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. Certificated and/or 'own name' dematerialised shareholders may also utilise the email address: proxy@computershare.co.za.

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)

purple.frog

Shareholders' diary

Financial year-end	28 February 2018
Announcement of annual results	22 May 2018
Annual general meeting	2 August 2018
Announcement of interim results	18 October 2018

**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

NP Gosa *(Chairman)**
JM Pieterse*
AT Nzimande*
M Kabi*
MJ van Straaten *(Chief Executive Officer)*
BM Groome *(Financial Director)*
**Independent non-executive*

COMPANY SECRETARY

PremCorp Consulting Services Proprietary Limited
(Registration number 2003/09512/07)
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REGISTERED OFFICE

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BANKERS

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170 Main Street, Johannesburg 2001

TRANSFER SECRETARIES

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