VERIMARK

VERIMARK LIMITED
ANNUAL REPORT 2007

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VERIMARK

CORPORATE PROFILE

For close to 30 years, Verimark has searched the world for unique products that will help improve the lives of the ever-increasing millions of consumers who aspire to a better lifestyle.

Our passion to continuously identify and develop the very best quality innovations is complemented by our proven ability to produce highly effective television commercials and other supporting marketing materials.

By ensuring ownership or control of all relevant intellectual property (IP), such as trade marks, patents, etc. and through our continuous advertising and in-store demonstrations, Verimark is today one of the most recognised and trusted brands in South Africa. Not surprisingly, our brands are mostly rated as "the best sellers" in their respective product categories.

Over the years, Verimark has pioneered many new product concepts under a number of brands in the following categories:

- HOUSEWARES – Bastille, Bauer Pro, Floorwiz, Genesis, Steam Supreme, Twista.
- EXERCISE AND FITNESS – Aeromax, Gymtrim, Health Walker, Maxxus, Orbitrek.
- HEALTH AND BEAUTY – O-2-Lean, Senzani.
- DIY AND AUTOMOTIVE – Diamond Guard, Gorilla, Laser Level, Pool Gobbler, Prolong.
- EDUCATIONAL TOYS – Hovercraft, Multi Laptop.

Verimark has also pioneered a number of new business strategies in South Africa such as:

- Marketing of the first home exercise equipment.
- Direct Response Television (DRTV).
- The distribution of DRTV products through Retail (store-within-a-store).

Our listing last year on the Johannesburg Securities Exchange (JSE) made us the only publicly listed DRTV company in the world. We are therefore not only recognised as the market leader locally, but also by our peers internationally.

OUR TOP BRANDS

FINANCIAL OVERVIEW

	2007 R'000	2006 R'000	Change %
Group summary			
Revenue	**290 258**	322 175	-9,9
Earnings before net finance income/(costs), taxation, depreciation and amortisation (EBITDA)	**25 140**	58 604	-57,1
Operating profit	**22 757**	57 094	-60,1
Headline earnings	**13 296**	38 852	-65,8
Cash generated by operations	**17 210**	50 179	-65,6
Shareholders' equity	**61 305**	72 028	-14,9
Total assets	**96 665**	113 524	-14,9
Ordinary share performance	**Cents/share**	Cents/share	
Earnings	**11,6**	34,3	-66,2
Headline earnings	**11,6**	34,4	-66,3
Diluted earnings	**11,6**	34,3	-66,2
Net asset value	**53,7**	63,0	-14,8
Financial statistics			
Operating margin	**7,8%**	17,8%	
Return on shareholders' equity	**19,9%**	72,9%	
Debt:Equity	**10,0%**	1,2%	
Share statistics			
Listing price		R2,50	
Lowest price traded	**R1,60**	R2,80	
Highest price traded	**R4,15**	R4,10	
Closing price	**R1,80**	R4,05	

Explanatory note

In order to illustrate a fair representation of the financial highlights the results above consist of the following:

The 2006 financial year represents 12 months' results of Verimark (Proprietary) Limited and 8 months' results of Verimark Holdings Limited (previously Creditvision) and any other subsidiaries.

Earnings before net finance income/(costs), taxation, depreciation and amortisation (EBITDA)

EBITDA	25 140 070
Net finance income/(costs)	(394 577)
Depreciation	(2 091 888)
Amortisation	(291 536)
Profit before tax	22 362 069

DEFINITIONS

EBITDA

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

Operating profit

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

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.

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).

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).

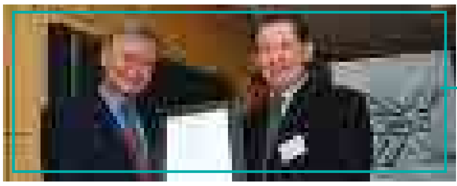
Return on shareholders equity

Net profit after taxation as a percentage of average shareholder's equity.

Debt to equity

Total interest-bearing debt divided by total equity.

COMPANY HISTORY



2005

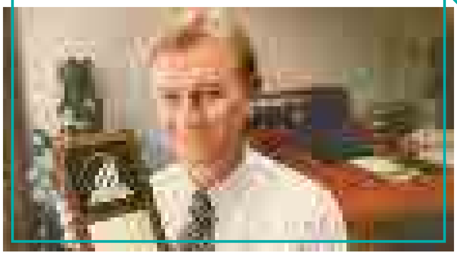
Verimark lists on main board of the JSE Limited.

1999

Verimark is selected as one of South Africa's Top 20 Non-Listed Companies.

1997

CEO is elected as Finalist in SA Best Entrepreneur Award.



1995

Exhibits the Verimark product range for the first time at the largest DRTV show in Las Vegas.

1994

Opens first own Verimark "Direct" Store in Sandton City.

1992

Introduces its "Store within a Store" concept at Retail level.

1990

First company to distribute DRTV products through retail stores.

1989

Pioneers Direct Response Television (DRTV) advertising in South Africa.

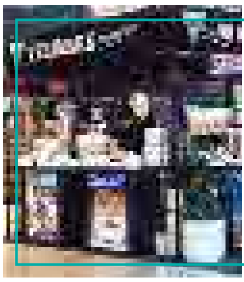
1984

Develops, patents and introduces the first Home Exercise Machine (Gymtrim) to South Africans.

1979

Pioneers the selling of unique household products through Retail by in-store demonstrators.

1977



Verimark sells its first product at the Rand Easter Show.

A TOP SELLER

CARDIO STRIDER

Swing yourself into shape with virtually no impact on your joints!

Enjoy an all over body workout with the university tested Maxxus Cardio Strider. This unique system ensures optimal training without any stress on your joints. You can now literally swing yourself into shape. With the built in heart rate monitor and workout programmes you are able to ensure maximum fat burn or advanced fitness training. Maxxus duplicates the same natural motion of walking and running, but as your feet never leave the pedals, with this suspended action, there is virtually no impact on your joints.The Maxxus Cardio Strider is ideal for targeting lower body problem areas like your legs and bum. But by snapping on the power handles, the Maxxus changes into a complete fitness for all over body training. The unique design of the Cardio Strider, and the inclusion of a Training DVD and exercise programmes, ensures that it is suited to both beginners and the super fit.

DIRECTORATE

EXECUTIVE DIRECTOR

Michael J van Straaten (53)

Chief Executive Officer – BCom Hons CA(SA)

Michael did articles with Spencer Stuart before joining his brother at Verimark in 1981 as Financial Director. Michael became joint Managing Director in 1992, and bought out his brother's shares in 1993 to become sole owner up to 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.

INDEPENDENT DIRECTORS

Dr James T Motlatsi (56)

Independent Non-executive Chairman – PhD Social Science

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

Johann M Pieterse (56)

Independent Non-executive Director – BCom CTA M Compt CA(SA)

Johann did articles with Brink, Roos & Du Toit (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 1997. When Teljoy was sold to Vodacom in January 2001, he was appointed as Managing Director of the newly formed Vodacom Service Provider Company with responsibility to merge Teljoy, Vodac and GSM Cellular into one Company. After the successful merger, he retired from Vodacom in August 2001. He is currently Chairman of Strategy Partners, a turnaround specialist Company.

SUBSIDIARY MANAGEMENT – VERIMARK (PROPRIETARY) LIMITED

Michael MacDonald (31)

Marketing Director – BSc

Michael started his career with Reckitt Benckiser in 1998 before moving to Nestlé in 2002 as a product manager for the South East Africa region. He joined Verimark in 2003 as Marketing Manager and was appointed Marketing Director in 2005.

CHAIRMAN'S REPORT

After the euphoria of our first year as a listed company and the excellent results achieved in that year, this year turned out to be a testing one for Verimark and its management team. The financial performance of the Company was severely impacted by the less profitable product mix, the weaker rand and the slower pace of new product introductions. Although the level of new product introductions improved from November 2006 onwards, it was too late to have much impact on the performance of the year under review.

The operational performance of the Company is dealt with comprehensively in the CEO's Report.

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

Verimark concluded a BBBEE deal in November 2005 with Teba Development (Teba), a section 21 company involved in rural infrastructure development and poverty alleviation. In terms of the transaction, the Van Straaten Family Trust provided financing for Teba Development to purchase 11 500 000 shares in Verimark, or just more than 10% of the issued share capital. Teba is now in the final stages of transferring 4 000 000 of these shares to the Verimark Employees Empowerment Trust for the benefit of previously disadvantaged Verimark employees. The Van Straaten Family Trust will also finance this part of the transaction.

CORPORATE GOVERNANCE

Verimark is fully committed to comply with the JSE Listings Requirements and subscribes to the principles of good corporate governance as contained in the second King Report.

The Financial Services Board (FSB) is currently investigating the circumstances surrounding the Company's profit warning issued on 20 July 2006, and the high volume of share transactions leading up to this date. Management is co-operating fully with the FSB. The findings of this investigation are expected towards the middle of the year.

ACKNOWLEDGMENTS

The year under review has been one of many challenges, including some never experienced as a private company. Nevertheless, I have been impressed with the resilience and dedication of management and their absolute commitment to return the Company to its prior levels of profitability. I have no doubt that they will prove Verimark to be an excellent investment in the years to come.

Dr James Motlatsi
Independent Non-executive Chairman

Johannesburg
14 May 2007

A TOP SELLER

DIAMOND GUARD

Turn back the ageing process on your car today with the new Diamond Guard Essential Car Care Kit. Diamond Guard removes debris and forms a seal to protect your car for up to six months. This is why it's the best to restore old paint and keep your new car in perfect condition. You've seen the unbelievable demonstration with the fire and acid on the car's bonnet, now you can get the same protection against everyday harmful elements like UV rays and acid rain for your car.

A TOP SELLER

BASTILLE

Waterless Cookware!

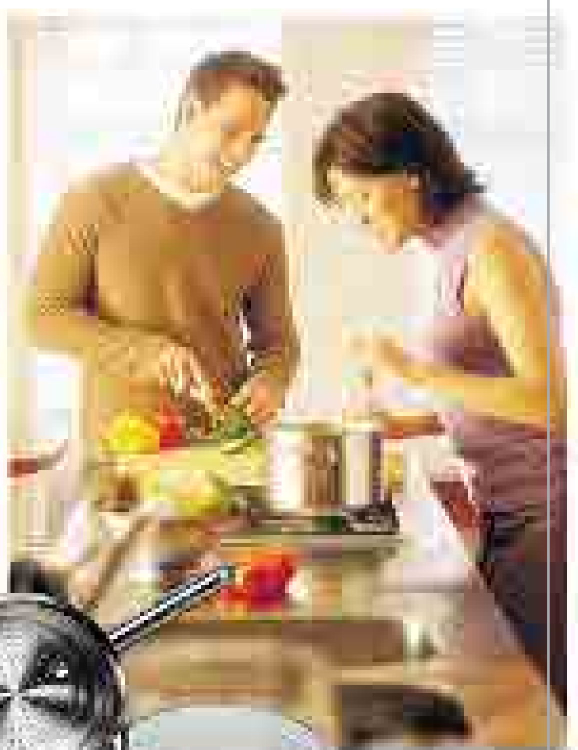
Now for a revolutionary new way of preparing food…the Bastille range from Verimark is clearly the best in 18/10 stainless steel waterless cookware. The special tight-fitting lid ensures that food cooks in its own moisture, sealing in all the goodness and nutrients. The precision thermometer monitors the perfect heat and the thick alloy base ensures heat retention like never before. Waterless cooking retains nutrients because you cook at significantly lower temperatures. It also enhances flavour and colour, and improves the taste of food.

And now!

Bastille has been redesigned and re-engineered to combine leading European aesthetics with the latest in waterless cookware innovation – Ecotherm Technology™ – a technology exclusive to Bastille! Ecotherm Technology™ with tight fitting lids ensures that food cooks in its own moisture, sealing in all the food's goodness and nutrients. This beautiful hi-tech design, improved cooking practicality and the ultimate in waterless cookware technology, the three new sets from Bastille set the standard in premium cookware.

The new La Sante seventeen piece set offers versatile food preparation through the inclusion of a specially designed pasta pot for those perfect Italian dishes. And for the more adventurous chef, La Sante includes a beautifully crafted skillet pan for sumptuous flash fried calamari or steak. The redesigned ten piece Cordon Bleu set reinvents the traditional elements of the Bastille set providing the consumer with superior pot and pan combinations while still retaining the perfect balance between value and price. Completing the range is the Grande six piece set offering consumers, who cook for larger families, superior quality and healthy waterless cooking in a great product offer.

It's no wonder that Bastille is a South African leader in premium waterless cookware!



CHIEF EXECUTIVE OFFICER'S REPORT

GENERAL

After delivering on the promises and projections made in our first year as a listed company, our second year's results were very disappointing, albeit in line with the two trading updates issued during the course of the past year. The reasons and corrective actions taken to deal with the situation are addressed in the Financial and Operational Review sections.

It is important for our shareholders to understand that, not unlike other successful entrepreneurial businesses that rely on continuous innovations for growth, trading periods of negative growth are uncommon. Over Verimark's 30 year history, we experienced, excluding the year under review, only two such periods. In both cases, the business was refocused and continued to deliver great results (33% compound annual growth in earnings before taxation over the past ten years). Of course, as with any investment, return on investment performance should be evaluated over the long term.

The transformation from a private to a listed company was not as smooth as anticipated and with the benefit of hindsight, it is clear that the listing process did divert the focus of the small management team away from its core business of increasing sales and controlling expenses. However, that focus has now been restored.

FINANCIAL REVIEW

The critical performance indicators were as follows:

- Revenue down from R322,2 million to R290,3 million – 9,9%
- Operating profit down from R57,1 million to R22,8 million – 60,1%
- Headline earnings down from R38,9 million to R13,3 million – 65,8%

Headline earnings per share decreased by 66% to 11,64 cents from 34,43 cents and including the final dividend of 5,5 cents per share, the total dividend for the year amounted to 8,5 cents per share.

The total dividend (including STC tax) represented 82% of Headline Earnings Per Share for the year.

The main reasons for the decrease in profitability were:

Reduction in sales

- The rate of introduction of new products was slower than anticipated. Although the rate had increased towards the end of the year, it came too late to counter the reduction in sales growth. The benefits resulting from these new products will only be realised in the next financial year.
- Supply problems were experienced with a key product. This forced us to change supplier, resulting in stock shortages. With this temporary issue solved, we expect sales to return to normal levels.

Reduction in gross profit margin

- The weakening Rand impacted on the cost of all imported products. Although the selling prices were adjusted to accommodate the increased costs, the timing differences did negatively impact on our gross margins. Verimark (Proprietary) Limited hedges its exposure to foreign currency fluctuations through Forward Exchange Contracts.
- The product mix was less profitable. More focus is being placed on new products that will allow for improved margins.

Increase in selling expenses

- Initially, selling expenses increased in anticipation of continued growth and later to maintain market share. The projected increase in sales for the next financial year (primarily due to new products being introduced) should result in selling expenses being more aligned with past levels.

OPERATIONAL REVIEW

Financially challenging periods never have a single cause and a number of critical problem areas have been identified and are being reviewed and addressed. As with last year's Operational Review, we have dealt with these issues using the 5 "Ps" of marketing.

Product

Verimark selects products by applying the following criteria: Uniqueness, Quality, Demonstratability, Widest Possible Demographic Demand.

Our product range falls into the following categories:

- Household
  - Cookware
  - Kitchenware
  - Cleaning
- Health and Fitness
- Beauty
- DIY and Automotive
- Educational Toys

The process of selecting or "picking" products is not an exact science. The skill of picking products requires experience and "feel" for the market. Verimark's product selection skills, sharpened over the past three decades, have helped to identify products with the highest sales potential ("home runs").

However, as pointed out, the rate of introduction of new products was much slower than in the past and although the rate increased towards the end of the year, more "home runs" are needed to get sales growth back to historic levels. We believe that the new products introduced before Christmas 2006, together with those currently in the pipeline for the first half of the year, should restore the sales position, principally in the second half of the new financial year.

Some of the new products already introduced include:

Genesis: Hydrovac (Vacuum Cleaner), Steam Station (Iron), Blender/Juicer, Dryfast (Clothes Dryer)
Roto Racer: (Toy)
Maxxus: Cardio Strider (Walker); Cardio Trainer (Treadmill)
The Bean: (Exerciser)
V-Ssage: (Chair Massager and Mat)
Swivel Mop
Tourmaline: (Hair Styler).

Place (Distribution)

1. **Retailers**

   A mix of positive and negative sales growth was experienced across various retailers. The recently introduced products, in addition to those planned for "roll out" during the first six months of the new financial year, should normalise sales across our retail partners.

2. **Verimark Direct Stores (Company Owned and Franchise)**

   This division experienced the same challenges as our retailers. Given the slowdown in product introductions and the direct impact on sales, we did not pursue the expansion of this distribution channel to its real potential. As our sales growth recovers, we will continue

A TOP SELLER

O-2-LEAN+

Scientifically researched weight loss!

Now introducing O-2-Lean PLUS…The new improved formula based on the weight loss programme developed as part of a doctoral thesis at a South African University. O-2-Lean PLUS accelerates the metabolism and burns fat PLUS… Added anti-oxidants remove damaging free radicals. O-2-Lean PLUS guarantees weight loss in thirty days… or your money back!

to consider new opportunities and locations as we believe that our Verimark Direct store model still offers exciting growth opportunities.

3. **International**

   As mentioned in last year's report, Verimark's international expansion was focused on two areas:

   - Distribution of success proven products and TV commercials.
   - Duplication of the Verimark business model.

   Due to the same reasons mentioned before, limited sales were generated in this area but we believe that duplicating the Verimark business model in other parts of the world continues to offer good potential for growth in the long term. However, we intend pursuing these opportunities only after Verimark's trading and growth have recovered to the levels of the past in South Africa.

Promotion

Verimark's business model is predominantly based on Direct Response Television (DRTV), an industry pioneered by Verimark in South Africa 18 years ago. This, plus print advertising, the internet (via our website) and in-store demonstrations, are key components of our promotional strategy. No better mass medium exists than the long form television commercial (60 seconds to 28 minutes) to illustrate and sell unique and innovative products.

Although we have observed an increase in the demand for television airtime in general, which had a negative impact on the availability of long form airtime, this trend should reverse as the economy tightens up. A welcome development is the expected granting of licences for new TV stations by the Independent Communications Authority of South Africa offering new channels and platforms.

Price

Suppliers cost increases and the weakening Rand, resulted in some upward selling price adjustments on a number of products during the year. Price increases have a reducing impact on sales volumes, but given the fact that our selling prices were constant or even reduced over the previous three years (due to the relative strength of the Rand), the impact of these price increases was not as severe as expected.

Verimark's pricing strategy has never been to be the cheapest, but rather to offer the best value for money in terms of quality and features. Also, our strategy is to align the perceived value (as created in the mind of the consumer through our marketing efforts) with the retail selling price of each product.

This strategy contributed to making most of our products (brands), the market leaders in their respective product categories. Our passion for quality is borne out by the fact that each product carries a satisfaction and product lifespan guarantee – a differentiating factor increasingly appreciated by the South African consumer.

People

Certain management changes have been made during the year. Eugene Le Maitre, former sales director, was replaced by Michael MacDonald. The marketing responsibility formerly under Michael MacDonald is now the full responsibility of Michael van Straaten. Du Toit Britz, former Financial Director, left the Company in March and a replacement is expected to be announced shortly. Meanwhile the finance responsibility is being managed by Caroline McEvoy. We believe these management changes are positive for the Company.

Management is not sparing any effort to return the Company to its previous success record as soon as possible.

CHIEF EXECUTIVE OFFICER'S REPORT continued

The disappointing performance of the Company in the year under review has resulted in a temporary halt to the share incentive scheme. The scheme will continue as soon as there is a return to Verimark's previous growth rates and figures. In the interim, management is incentivised through a performance based bonus system.

BUSINESS ENVIRONMENT

Although 2006 was in general a good trading year for most businesses operating in the retail and consumer market, this was not the case for Verimark.

This anomaly substantiates our view that Verimark's business model is different from general retail and consumer goods companies. Macro economic cycles have less of an impact on Verimark's trading results with innovation and the marketing strategies being more important.

Looking at the year ahead, most experts believe that consumer spending growth will persist, but at a reduced rate. We support this view and believe that this trend will assist Verimark in its current recovery process.

PROSPECTS

Verimark has a long success track record over the previous 30 years with 33% compound annual growth in earnings over the last ten years (excluding 2007). A tough year, as experienced in our second year as a listed company, is obviously disappointing but we've learned from this experience and our team is highly motivated to address the shortcomings and to re-establish the potential of our business model. Corrective actions and strategies are underway to ensure a prompt turnaround.

The number of product introductions in the first half of the new year has been stepped up and with the right selection of new "winning" products, in addition to our established products, we remain confident that Verimark is set for recovery this year with much of the improvements expected in the second half of the year.

Michael van Straaten
Chief Executive Officer

Johannesburg
14 May 2007

A TOP SELLER

TALKING NOTEBOOK INSPIRATION

Educational Laptop with 40 fun activities and educational learning!

Give your child the edge today with the Talking Notebook Inspiration with the new bilingual system that allows you to switch easily between English and Afrikaans. With 40 great activities, kids can have fun learning the alphabet, words, maths and even improve their memory. It also includes a mouse just like a real laptop, talking tutor and other tools to make learning fun! Take it anywhere, learn everywhere…and it's perfect to keep kids busy on long trips.

CORPORATE GOVERNANCE REPORT

The Board of Directors ("the Board") subscribes to the Code of Corporate Practices and Conduct issued by the King Commission on Corporate Governance (King II Report) and is committed to the principles of good corporate governance. Our aim is to conduct the business of the Group in accordance with the highest standards of integrity, behaviour and ethics, and to comply with all legislation and regulations relevant to the business.

STATEMENT OF COMPLIANCE

The Listings Requirements of the JSE require that companies report on the extent to which they comply with the principles incorporated in King II Report.

Based on the information set out in this corporate governance statement, the Board believes that, to the best of its knowledge and belief, throughout the accounting period under review, the Group has applied the principles of the King II Report and complied with the provisions set out in the Listings Requirements of the JSE.

BOARD OF DIRECTORS

The Board

During the period under review, the Board comprised two Executive Directors and two Independent Directors. Dr James Motlatsi, an Independent Director, chairs the Board. The Board applies the JSE's Listings Requirements' guidelines when considering a Director's independence.

The roles of the Chairman and the Chief Executive Officer (CEO) are separate to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Chairman has no executive functions.

The Board is responsible for the strategic direction of the Group. Matters reserved for the Board and its Committees are defined to ensure that the Directors retain full and effective control over the Company, specifically regarding strategic, financial, organisational and compliance matters.

The daily management of the Company and of the Group's affairs is the responsibility of the Chief Executive Officer.

Role and function of the Board

The Board has adopted a charter setting out its responsibilities. Among other obligations, it:

- determines the Company's purpose, values and stakeholders relevant to its business and develops strategies combining all three elements;
- ensures that procedures are in place to monitor and evaluate the implementation of its strategies, policies, senior management performance criteria and business plans;
- reviews and approve the financial objectives, plans and actions, including significant capital allocations and expenditure;
- exercises leadership, integrity and judgement, based on fairness, accountability, responsibility and transparency;
- provides strategic direction to the Company, agrees to the appointment of the CEO and ensures that a succession plan is in place;
- ensures that the Company complies with all relevant laws, regulations and codes of best business practice, and that it communicates with its shareowners and relevant stakeholders (internal and external) openly and promptly and with substance prevailing over form;
- regularly reviews processes and procedures to ensure the effectiveness of the Company's internal systems of control, so that its decision-making capability and the accuracy of its reporting are maintained at a high level at all times;
- identifies and monitors the non-financial aspects relevant to the business of the Company; and
- records the facts and assumptions on which it relies to conclude that the business will continue as a going concern in the financial year ahead or why it will not and in that case, the steps the Board is taking.

Appointments to the Board

The Board has adopted a policy on the procedures for the appointment of Directors. The Remuneration and Nomination Committee periodically assesses the skills represented on the Board by the Non-executive Directors and determines whether those skills meet the Company's needs. Directors are invited to assist with the identification and nomination of potential candidates. The independent members of the Remuneration and Nomination Committee propose suitable candidates for consideration by the Board.

Induction and development

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

Independent advice

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

Retirement and re-election of Directors

All Directors are subject to retirement and re-election by shareowners every three years. Dr James Motlatsi has submitted for re-election. His brief biographical details are provided on page 5 of this Annual Report to enable shareowners to make an informed decision in respect of his election.

Board meetings and attendance

The Board meets regularly, at least once a quarter and when circumstances may require. The Board held four meetings during the past financial year. The Company Secretary acts as secretary to the Board and its Board Committees and attends all Board and Board Committee meetings.

Details of attendance at the Board meetings are provided in the table below:

	23 March 2006	25 May 2006	24 August 2006	2 November 2006
JT Motlatsi	Yes	No	Yes	Yes
JM Pieterse	Yes	No	Yes	Yes
HW Bonsma	Yes	Yes	Retired	Retired
MJ v Straaten	Yes	Yes	Yes	Yes
FPDuT Britz	Yes	Yes	Yes	Yes

Changes to the Board

During the financial year ended 28 February 2007, the following changes were made:

- HW Bonsma retired as a Non-executive Director on 22 June 2006;
- E Schubert resigned as Company Secretary on 31 July 2006; and
- FPDuT Britz acted as a Company Secretary until the appointment of Premium Corporate Consulting Services (Proprietary) Limited on 2 November 2006.

BOARD COMMITTEES

While the Board remains accountable and responsible for the performance and affairs of the Company, it delegates to management and Board Committees certain functions to assist it to properly discharge its duties. Appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems.

Each Board Committee acts within agreed, written terms of reference. The Chairman of each Board Committee reports at each scheduled meeting of the Board, and minutes of Board Committee meetings are provided to the Board. All Board Committees are chaired by Independent Directors. The majority of the members of each Board Committee are Independent Directors.

All Directors and particularly the Chairman of each Board Committee, are required to attend annual general meetings to answer questions raised by shareowners.

The established Board Committees are as follows:

Audit and Risk Committee

During the past financial year, Johann Pieterse acted as the financial expert and Chairman of the Audit and Risk Committee. This Committee further comprised an additional Independent Director (Dr James Motlatsi) and an Executive Director (Du Toit Britz). Michael van Straaten attended the meetings by invitation. Henri Bonsma, a Non-executive Director, acted as a member of the Committee until he retired on 22 June 2006.

The Audit and Risk Committee met formally three times during the financial year to consider financial reporting issues and to advise the Board on a range of matters.

The external auditors attend the formal committee meetings and also have unrestricted informal access to the Chairman of the Audit and Risk Committee. The Committee is satisfied that the independence of the external auditors is not compromised by the present scale of non-audit related fees paid to them.

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

Details of attendance at the Audit and Risk Committee meetings are provided in the table below:

	23 March 2006	4 May 2006	2 November 2006
JT Motlatsi	Yes	No	Yes
JM Pieterse	Yes	Yes	Yes
HW Bonsma	Yes	Yes	Retired
MJ v Straaten*	Yes	Yes	Yes
FPDuT Britz	Yes	Yes	Yes

**Attended by invitation*

Remuneration and Nomination Committee

During the past financial year, Johann Pieterse acted as the Chairman of the Remuneration and Nomination Committee. This Committee further comprises an additional Independent Director (Dr James Motlatsi). Michael van Straaten and Du Toit Britz attended some of the meetings by invitation. Henri Bonsma, a Non-executive Director, acted as a member of the Committee until he retired on 22 June 2006.

Amongst others, the Remuneration and Nomination Committee has the following responsibilities:

- approves executive remuneration;
- ensures that remuneration levels and conditions of service of staff throughout the Company are appropriate;
- ensures succession planning for Directors and nominates successors to key positions in the Company;
- evaluates Share Option Schemes and Trusts; and
- maintains a procedure for appointment to the Board.

Details of attendance at the Remuneration and Nomination Committee meetings are provided in the table below:

	23 March 2006	2 November 2006
JM Motlatsi	Yes	Yes
JT Pieterse	Yes	Yes
HW Bonsma	Yes	Retired
MJ v Straaten*	Yes	Yes
FPDuT Britz*	N/A	Yes

**Attended by invitation*

Remuneration paid to key management is disclosed on page 48 of the annual report.

THE COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary is responsible for providing the Board collectively, and each Director individually, with guidance on the discharge of their responsibilities in terms of the legislation and regulatory requirements of the relevant jurisdictions.

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, to ensure that the Directors have all the relevant information and facts to enable them to discharge their responsibilities.

DIRECTORS' SHARE DEALINGS

The Group has an approved Trading Policy in terms of which dealing in the Group's shares by Directors and employees is prohibited during closed periods.

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

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

CONFLICT OF INTEREST

Directors are required to inform the Board timeously of conflicts or potential conflicts of interests 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 at least annually and as and when the changes occur.

During the financial year ended 28 February 2007, 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.

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 discipline is consistently enforced as Verimark responds to offences and prevents recurrence.

INTERNAL CONTROLS

Internal control systems were introduced to provide management and the Board reasonable assurance as to the integrity and reliability of the financial statements.

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 minimise fraud.

GOING CONCERN

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

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

STAKEHOLDER COMMUNICATION

The Board is aware of the importance of balanced and understandable communication of the Group's activities to stakeholders and strives to clearly present any matters material to a proper appreciation of the Group's position. The interests and concerns of stakeholders are addressed by communicating information as it becomes known.

External investor relations consultants have been retained to assist the Group with investor relations programmes that encourage ongoing dialogue between the CEO and the investment community and media through meetings, site visits, financial results presentations, trading updates and one-on-one discussions. The Company's website provides the latest and historical financial and other information, including the financial reports.

The Board encourages shareowners to attend its annual general meeting, notice of which is contained in this annual report, where shareowners will have the opportunity to put questions to the Board.

Dr James Motlatsi
Independent Non-executive Chairman

Johannesburg
14 May 2007

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements, comprising the balance sheets at 28 February 2007, the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' Report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Group annual financial statements and annual financial statements, as identified in the first paragraph, were approved by the Board of Directors on 14 May 2007 and are signed on its behalf by:

Dr James Motlatsi
Independent Non-executive Chairman

Johannesburg
14 May 2007

Michael van Straaten
Chief Executive Officer

Johannesburg
14 May 2007

CERTIFICATION BY THE SECRETARY

In terms of Section 268 (G) of the Companies Act 61 of 1973 (Act), 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 Registrar of Companies all returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Premium Corporate Consulting Services (Proprietary) Limited
Company Secretary

Johannesburg
14 May 2007

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VERIMARK HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group annual financial statements and annual financial statements, of Verimark Holdings Limited and its subsidiaries which comprise the balance sheets at 28 February 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' Report as set out on pages 17 to 48.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the Group annual financial statements and annual financial statements present fairly, in all material respects, the financial position of the Group at 28 February 2007, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per C Swart
Chartered Accountant (SA)
Registered Auditor
Director

14 May 2007

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the Company and Group annual financial statements for the financial year ended 28 February 2007.

NATURE OF BUSINESS

Verimark is a retail company that sources, develops and distributes unique superior quality products in the housewares, health and fitness, DIY, automotive and beauty categories, both locally and internationally.

FINANCIAL STATEMENTS

The Company's results and financial position are contained in the financial statements on pages 20 to 48 of the report.

The audited statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretation adopted by the International Accounting Standards Board (IASB), the Listings Requirements of the JSE Limited and the Companies Act, 61 of 1973 as amended and remain consistent with those applied to the August 2006 interim results published.

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the financial statements.

SHARE CAPITAL

The authorised share capital at 28 February 2006 consisted of 200 000 000 shares of 0,3333 cents each. The number of issued shares decreased from 142 411 031 to 114 272 328 as a result of the following share transactions during the 2006 financial year.

- The 100-for-3 consolidation of the company's prior year authorised shares of 500 000 000 shares of 0,01 cents each into 15 000 000 consolidated shares of 0,3333 cents each;
- The 100-for-3 consolidation of the Company's prior year issued shares of 142 411 031 into 4 272 331 consolidated shares;
- The increase of the authorised share capital to 200 000 000 shares of 0,3333 shares each by the creation of 185 000 000 shares; and
- The issue and listing of 110 000 000 new shares of 0,3333 cents each at a share premium of R2,4967.

The authorised share capital and number of issued shares have not changed during the current financial year.

DIVIDENDS

An interim dividend of 3 cents per share was paid to shareholders on 4 December 2006.

On 14 May 2007 the Directors declared a final dividend of 5,5 cents per share to shareholders registered on Friday, 29 June 2007 in respect of the year ended 28 February 2007, bringing the total dividend for the year to 8,5 cents per share. This represents a pay-out ratio of 82% of headline earnings per share (including the STC).

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

In terms of Verimark's BBBEE initiative last year, Teba Development purchased 11 500 000 shares in Verimark. The purchase was funded by The Van Straaten Family Trust. In terms of the agreement with Teba Development, 4 000 000 shares have now been transferred to the Verimark Employees Empowerment Trust (VEET). The total BBBEE shareholding therefore remains at 10,1%. The shares in VEET will only be available to previously disadvantaged employees. No shares have been allocated at year-end.

In terms of IFRS2 – Share Based Payments, no costs have been recognised in terms of this transfer of shares as it is essentially only a continuation of the BBBEE transaction concluded with Teba Development in the previous financial year. The shares were sold to Teba Development at a price equal to the market value at the transaction date.

DIRECTORS AND SECRETARY

The names of the Directors and Company Secretary in office at 14 May 2007 are set out on page 53 of the annual report.

DIRECTORS' REPORT continued

DIRECTORS' SHAREHOLDING

Director	Beneficial Direct	Beneficial Indirect	Non-beneficial Direct	Non-beneficial Indirect	Share incentive shares	Total number of shares held	Percentage of issued share capital
Dr JT Motlatsi						–	0%
JM Pieterse						–	0%
HW Bonsma[1]						–	0%
MJ van Straaten		60 500 000				60 500 000	52.94%
FPDuT Britz[2]		1 400 000				1 400 000	1.23%
M MacDonald*		80 000				80 000	0.07%
E Le Maitre*[3]	54 000					54 000	0.05%

**Verimark (Proprietary) Limited Directors*

Notes:

1. *HW Bonsma retired from the Board as a Non-executive Director on 22 June 2006*
2. *FP Du Toit Britz retired from the Board as an Executive Director with effect from 23 March 2007*
3. *E Le Maitre retired from the Verimark (Proprietary) Limited Board with effect from 17 November 2006*

The interest of Directors remained unchanged from the end of the financial year to the date of this report.

In terms of the Company's articles of association a minimum of four Directors are required to hold office at any point in time. FP Du Toit Britz resigned from the Board with effect 23 March 2007, leaving two Non-executive Directors and one Executive Director in office.

Management are in the process of investigating potential Director/s to be appointed to the Board. The appointment/s is/are expected to be performed as soon as possible.

INTERESTS OF DIRECTORS IN CONTRACTS

During the financial year, no contracts were entered into in which Directors and Officers of the Company had an interest and 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 none of these cases will result in a loss to Verimark.

SUBSIDIARIES

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

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

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

The attributable interest of the Company in the aggregate net profits/(losses) after taxation of the subsidiaries was:

	2007	2006
Verimark (Proprietary) Limited	**13 273 868**	38 601 080
Creditvision Rental Finance (Proprietary) Limited	**30 076**	138 553
Fullimput 173 (Proprietary) Limited	**(20 000)**	(20 000)

BORROWING POWERS

As defined by the articles of association, 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 as may be sanctioned by a general meeting) whether outright or 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.

DIRECTORS' REPORT continued

SPECIAL RESOLUTIONS

A special resolution was approved by Verimark (Proprietary) Limited shareholders on 1 November 2006 authorising a loan of R487 000 to Eugene Le Maitre for the purposes of assisting Eugene Le Maitre to set up a Franchise in terms of the signed Financial Agreement. The special resolution was registered on 23 April 2007.

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.

Signed on behalf of the Board

Dr James Motlatsi
Independent Non-executive Chairman

Michael van Straaten
Chief Executive Officer

Johannesburg
14 May 2007

BALANCE SHEETS

as at 28 February 2007

	Notes	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
Assets					
Non-current assets		**19 799 593**	17 632 916	**283 963 804**	284 435 573
Plant and equipment	2	**3 992 976**	2 346 531	**–**	16 904
Intangible assets	3	**14 438 027**	14 349 643	**–**	–
Investment in subsidiary companies	4	**–**	–	**283 266 032**	283 481 927
Loans receivable	5	**697 772**	936 742	**697 772**	936 742
Deferred taxation asset	6	**670 818**	–	**–**	–
Current assets		**76 865 418**	95 890 905	**621 955**	1 340 371
Inventories	7	**37 561 432**	27 438 951	**–**	–
Trade and other receivables	8	**37 000 634**	44 706 270	**157 142**	489 168
Prepayments		**1 635 388**	495 884	**106 853**	106 853
Short-term portion of loans receivable		**238 970**	238 970	**238 970**	238 970
Prepaid taxation		**187 226**	62 572	**37 043**	62 572
Bank and cash balances	9	**241 768**	22 948 258	**81 947**	442 808
Total assets		**96 665 011**	113 523 821	**284 585 759**	285 775 944
Equity and liabilities					
Equity attributable to equity holders of the parent		**61 304 684**	72 028 005	**278 744 621**	280 073 191
Share capital	10	**381 024**	381 024	**380 908**	380 908
Share premium	11	**37 620 827**	37 620 827	**316 702 119**	316 702 119
Retained earnings/(accumulated loss)		**23 302 833**	34 026 154	**(38 338 406)**	(37 009 836)
Non-current liabilities					
Interest-bearing liabilities	12	**81 284**	244 259	**–**	–
Current liabilities		**35 279 043**	41 251 557	**5 841 138**	5 702 753
Amounts owing to subsidiary company	13	**–**	–	**5 553 085**	5 109 441
Trade and other payables		**19 421 515**	24 073 636	**245 596**	593 312
Shareholders for dividend	14	**42 457**	–	**42 457**	–
Short-term portion of interest-bearing liabilities	12	**6 070 617**	606 941	**–**	–
Interest-free liabilities	15	**605**	10 200	**–**	–
Bank overdraft	9	**9 743 849**	–	**–**	–
Taxation payable		**–**	16 560 780	**–**	–
Total equity and liabilities		**96 665 011**	113 523 821	**284 585 759**	285 775 944

INCOME STATEMENTS

for the year ended 28 February 2007

	Notes	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
Revenue	16	**290 257 719**	322 174 756	**–**	–
Cost of sales		**(187 750 045)**	(192 821 509)	**–**	–
Gross profit		**102 507 674**	129 353 247	**–**	–
Other operating income		**2 146 687**	2 504 470	**314 643**	742 624
Selling expenses		**(28 800 515)**	(23 745 202)	**–**	–
Distribution expenses		**(3 610 775)**	(3 532 560)	**–**	–
Other operating expenses		**(49 486 425)**	(47 485 800)	**(1 643 213)**	(1 783 838)
Operating profit before finance costs	17	**22 756 646**	57 094 155	**(1 328 570)**	(1 041 214)
Finance income	18	**572 060**	1 231 287	**23 997 189**	32 588
Finance costs	18	**(966 637)**	(911 198)	**–**	(27 978)
Profit/(loss) before taxation		**22 362 069**	57 414 244	**22 668 619**	(1 036 604)
Income tax expense	19	**(9 088 201)**	(18 719 831)	**–**	–
Profit/(loss) for the year		**13 273 868**	38 694 413	**22 668 619**	(1 036 604)
Attributable to shareholders		**13 273 868**	38 694 413	**22 668 619**	(1 036 604)
Basic earnings per share (cents)	28	**11,62**	34,29		
Diluted earnings per share (cents)	28	**11,62**	34,29		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2007

	Notes	Share capital R	Share premium R	Retained earnings/ (accumulated loss) R	Total R
Group					
Balance at 1 March 2005, as previously stated		**116**	**27 320 907**	**6 766 512**	**34 087 535**
Prior year adjustment	20	–	–	(93 333)	(93 333)
Restated balance at 1 March 2005		**116**	**27 320 907**	**6 673 179**	**33 994 202**
Net proceeds on the issue of share capital		380 908	10 299 920	–	10 680 828
Total income and expense recognised directly in equity		381 024	37 620 827	6 673 179	44 675 030
Profit for the year, as previously stated		–	–	38 714 413	38 714 413
Prior year adjustment	20	–	–	(20 000)	(20 000)
Total recognised income and expenses for the year		381 024	37 620 827	45 367 592	83 369 443
Dividend declared		–	–	(11 341 438)	(11 341 438)
Balance at 28 February 2006, restated		**381 024**	**37 620 827**	**34 026 154**	**72 028 005**
Profit for the year		–	–	13 273 868	13 273 868
Total recognised income and expenses for the year		381 024	37 620 827	47 300 022	85 301 873
Dividend declared		–	–	(23 997 189)	(23 997 189)
Balance at 28 February 2007		**381 024**	**37 620 827**	**23 302 833**	**61 304 684**
Company					
Balance at 1 March 2005		**14 241**	**42 068 786**	**(35 973 232)**	**6 109 795**
Net proceeds on the issue of share capital		366 667	274 633 333	–	275 000 000
Total income and expense recognised directly in equity		380 908	316 702 119	(35 973 232)	281 109 795
Loss for the year		–	–	(1 036 604)	(1 036 604)
Balance at 28 February 2006		**380 908**	**316 702 119**	**(37 009 836)**	**280 073 191**
Profit for the year		–	–	22 668 619	22 668 619
Total recognised income and expense for the year		380 908	316 702 119	(14 341 217)	302 741 810
Dividend declared		–	–	(23 997 189)	(23 997 189)
Balance at 28 February 2007		**380 908**	**316 702 119**	**(38 338 406)**	**278 744 621**

CASH FLOW STATEMENTS

for the year ended 28 February 2007

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**R**	R	**R**	R
Cash flows from operating activities					
Cash generated by/(utilised in) operations	22.1	**17 210 440**	50 085 756	**(1 344 260)**	2 398 198
Dividend paid	22.2	**(23 954 732)**	(11 341 438)	**(23 954 732)**	–
Finance income		**572 060**	1 054 836	**23 997 189**	32 588
Finance costs		**(1 223 105)**	(911 198)	**–**	(27 978)
Taxation (paid)/received	22.3	**(26 444 453)**	(10 574 164)	**25 529**	(107 263)
Net cash (outflows)/inflows from operating activities		**(33 839 790)**	28 313 792	**(1 276 274)**	2 295 545
Cash (outflows)/inflows from investing activities		**(4 140 625)**	(18 442 206)	**232 799**	(280 537 215)
Acquisition of plant and equipment to maintain operations		**(3 768 853)**	(946 485)	**–**	–
Acquisition of intangible assets to maintain operations		**(388 676)**	(122 168)	**–**	–
Proceeds from disposal of plant and equipment		**16 904**	28 284	**16 904**	–
Acquisition of subsidiaries	22.4	**–**	(17 401 837)	**–**	(283 229 523)
Decrease in loans to subsidiaries		**–**	–	**215 895**	2 692 308
Cash inflows/(outflows) from financing activities		**5 530 076**	(9 259 623)	**682 614**	277 693 678
Proceeds on the issue of ordinary share capital	22.4	**–**	10 680 828	**–**	275 000 000
Decrease/(increase) in loans receivable		**238 970**	(408 913)	**238 970**	(978 913)
Interest-bearing liabilities repaid		**–**	(1 107 039)	**–**	(911 491)
Interest-bearing liabilities raised		**5 300 701**	–	**–**	–
Interest-free borrowings repaid		**(14 756 663)**	(30 329 539)	**–**	–
Interest-free borrowings raised		**14 747 068**	11 905 040	**–**	–
Increase in loans from subsidiary companies		**–**	–	**443 644**	4 584 082
Net (decrease)/increase in cash and cash equivalents		**(32 450 339)**	611 963	**(360 861)**	(547 992)
Cash and cash equivalents at beginning of year		**22 948 258**	21 355 739	**442 808**	990 800
Cash and cash equivalents of subsidiary on acquisition	22.4	**–**	980 556	**–**	–
Cash and cash equivalents at end of year	22.5	**(9 502 081)**	22 948 258	**81 947**	442 808

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2007

1. ACCOUNTING POLICIES

Verimark Holdings Limited ("the Company") is a company domiciled in South Africa. The consolidated financial statements, comprising Verimark Holdings Limited and its subsidiaries (together referred to as "the Group") and the Company separate financial statements, incorporate the following principal accounting policies, set out below. Hereafter, the Company separate financial statements and consolidated financial statements are collectively referred to as "the financial statements".

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretation adopted by the International Accounting Standards Board (IASB), and the requirements of the Companies Act of South Africa.

1.2 Basis of preparation

The financial statements are presented in Rands. They are prepared on the historical cost basis, except for certain financial instruments, which are stated at fair value, as set out below.

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

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. Actual results may differ from estimates.

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.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.18.

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

1.3 Basis of consolidation

Subsidiaries

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

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

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Investments in subsidiaries are carried at cost in the separate financial statements of the Company.

1.4 Revenue

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

Revenue is recognised when the risks and rewards of ownership transfer (which is on the date of delivery or the date when funds are advanced to accounts receivable), recovery of the consideration is probable, the associated costs and possible return of the merchandise can be estimated reliably and there is no continuing management involvement with the merchandise.

1.5 Net finance income/(costs)

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Net finance costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on derivative instruments that are recognised in the income statement.

1. ACCOUNTING POLICIES (continued)

1.6 Taxation

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

Income tax on profit for the year comprises current and deferred tax.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The following temporary differences are not provided for : the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, goodwill not deductible for tax purposes and differences relating to subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement or deferred in equity depending on the underlying transaction. The effect on deferred tax of any changes in tax rates is recognised in the income statement, unless the underlying transaction is in equity, in which case it is recognised in equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Temporary differences resulting from the initial recognition of assets and liabilities, that affect neither accounting nor taxable profits, are not provided for.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the dividend.

1.7 Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of normal production overheads.

Depreciation is the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciation is charged on the depreciable amount, to the income statement, on a straight line basis over the estimated useful lives of plant and equipment.

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

Where components of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

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, which are:

Computer equipment	3 years
Manufactured structures and handling equipment	4 – 5 years
Motor vehicles	4 – 5 years
Moulds and dies	5 years
Office equipment and furniture	5-10 years
Shop fittings	3 years

The residual values, if not insignificant, depreciation method and useful lives of plant and equipment are reassessed annually.

Subsequent expenditure relating to an item of plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will flow to the entity and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Profits/(losses) on the disposal of plant and equipment are credited/(charged) to the income statement. The profit or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.8 Impairment of assets

Non-financial assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use the recoverable amount is estimated at each balance sheet 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 flows that largely are independent from other assets and groups.

1. ACCOUNTING POLICIES (continued)

1.8 Impairment of assets (continued)

Non-financial assets (continued)

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

In assessing value in use, the expected 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.

A previously recognised impairment loss is reversed if there is an indication that the impairment no longer exists and the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in prior years.

An impairment loss, in respect of goodwill, is not reversed.

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

1.9 Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, being the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill with an indefinite useful life is allocated to cash generating units and is tested for impairment at each balance sheet date and whenever there is an indication that goodwill has been impaired. An impairment loss is recognised in the income statement when the carrying amount exceeds its recoverable amount.

Other intangibles

Software and trademarks that are acquired by the Group are stated 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 charged to the income statement 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 currently as follows:

Software	3 years
Trademarks	10 years

1.10 Inventory

Inventory is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is determined using the average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

1. ACCOUNTING POLICIES (continued)

1.11 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.

1.12 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 income on a straight line basis over the period of the lease. The leased assets are not recognised on the balance sheet.

It is the intention of the Company to settle net.

Operating leases – lessor

Leases where the Group retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments received under operating leases are included in income on a straight line basis over the period of the lease.

1.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are discounted at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Product warranties

Provision is made for the Group's estimated liability on all products still under warranty at the balance sheet date. The provision is based on historical warranty data and returns and a weighting of all possible outcomes against their associated probabilities.

1.14 Financial instruments

Measurement

Financial instruments are initially measured at fair value, which includes transaction costs except for items carried at fair value through profit and loss. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses.

Trade and other payables

Trade and other payables are recognised at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

Financial liabilities not at fair value through profit or loss are recognised at amortised cost, using the effective interest rate method.

Derivatives

The Group holds derivative financial instruments, in the form of Forward Exchange Contracts, to hedge its foreign currency and interest rate risk exposure.

Hedge accounting is not applied to these derivative instruments which economically hedge monetary assets and liabilities denominated in foreign currencies.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes therein are recognised in profit or loss as part of foreign currency gains and losses.

Loans receivable

Interest-free loans to Directors classified as loans receivable are carried at amortised cost using the effective interest rate method.

1. ACCOUNTING POLICIES (continued)

1.15 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 balance sheet date. Gains and losses arising on translation are credited to or charged against income.

1.16 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service, on an undiscounted basis.

The accruals for employee entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The Company contributes to a defined contribution plan. Contributions to the defined contribution fund are charged against income as incurred.

1.17 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

1.18 Estimation and judgement applied by the Directors in applying the accounting policies

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

1.18.1 Impairment of investment in subsidiary companies

Management continuously considers the recoverability of investments in and loans to subsidiary companies. If the value of any investment has decreased below the book value of the investment, the value is written down to recoverable amount.

1.18.2 Impairment of long outstanding trade receivables

Management identifies impairment of trade receivables on an ongoing basis. The estimation of the requirement for impairment is based on the current collectibility of the trade receivables, as well as our experience of the collection history of our trade receivables. Management believes that the allowance for impairment is conservative and there are no significant trade receivables that are doubtful and have not been impaired.

1.18.3 Impairment of inventory

Obsolete inventory is identified on a continuous basis. 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 metal value recovered where possible.

1.18.4 Impairment of intangible assets – goodwill

Management considers the appropriateness of the value of goodwill continuously together with the value of investments in subsidiaries. Impairment write downs against goodwill occurs where management believes there is a permanent reduction in the value of goodwill.

1.19 Comparative figures

Prior year revenue and cost of sales have been adjusted and are now stated net of discounts and rebates allowed and discounts received respectively.

Trade payables and trade receivables have also been adjusted for the effects of rebates, discounts and markdowns to be in line with the requirements of IFRS.

2. PLANT AND EQUIPMENT

	Computer equipment R	Manufacturing structures and handling equipment R	Moulds and dies R	Office furniture and equipment R	Motor vehicles R	Shop fittings R	Total R
Group							
Cost							
Balance at 1 March 2006	**1 572 246**	**1 077 156**	**298 054**	**3 113 035**	**9 896**	**–**	**6 070 387**
Additions	229 084	155 000	223 438	71 240	–	3 090 092	3 768 854
Disposals	(50 402)	–	–	(2 830)	–	–	(53 232)
Balance at 28 February 2007	**1 750 928**	**1 232 156**	**521 492**	**3 181 445**	**9 896**	**3 090 092**	**9 786 009**
Balance at 1 March 2005	1 137 414	679 337	278 054	3 586 798	–	–	5 681 603
Acquired in respect of business combination	36 808	–	–	900	–	–	37 708
Additions	420 541	397 819	20 000	98 229	9 896	–	946 485
Disposals	(22 517)	–	–	(572 892)	–	–	(595 409)
Balance at 28 February 2006	1 572 246	1 077 156	298 054	3 113 035	9 896	–	6 070 387
Accumulated depreciation							
Balance at 1 March 2006	**989 923**	**433 628**	**240 040**	**2 059 234**	**1 031**	**–**	**3 723 856**
Disposals	(21 438)	–	–	(1 273)	–	–	(22 711)
Depreciation for the year	388 723	207 074	52 895	393 081	2 474	1 047 641	2 091 888
Balance at 28 February 2007	**1 357 208**	**640 702**	**292 935**	**2 451 042**	**3 505**	**1 047 641**	**5 793 033**
Balance at 1 March 2005	555 372	254 322	190 993	1 927 107	–	–	2 927 794
Acquired in respect of business combination	12 537	–	–	36	–	–	12 573
Disposals	(5 362)	–	–	(404 824)	–	–	(410 186)
Depreciation for the year	427 376	179 306	49 047	536 915	1 031	–	1 193 675
Balance at 28 February 2006	989 923	433 628	240 040	2 059 234	1 031	–	3 723 856
Carrying amounts							
At 28 February 2007	**393 720**	**591 454**	**228 557**	**730 403**	**6 391**	**2 042 451**	**3 992 976**
At 28 February 2006	582 323	643 528	58 014	1 053 801	8 865	–	2 346 531
At 28 February 2005	582 042	425 015	87 061	1 659 691	–	–	2 753 809

Security:
These above moveable assets have been ceded as security for banking facilities (refer note 9).

Change in estimate:
During the year ended 28 February 2007, the Group reassessed the expected usage of shop fittings. Management previously estimated the useful life to be less than one year, it is now evident and expected that the useful life of shop fittings is three years. The effect of this change in estimate is a reduction in the income statement charge for the current year.

	Computer equipment R	Manufacturing structures and handling equipment R	Moulds and dies R	Office furniture and equipment R	Motor vehicles R	Total R
2. PLANT AND EQUIPMENT *continued*						
Company						
Cost						
Balance at 1 March 2006	**36 808**	**–**	**–**	**900**	**–**	**37 708**
Additions	–	–	–	–	–	–
Disposals	(36 808)	–	–	(900)	–	(37 708)
Balance at 28 February 2007	–	–	–	–	–	–
Balance at 1 March 2005	36 808	–	–	900	870 422	908 130
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	(870 422)	(870 422)
Balance at 28 February 2006	**36 808**	**–**	**–**	**900**	**–**	**37 708**
Accumulated depreciation						
Balance at 1 March 2006	**20 684**	**–**	**–**	**120**	**–**	**20 804**
Disposals	(20 684)	–	–	(120)	–	(20 804)
Depreciation for the year	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 28 February 2007	–	–	–	–	–	–
Balance at 1 March 2005	8 464	–	–	30	80 159	88 653
Disposals	–	–	–	–	(138 176)	(138 176)
Depreciation for the year	12 220	–	–	90	58 017	70 327
Balance at 28 February 2006	**20 684**	**–**	**–**	**120**	**–**	**20 804**
Carrying amounts						
At 28 February 2007	**–**	**–**	**–**	**–**	**–**	**–**
At 28 February 2006	16 124	–	–	780	–	16 904
At 28 February 2005	28 344	–	–	870	790 263	819 477

	Goodwill R	Trademarks R	Computer software R	Total R
3. INTANGIBLE ASSETS				
Group				
Cost				
Balance at 1 March 2005	**–**	**200 000**	**491 628**	**691 628**
Acquisition through business combination (refer note 22.4)	13 403 978	–	–	13 403 978
Additions	–		122 168	122 168
Prior year adjustment (refer note 20)	592 673	–	–	592 673
Balance at 28 February 2006, as restated	**13 996 651**	**200 000**	**613 796**	**14 810 447**
Balance at 1 March 2006, as restated	**13 996 651**	**200 000**	**613 796**	**14 810 447**
Additions	–	–	388 676	388 676
Disposals	–	–	(8 756)	(8 756)
Balance at 28 February 2007	**13 996 651**	**200 000**	**993 716**	**15 190 367**
Accumulated amortisation				
Balance at 1 March 2005	**–**	**93 333**	**144 806**	**238 139**
Prior year adjustment (refer note 20)	–	20 000	–	20 000
Amortisation for the year	–	–	202 665	202 665
Balance at 28 February 2006, as restated	**–**	**113 333**	**347 471**	**460 804**
Balance at 1 March 2006, as restated	**–**	**113 333**	**347 471**	**460 804**
Amortisation for the year	–	20 000	271 536	291 536
Disposals	–	–	–	–
Balance at 28 February 2007	**–**	**133 333**	**619 007**	**752 340**
Carrying amounts				
At 28 February 2007	**13 996 651**	**66 667**	**374 709**	**14 438 027**
At 28 February 2006, as restated	13 996 651	86 667	266 325	14 349 643
At 28 February 2005	–	106 667	346 822	453 489

On 1 July 2005, Verimark Holdings Limited (formerly Creditvision Holdings Limited) acquired all the shares in Verimark (Proprietary) Limited in terms of a reverse listing for a consideration of R275 000 000, satisfied by the issue of 110 000 000 shares.

The Company's operations are explained on page 1. In terms of IFRS3 – Business Combinations, the legal subsidiary is recognised as the accounting parent. The financial effects of the transaction are fully disclosed in the consolidated annual financial statements. Refer to note 26 for further explanation.

Impairment testing of cash generating units containing goodwill

For impairment testing, goodwill is allocated to the Group's operating company and accounting parent (Verimark (Proprietary) Limited), which represents the cash generating unit within which the goodwill is monitored for internal management purposes.

This goodwill arises on consolidation in terms of reverse listing principles. Refer to note 22.4 and note 26 for further explanation.

The fair value of Verimark (Proprietary) Limited has been determined as R310 468 894 using a Discounted Cashflow model. To confirm the reasonability of this calculation, the value was compared to a Historic Price/Earnings Multiple valuation, a Forward Price/Earnings Multiple valuation, a Historic EBITDA Multiple valuation and a Forward EBITDA Multiple valuation. The average of the Price Earnings Multiple valuations was R283 478 236. These independent valuations were performed by PSG Capital.

The cash flow projection was based on the Company's actual results for the prior three years, the authorised budget for the year to 29 February 2008, and a projection up to 2014. Except for the February 2008 budget, a growth rate in revenue of 15% was projected for 2009 to 2012. A perpetuity growth rate of 3% was used to calculate a lifetime value. A discount rate of 16,05% was used to discount future cashflows to current value. A beta of 1,4 was used.

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

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
4. INVESTMENT IN SUBSIDIARY COMPANIES				
Number of shares held				
Verimark (Proprietary) Limited			**116**	116
Creditvision Rental Finance (Proprietary) Limited			**1**	1
Percentage holding			**%**	%
Verimark (Proprietary) Limited			**100**	100
Creditvision Rental Finance (Proprietary) Limited			**100**	100
Cost of shares				
Verimark (Proprietary) Limited			**283 229 623**	282 636 950
Prior year adjustment (refer note 20)			**–**	592 673
			283 229 623	283 229 623
Creditvision Rental Finance (Proprietary) Limited			**1**	1
			283 229 624	283 229 624
Loans to subsidiary companies				
Creditvision Rental Finance (Proprietary) Limited			**36 408**	252 303
Net investment			**283 266 032**	283 481 927
No impairment in the investment has been identified, refer note 3.				
The loan is unsecured, bears no interest and has no fixed repayment terms.				
5. LOANS RECEIVABLE				
Unsecured local loans				
Motor Vision (Proprietary) Limited	**936 742**	1 175 712	**936 742**	1 175 712
Short-term portion of loan receivable	**(238 970)**	(238 970)	**(238 970)**	(238 970)
	697 772	936 742	**697 772**	936 742

The loan is unsecured, interest free and repayable in five equal annual instalments on 30 June of each year, ending 30 June 2010.

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
6. DEFERRED TAXATION ASSET				
Balance at beginning of year	**–**	298 223	**–**	–
Current year movement per income statement	**670 818**	(298 223)	**–**	–
– prior year underprovision	**217 123**	–	**–**	–
– net (reversing)/deductible temporary differences	**453 695**	(298 223)	**–**	–
Balance at end of year	**670 818**	–	**–**	–

Deferred tax comprises temporary differences arising on:

2007	Assets R	Liabilities R	Total R
– Leave pay provision	**399 355**	**–**	**399 355**
– Doubtful debts provision	**119 555**	**–**	**119 555**
– Plant and equipment	**151 908**	**–**	**151 908**
	670 818	**–**	**670 818**
2006			
– Leave pay provision	319 066	–	319 066
– Doubtful debts provision	10 875	–	10 875
– Prepayments	(112 819)	–	(112 819)
	217 122	–	217 122

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Tax losses	**685 900**	300 615	**685 900**	300 615

As a result of the legal parent company being expected to mainly earn non-taxable income in the form of dividends in the future, a deferred tax asset has not been recognised in respect of the estimated assessable loss of R1 328 570 (2006: R1 036 604).

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
7. INVENTORY				
Finished goods	**31 318 924**	21 099 915	**–**	–
Goods in transit	**6 742 508**	7 089 036	**–**	–
Impairment of inventory	**(500 000)**	(750 000)	**–**	–
	37 561 432	27 438 951	**–**	–

Security:
Inventory has been ceded as security for banking facilities (refer note 9).

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
8. TRADE AND OTHER RECEIVABLES				
Trade and other receivables	**37 550 313**	44 756 270	**157 142**	489 168
Impairment of receivables	**(549 679)**	(50 000)	**–**	–
	37 000 634	44 706 270	**157 142**	489 168

Group

Included in trade and other receivables is a loan to a director, E Le Maitre, of the legal subsidiary company, being Verimark (Proprietary) Limited, amounting to R487 000 (2006: R80 000). The loan is interest-free and was repaid shortly after year-end (refer note 21).

Group and Company

Included in trade and other receivables are legal expenses paid on behalf of Verimark Employee Empowerment Trust (VEET) amounting to R132 924. The trust is in the process of being formed at year-end. The loan is interest-free and has no fixed terms of repayment.

Security:

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

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
9. BANK AND CASH BALANCES				
Sanlam Collective Investments Limited	**27 140**	21 115 119	**–**	–
Sanlam Dividend Income Fund units. The dividends earned on the investments for the year amounted to R462 021 (2006: R202 681).				
Bank balances and cash on hand	**214 628**	1 833 139	**81 947**	442 808
Bank and cash balances	**241 768**	22 948 258	**81 947**	442 808
Bank overdraft	**(9 743 849)**	–	**–**	–
	(9 502 081)	22 948 258	**81 947**	442 808

The following security has been provided in respect of banking facilities provided to:

Company

– Unlimited cross suretyship in respect of the joint and/or several obligations of, by and between the Company and Verimark (Proprietary) Limited

Verimark (Proprietary) Limited (legal subsidiary)

– Cession of a Life Policy on MJ van Straaten with a death value of no less than R20 000 000;
– Unlimited cession of accounts receivable;
– General Notarial bond over stock and movable assets for an amount of R10 000 000 in the bank's favour, supported by a cession of Fire and SASRIA policy.

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for the year ended 28 February 2007

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 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 ordinary shares of 0,3333 cents each	**381 024**	381 024	**380 908**	380 908
Balance at beginning of year	**114 272 328**	142 411 031	**114 272 212**	142 410 915
100-for-3 consolidation (11 July 2005)	**–**	(138 138 703)	**–**	(138 138 703)
Issued (11 July 2005)	**–**	110 000 000	**–**	110 000 000
Balance at end of year	**114 272 328**	114 272 328	**114 272 212**	114 272 212
The un-issued share capital is under the control of the Directors.				
11. SHARE PREMIUM				
Balance at beginning of year	**37 620 827**	27 320 907	**316 702 119**	42 068 786
Arising on issue of ordinary shares	**–**	10 299 920	**–**	274 633 333
	37 620 827	37 620 827	**316 702 119**	316 702 119
12. INTEREST-BEARING LIABILITIES				
Secured local loans				
Industrial Development Corporation	**244 259**	851 104	**–**	–
Loans obtained for franchisees, bearing interest at a variable contractual rate of the prime bank lending rate less 2% and repayable in 48 equal instalments, ending on various dates.				
Investec Private Bank	**5 907 642**	96	**–**	–
The loan bears interest at prime less 2%, is secured and is repayable in the next 12 months. This loan has been secured by the residential property of a Director, MJ van Straaten.				
	6 151 901	851 200	**–**	–
Less: Short-term portion included in current liabilities	**6 070 617**	606 941	**–**	–
Investec Private Bank	**5 907 642**	96	**–**	–
Industrial Development Corporation	**162 975**	606 845	**–**	–
	81 284	244 259	**–**	–

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
13. AMOUNTS OWING TO SUBSIDIARY COMPANY				
Verimark (Proprietary) Limited	**–**	–	**5 553 085**	5 109 441
The loan is unsecured, interest-free and is repayable on demand.				
14. SHAREHOLDERS FOR DIVIDEND				
Dividend 26 June 2006	**29 629**	–	**29 629**	–
Dividend 4 December 2006	**12 828**	–	**12 828**	–
	42 457	–	**42 457**	–
15. INTEREST-FREE LIABILITIES				
Unsecured loan				
MJ van Straaten – Director			**–**	–
Opening balance	**10 200**	16 849 883	**–**	–
Advances	**1 661 591**	2 127 938	**–**	–
Repayments	**(1 671 186)**	(18 967 621)	**–**	–
Closing balance	**605**	10 200	**–**	–
The loan is unsecured, interest-free and is repayable on demand. The loan is in credit at year-end as in the prior year. However, there are times during the year when the amount stands in debit, due to amounts having been advanced to MJ van Straaten.				
16. REVENUE				
Net invoiced sales to customers	**290 257 719**	322 174 756	**–**	–

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
17. OPERATING PROFIT BEFORE FINANCE COSTS				
Operating profit is arrived at after taking the following items into account:				
Amortisation on computer software	**271 536**	202 665	**–**	–
Amortisation of trademark	**20 000**	20 000	**–**	–
Auditor's remuneration	**282 000**	325 139	**–**	101 084
– current year	**240 000**	240 000	**–**	66 775
– other services	**42 000**	60 958	**–**	34 309
– prior year under provision	**–**	24 181	**–**	–
Bad debts expensed	**83 750**	–	**74 856**	–
Depreciation on plant and equipment	**2 091 888**	1 193 675	**–**	70 337
Directors' emoluments for services as Directors	**6 400 712**	5 409 586	**16 200**	600 000
Employee costs	**34 553 216**	28 196 742	**114 236**	296 631
Impairment of accounts receivable	**499 679**	50 000	**–**	–
Impairment on inventory	**(250 000)**	(336 245)	**–**	–
Loss on disposal of plant and equipment	**13 616**	157 040		625 382
Loss on disposal of intangible assets	**8 756**	–	**–**	–
Operating lease charges:	**4 978 610**	5 450 144	**–**	15 882
– property	**3 241 354**	3 794 848	**–**	–
– vehicles	**1 548 758**	1 372 387	**–**	–
– other office equipment	**188 498**	282 909	**–**	15 882
Retirement benefit contributions	**2 541 300**	2 044 693	**–**	–
Number of employees	**581**	528	**–**	–
18. NET FINANCE INCOME/(COSTS)				
Finance income				
Interest income	**110 039**	232 434	**–**	32 588
Dividend income	**462 021**	202 681	**23 997 189**	–
Foreign exchange profits	**–**	796 172	**–**	–
	572 060	1 231 287	**23 997 189**	32 588
Finance costs				
Foreign exchange losses	**(170 353)**	–	**–**	–
Interest expense	**(796 284)**	(911 198)	**–**	(27 978)
	(966 637)	(911 198)	**–**	(27 978)
Net finance (costs)/income	**(394 577)**	320 089	**23 997 189**	4 610

	Group 2007 R	2006 R
19. INCOME TAX EXPENSE		
South African normal taxation	**(7 044 910)**	(16 801 402)
– current year	**(7 260 825)**	(16 262 557)
– prior year over/(under) provision	**215 915**	(538 845)
Deferred taxation	**670 818**	(298 223)
– current year	**453 695**	(298 223)
– utilisation of tax loss	**–**	–
– prior year under provision	**217 123**	–
Secondary Tax on Companies	**(2 714 109)**	(1 620 206)
– current year	**(2 916 635)**	(1 620 206)
– prior year over provision	**202 526**	–
	(9 088 201)	(18 719 831)
Reconciliation of tax rate	**%**	%
Current year's charge as a percentage of income before taxation	**40,6**	32,6
Secondary Tax on Companies	**(12,1)**	(2,8)
Permanent differences	**(0,5)**	0,1
Prior year over/(under) provision	**1,0**	(0,9)
Standard taxation rate	**29,0**	29,0

Provision for taxation for the Company has not been made as no taxable income was earned during the current year. An estimated assessable loss of R1 328 570 (2006: R1 036 604) is available for set off against future taxable income. No deferred tax asset has been raised.

20. PRIOR YEAR ADJUSTMENTS

20.1 Stamp duty

During the year it was noted that the stamp duty cost, relating to the reverse listing in the prior year, was erroneously omitted from the acquisition of subsidiary costs and the related IFRS3 cost at acquisition calculation. A prior year adjustment has been made and the comparatives adjusted as reflected in notes 3, 4 and 22.4. There is no impact on income and trade and other payables was restated.

20.2 Amortisation of trademark

The trademark, in a subsidiary of Verimark (Proprietary) Limited being Fullimput 173 (Proprietary) Limited, has a useful life of 10 years. The trademark is amortised on a straight line basis over its estimated useful life. A prior year adjustment of R113 333 was processed and affected retained income (R93 333) and in the income statement (R20 000), as disclosed in the Statements of Changes in Equity.

21. RELATED PARTY TRANSACTIONS

21.1 Identity of related parties

Details of the Company shareholders are included on page 49.

Details of subsidiary companies are disclosed in note 4.

The Directors of the Company are disclosed in the Directors' Report.

Key management and Directors' emoluments are disclosed in note 30.

	Group		Company	
	2007	2006	**2007**	2006
	R	R	**R**	R
21.2 Related party transactions				
Loans to subsidiary companies				
Creditvision Rental Finance (Proprietary) Limited – refer note 4				
Opening balance			**252 303**	1 620 690
Advances			**211 063**	358 384
Repayments			**(426 958)**	(1 726 771)
Closing balance			**36 408**	252 303
This loan is unsecured, interest-free and has no fixed repayment terms.				
Loans from/(to) Directors and shareholders				
MJ van Straaten – refer note 15	**605**	10 200	**–**	–
The loan is unsecured, interest-free and is repayable on demand. The residential property of MJ van Straaten has been ceded as security for the loan facility obtained from Investec Private Bank (refer note 15).				
E Le Maitre				
Opening balance	**(80 000)**	–	**–**	–
Advances	**(487 000)**	(80 000)	**–**	–
Repayments	**80 000**	–	**–**	–
Closing balance	**(487 000)**	(80 000)	**–**	–

Included in accounts receivable is a loan to a Director of the legal subsidiary – refer note 8.

The loan is interest-free and was repaid shortly after year-end.

On 1 November 2006, a loan in the form of inventory and shop fittings was granted to E Le Maitre. The inventory and shop fittings related to two Company owned stores, Pavilion and Chatsworth. With effect from 1 November 2006, ownership of these stores changed hands from Verimark (Proprietary) Limited to E Le Maitre.

Verimark (Proprietary) Limited provides loans, for start up costs, to franchisees in certain circumstances and this loan to E Le Maitre, immediately prior to his resignation as a Director, was considered normal business practice and was concluded on an arm's length basis.

Subsequent to year-end, the loan has been repaid by E Le Maitre using a loan obtained from ABSA Bank Limited. Verimark (Proprietary) Limited stands surety for the loan.

This is once again in line with Company policies.

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
21. RELATED PARTY TRANSACTIONS (continued)				
21.2 Related party transactions (continued)				
H Bonsma (retired Non-executive Director)				
Motor Vision (Proprietary) Limited	**936 742**	1 175 712	**936 742**	1 175 712
Short-term portion of loan receivable	**(238 970)**	(238 970)	**(238 970)**	(238 970)
	697 772	936 742	**697 772**	936 742
The loan is unsecured, interest-free and repayable in five equal annual instalments on 30 June of each year, ending 30 June 2010 – refer note 5.				
Amounts due to subsidiary company				
Verimark (Proprietary) Limited	**–**	–	**5 553 085**	5 109 441
The loan is unsecured, interest-free and has no fixed repayment terms – refer note 13.				
Directors' purchases of goods				
MJ v Straaten	**989**	818	**–**	–
JT Motlatsi	**6 579**	–	**–**	–
M MacDonald	**3 150**	2 578	**–**	–
FPDuT Britz	**18 720**	2 630	**–**	–
E Le Maitre	**3 996**	8 454	**–**	–
	33 434	14 480	**–**	–

Sale of goods are at a discount of 67%.

Only Directors are considered key management.

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
22. NOTES TO THE CASH FLOW STATEMENT				
22.1 Cash generated by operations				
Profit/(loss) before taxation	**22 362 069**	57 414 244	**22 668 619**	(1 036 604)
Adjustment for –				
– Depreciation on plant and equipment	**2 091 888**	1 193 674	**–**	70 337
– Amortisation of computer software	**271 536**	202 665	**–**	–
– Amortisation of trademark	**20 000**	20 000	**–**	–
– Finance income	**(572 060)**	(1 054 836)	**(23 997 189)**	(32 588)
– Finance costs	**1 223 105**	911 198	**–**	27 978
– Loss on disposal of plant and equipment	**13 616**	157 040	**–**	625 381
Loss on disposal of intangible assets	**8 756**	–	**–**	–
Operating profit/(loss) before changes in working capital	**25 418 910**	58 843 985	**(1 328 570)**	(345 495)
(Increase)/decrease in inventories	**(10 122 481)**	1 255 280	**–**	–
Decrease/(increase) in trade and other receivables	**7 705 636**	(13 528 798)	**332 026**	1 610 913
Decrease in loans receivable	**–**	–	**–**	570 000
(Increase)/decrease in prepayments	**(1 139 504)**	982 729	**–**	–
(Decrease)/increase in trade and other payables	**(4 652 121)**	2 532 560	**(347 716)**	562 780
	17 210 440	50 085 756	**(1 344 260)**	2 398 198
22.2 Dividends paid				
Amount owing at beginning of year	**–**	–	**–**	–
Income statement charge	**(23 997 189)**	(11 341 438)	**(23 997 189)**	–
Amount owing at end of year	**42 457**	–	**42 457**	–
	(23 954 732)	(11 341 438)	**(23 954 732)**	–
22.3 Taxation paid				
Amount (owing)/prepaid at beginning of year	**(16 498 208)**	(8 650 764)	**62 572**	(44 691)
Income statement charge	**(9 088 201)**	(18 421 608)	**–**	–
Amount owing/(prepaid) at end of year	**(858 044)**	16 498 208	**(37 043)**	(62 572)
	(26 444 453)	(10 574 164)	**25 529**	(107 263)

22. NOTES TO THE CASH FLOW STATEMENT (continued)

22.4 Acquisition of subsidiaries

Verimark Holdings Limited (and its subsidiary) was acquired in the prior financial year (1 July 2005) in terms of the reverse listing, refer note 26.

The acquisition had the following effect on the Group's assets and liabilities.
Acquiree's net assets at fair value on the acquisition date:

	R
Plant and equipment	25 135
Investment in subsidiary	1 699 264
Loans receivable	766 800
Trade and other receivables	1 379 329
Cash and cash equivalents	980 556
Interest-bearing liabilities	(223 919)
Interest-free liabilities	(525 359)
Trade and other payables	(59 255)
Taxation payable	(44 692)
Net identifiable assets and liabilities at fair value	3 997 859
Less: Cost of acquisition	17 994 510
IFRS3 cost	10 680 828
Transaction cost	7 701 565
Prior year adjustment – stamp duty (refer note 20)	592 673
Cash acquired	(980 556)
Restated goodwill on acquisition	13 996 651

No fair value adjustments were made as the fair value of the identifiable assets and liabilities acquired were equal to their carrying value at the transaction date.

	Group		Company	
	2007	2006	**2007**	2006
	R	R	**R**	R

22.5 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
Bank balances	**197 128**	1 817 639	**81 947**	442 808
Cash on hand	**17 500**	15 500	**–**	–
Short-term deposits	**27 140**	21 115 119	**–**	–
Bank overdrafts	**(9 743 849)**	–	**–**	–
	(9 502 081)	22 948 258	**81 947**	442 808

23. RETIREMENT BENEFITS

The Company 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 Company contributes 6,67% and employees contribute 5%.

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
The total value of contributions to the above schemes were	**2 541 300**	2 044 693	**–**	–

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
24. COMMITMENTS				
24.1 Future lease commitments entered into for the Company				
Property				
– payable within one year	**2 875 853**	2 590 859	**–**	–
– payable between year 2 and 5	**487 358**	3 363 211	**–**	–
	3 363 211	5 954 070	**–**	–
Vehicles and office equipment				
– payable within one year	**1 618 514**	3 326 606	**–**	–
– payable between year 2 and 5	**1 824 541**	1 395 463	**–**	–
	3 443 055	4 722 069	**–**	–

The Group leases various motor vehicles which expire after 36 months or 150 000kms – whichever comes first.

Office equipment is leased for a period of five years and these contracts expire on various dates.

The lease for the property relates to the head office premises. The lease expires in April 2008 with an annual fixed increase in the rental charge of 11%.

	Group 2007 R	Group 2006 R	Company 2007 R	Company 2006 R
24.2 Future lease commitments entered into for property occupied by franchisees				
Property				
– payable within one year	**5 012 887**	4 059 199	**–**	–
– payable between year 2 and 5	**10 089 366**	6 867 841	**–**	–
	15 102 253	10 927 040	**–**	–

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.

There are no capital commitments.

24.3 Advertising commitment

Verimark (Proprietary) Limited has an advertising commitment for the period from 1 July 2006 to 30 June 2007. The amount still to be expensed after the financial year-end amounts to R462 298 (2006: R642 858).

25. FINANCIAL INSTRUMENTS

Currency risk

The Company incurs foreign currency risk as a result of purchases, which are denominated in a currency other than the Company's functional currency. The currency giving rise to foreign currency risk, in which the Company primarily deals, is US Dollars.

Forward exchange contracts are used as economic hedges in order to reduce exposure to fluctuations in foreign exchange rates. Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would be offset by opposite effects on the transactions being hedged.

No sensitivity analysis is presented as the FECs (Forward Exchange Contracts) are short-term in nature and any currency fluctuation will have an immaterial effect on the income statement.

The Company has entered into forward exchange contracts to reduce exposure to fluctuations in foreign exchange rates. The exposure on these forward exchange contracts is:

	2007		2006	
	$	**R**	$	R
Forward exchange contracts:				
– to pay:	**4 000 000**	**28 287 000**	2 500 000	15 675 000

The Group's exposure to interest rate risk on the financial instruments at balance sheet date is as follows:

	Interest rate	Year 1 R	Year 2 – 5 R	Over 5 years R	**Total** **R**
Assets					
Loans receivable	0%	238 970	697 772	–	**936 742**
Inventory	–	37 561 432	–	–	**37 561 432**
Trade and other receivables	–	37 000 634	–	–	**37 000 634**
Prepayments	–	1 635 388	–	–	**1 635 388**
Prepaid taxation	–	187 226	–	–	**187 226**
Bank balances	No risk	241 768	–	–	**241 768**
		76 865 418	697 772	–	**77 563 190**
Liabilities					
Interest-bearing liabilities	Prime-2%	6 070 617	81 284	–	**6 151 901**
Interest-free liabilities	–	605	–	–	**605**
Trade and other payables	–	19 421 515	–	–	**19 421 515**
Bank overdraft	Prime	9 743 849	–	–	**9 743 849**
		35 236 586	81 284	–	**35 317 870**

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date approximately 40% of the trade and other receivables balance related to one group of companies. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk management

Liquidity risk is managed using cash flow forecasts and by the maintenance of adequate borrowing facilities with the shareholders and the banks.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational activities. In accordance with its treasury policy the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange rates and interest rates will have an impact on profit.

Suretyship

Verimark (Proprietary) Limited provided surety to ABSA Bank Limited (the Bank) as co-principal debtor for a franchisee, *in solidum*, for repayment on demand of any sum or sums of money which the franchisee may owe the Bank, in terms of a loan agreement entered into between the franchisee and the Bank for an amount of R450 000. The fair value of this surety is R279 216.

Guarantees

Verimark franchisees

Verimark (Proprietary) Limited guarantees the trading losses of franchisees, where necessary.

Guarantees held by Bank

ABSA Bank Limited holds guarantees by Verimark (Proprietary) Limited to the value of R1 134 036 in respect of operating rentals.

26. APPLICATION OF IFRS3 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 interest has 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 consolidated 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 consolidated financial statements at their pre-combination carrying amounts;
- the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the legal subsidiary immediately before the business combination;
- the amount recognised as issued equity instruments in the consolidated financial statements shall be determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination. However the equity structure appearing in the consolidated financial statements (i.e. 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 consolidated financial statements. Therefore, in the legal parent's separate financial statements, the investment is accounted for in accordance with the requirements in IAS27 – Consolidated and Separate Financial Statements on accounting for investments in an investor's separate financial statements.

27. SEGMENTAL INFORMATION

Verimark (Proprietary) Limited operates in the retail sector, but a small part of the business for the year still related to financing activities conducted by the old Creditvision company. The financing activities are deemed insignificant to the Group and therefore no segmental report is prepared.

No geographical segmental report is produced as the Company operates mainly in South Africa and exports are deemed insignificant to the Group.

28. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after tax of R13 273 868 (2006: R38 694 413) attributable to the ordinary shareholders and a weighted average of 114 272 328 (2006: 112 848 219) ordinary shares in issue during the year.

The calculation of headline earnings is based on the net profit attributable to ordinary shareholders of R13 296 240 (2006: R38 851 453) and a weighted average of 114 272 328 (2006: 112 848 219) ordinary shares in issue during the year.

	Group		Company	
	2007	2006	**2007**	2006
	R	R	**R**	R
Profit per financial statements	**13 273 868**	38 694 413	**(1 328 570)**	(1 036 604)
Adjustments:				
Loss on sale of assets	**22 372**	157 040	**–**	625 382
Doubtful loans impaired	**–**	–	**–**	–
Headline earnings	**13 296 240**	38 851 453	**(1 328 570)**	(411 222)
Basic earnings per share	**11,62**	34,29		
Headline earnings per share	**11,64**	34,43		
Diluted basic earnings per share	**11,62**	34,29		
Diluted headline earnings per share	**11,64**	34,43		

There are no dilutive instruments to both shares and earnings.

29. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

In terms of International Financial Reporting Standards, the Company is required to include in its annual financial statements disclosure about the future impact of Standards and Interpretations issued but not yet effective at the issue date.

At the date of authorisation of the financial statements of Verimark Holdings Limited for the year ended 28 February 2007, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	**Effective date**
IFRS7	Financial Instruments: Disclosures (Including amendments to AC101 Presentation of Financial Statements: Capital Disclosures)	Annual periods commencing on or after 1 January 2007
IFRS8	Operating Segments	Annual periods commencing on or after 1 January 2009
Amendment to IAS1	Capital Disclosures	Annual periods commencing on or after 1 January 2007
IFRIC7	Applying the Restatement Approach under IAS29 (AC124) Financial Reporting in Hyperinflationary Economies	Annual periods commencing on or after 1 March 2006
IFRIC8	Scope of IFRS2 (AC139)	Annual periods commencing on or after 1 May 2006
IFRIC9	Reassessment of Embedded Derivatives	Annual periods commencing on or after 1 June 2006
IFRIC10	Interim Financial Reporting and Impairment	Annual periods commencing on or after 1 November 2006
IFRIC11	IFRS2 Group and Treasury Share Transactions	Annual periods commencing on or after 1 March 2007
IFRIC12	Service Concession Arrangements	Annual periods commencing on or after 1 January 2008
AC503	Accounting for Black Economic Empowerment (BEE) Transactions	Annual periods commencing on or after 1 May 2006

The Directors have reviewed the above issued standards and all standards will be adopted at their effective date (except for the effect of those standards that are not applicable to the entity).

	Basic salary and fees	Allowances and other benefit	Incentive bonuses	Pension and medical aid contribution	Total
30. DIRECTORS' EMOLUMENTS					
28 February 2007					
Executive Directors					
Paid by subsidiary					
MJ van Straaten	1 349 408	645 926	800 000	209 413	3 004 747
FPDuT Britz ***	554 498	15 116	349 000	290 989	1 209 603
M MacDonald [1]	452 915	128 921	258 500	99 896	940 232
E Le Maitre [1]****	477 685	148 199	351 400	106 846	1 084 130
	2 834 506	938 162	1 758 900	707 144	6 238 712
Non-executive Directors					
Paid by Company					
HW Bonsma **	32 000				32 000
JM Pieterse	65 000				65 000
JT Motlatsi	65 000				65 000
	162 000	–	–	–	162 000
Total	2 996 506	938 162	1 758 900	707 144	6 400 712
The bonuses for 2007 relate to the 2006 financial year and were paid in March 2006.					
28 February 2006					
Executive Directors					
Paid by subsidiary					
MJ van Straaten	1 443 056	615 302	–	224 141	2 282 499
FPDuT Britz	483 048	197 244	270 000	91 474	1 041 766
M MacDonald [1]	337 546	12 178	96 000	166 425	612 149
E Le Maitre [1]	372 524	111 291	270 000	99 357	853 172
	2 636 174	936 015	636 000	581 397	4 789 586
Paid by Company					
HW Bonsma	46 681	47 719	–	5 600	100 000
KM van Nieuwenhuizen *	107 600	28 000	78 750	4 400	218 750
PW de Wet *	41 680	28 000	45 000	10 320	125 000
M Durrant *	73 348	20 000	56 250	6 652	156 250
	269 309	123 719	180 000	26 972	600 000
	2 905 483	1 059 734	816 000	608 369	5 389 586
Non-executive Directors					
Paid by Company					
HW Bonsma	10 000	–	–	–	10 000
JM Pieterse	10 000	–	–	–	10 000
DH Cooper *	–	–	–	–	–
JT Motlatsi	–	–	–	–	–
	20 000	–	–	–	20 000
Total	2 925 483	1 059 734	816 000	608 369	5 409 586

[1] Director of the subsidiary Verimark (Proprietary) Limited
** Resigned 1 July 2005*
*** Resigned 22 June 2006*
**** Resigned 23 March 2007*
***** Resigned 17 November 2006*

Refer to note 21 for additional disclosure on transactions with Directors.

SHAREHOLDER SPREAD

as at 28 February 2007

	Number of holders	% of holders	Number of shares	% of issued shares
Public Shareholders				
Individual	1 074	83,71	10 440 254	9,14
Banks and nominees	12	0,94	6 020 740	5,27
Companies and other corporates	66	5,14	15 668 562	13,71
Investment trusts and pension	127	9,90	20 108 772	17,60
Non-public Shareholders				
Directors	4	0,31	62 034 000	54,29
Total	1 283	100,00	114 272 328	100,00
Size of Shareholding				
Public				
1 – 10 000	982	76,54	3 187 029	2,79
10 001 – 50 000	218	16,99	4 649 098	4,07
50 001 – 100 000	30	2,34	2 563 127	2,24
100 001 – 1 000 000	39	3,04	9 820 317	8,59
1 000 001 and over	10	0,78	32 018 757	28,02
Non-public				
1 – 10 000	0	0,00	0	0,00
10 001 – 50 000	0	0,00	0	0,00
50 001 – 100 000	2	0,16	134 000	0,12
100 001 – 1 000 000	0	0,00	0	0,00
1 000 001 and over	2	0,16	61 900 000	54,17
Total	1 283	100,00	114 272 328	100,00

MAJOR SHAREHOLDERS

The Van Straaten Family Trust and Prime Rental CC hold 53% of the issued share capital of the Company. The beneficiaries of the trust and close corporation are the CEO, MJ van Straaten and his family.

To the best of the Directors' and the Company's knowledge, the following shareholders hold 5% or more of the Company's issued share capital. No changes occurred between the end of the financial year ended 28 February 2007 and the date of posting of the annual report.

Shareholder	% held	Shares
Van Straaten Family Interests	52.9%	60 500 000
Mirror Ball Investments 49 (Proprietary) Limited t/a Teba Development	10.1%	11 500 000
Sanlam Investment Management	5.5%	6 253 524
Broker Proprietary	4.6%	5 290 544

SHAREHOLDERS' DIARY

Financial-year end		28 February
Announcement of interim results		On or about 1 November 2007
Announcement of annual results		Tuesday, 15 May 2007
Annual Financial Statements		Friday, 25 May 2007
Annual General Meeting		Thursday, 21 June 2007
Interim Dividend Declaration		On or about 1 November 2007
Final Dividend Declaration		Tuesday, 15 May 2007
Final Dividends		
Dividends	Declared	Tuesday, 15 May 2007
Last Trade Date		Friday, 22 June 2007
List Date		Monday, 25 June 2007
Record Date		Friday, 29 June 2007
Cash Distribution	Payable	Monday, 2 July 2007

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Verimark Holdings Limited will be held at 11:00 on Thursday, 21 June 2007, at the offices of PSG Capital Limited, Building 8, Woodmead Estate, 1 Woodmead Drive, Woodmead, Sandton, to conduct the following business:

ORDINARY BUSINESS

1. **Ordinary Resolution Number 1**

   To receive and adopt the audited annual financial statements of the Group for the financial year ended 28 February 2007, including the Directors' Report and the report of the auditors therein.

2. **Ordinary Resolution Number 2**

   To re-appoint KPMG Inc. as independent auditors of the Company for the ensuing period terminating on the conclusion of the next annual general meeting of the Company and to authorise the Directors to fix the auditor's remuneration for the past year.

3. **Ordinary Resolution Number 3**

   To re-elect Dr James Motlatsi who in accordance with the provisions of the Company's Articles of Association, retires by rotation at the Annual General Meeting, but, being eligible, offers himself for re-election.

   Dr Motlatsi's abbreviated curriculum is set out on page 5 of the annual report.

4. **Ordinary Resolution Number 4**

   To approve the fees of the Non-executive Directors for the year ended 28 February 2007 as contained on page 48 of the annual financial statements.

   During the year non-executive fees were paid to the Non-executive Directors for services rendered. Shareholders are being asked to approve these fees.

SPECIAL BUSINESS

In addition, members will be requested to consider, and if approved, to pass the following ordinary resolutions:

5. **Ordinary Resolution Number 5**

   "To renew the Directors' general authority that all the unissued shares in the capital of the Company be placed under the control of the Directors (which shall be limited in aggregate to 10 per cent of the Company's shares in issue at 28 February 2007) at their discretion until the next annual general meeting of the Company as a general authority in terms of sections 221 and 222 of the Companies Act 61, 1973, as amended (the Act), subject to the provisions of the Act and the Listings Requirements of the JSE Limited."

6. **Ordinary Resolution Number 6**

   To renew the authority that, pursuant to the articles of association of the Company and subject to the Act and the Listings Requirements of the JSE Limited, the Directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue ordinary shares for cash on the following basis:

   - that, this authority shall not be extended beyond 15 months from the date of this annual general meeting;
   - that, in the event of a five percent or more issue, a paid press announcement giving full details, including the impact on the Company's net asset value and its earnings per share, will be published at the time of issue;
   - that, issues in the aggregate in any one financial year will not exceed 15 percent of the Company's issued shares, the number that may be issued being determined in accordance with sub-paragraph 5.52 (c) of such Requirements;
   - that, the maximum discount at which shares will be issued will be 10 percent of the weighted average traded price of the shares measured over the 30 business days prior to the date that the price of the issue is determined or agreed by the Directors;
   - that, the relevant shares to be issued under such authority must be of a class already in issue; and
   - that, any issue will only be made to public shareholders and not to any related parties, as defined in the Listings Requirements.

   The approval of a 75 percent majority of votes cast in favour of Ordinary Resolution Number 6 is required by all shareholders present or represented by proxy at the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING continued

VOTING AND ATTENDANCE

Certificated shareholders

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the Company that their shares are in fact registered in their name. Should this not be the case and the shares are registered in another name, or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their capacity.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak, and on a poll, vote in his/her stead. A proxy need not to be a shareholder of the Company.

For the convenience of registered shareholders of the Company, a form of proxy is enclosed herewith, containing detailed instructions in this regard.

Uncertificated shareholders

Beneficial owners of dematerialised shares who wish to attend the annual general meeting have to request their Central Securities Depository Participant (CSDP) or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxies

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the Company at the address given below, by no later than 11:00 on Tuesday, 19 June 2007. On a poll, ordinary shareholders will have one vote in respect of each share held.

By order of the Board
Verimark Holdings Limited

Premium Corporate Consulting Services (Proprietary) Limited
Company Secretary

Johannesburg
14 May 2007

ADMINISTRATION

Directors	**Executive Director** MJ van Straaten – Chief Executive Officer **Non-executive Directors** Dr JT Motlatsi – Chairman JM Pieterse
Secretary	Premium Corporate Consulting Services (Proprietary) Limited (Registration Number 2003/09512/07) 2nd Floor, Nelson Mandela Square, Maude Street Sandown, Sandton Tel: (011) 881-5430
Registered office	67 CR Swart Drive, Cnr Freda Road Bromhof Extension 48, Randburg, 2194
Auditors	KPMG Incorporated KPMG Crescent, 85 Empire Road, Parktown, 2193 Private Bag 9, Parkview, 2122
Transfer secretaries	Computershare Investor Services 2004 (Proprietary) Limited 70 Marshall Street, Johannesburg, South Africa, 2001 PO Box 24, Newtown, 2113
Bankers	ABSA Bank Limited 3rd Floor, ABSA Towers East 170 Main Street, Johannesburg, 2001
Attorneys	Jowell, Glyn & Marais Jowell, Glyn & Marais House, 72 Grayston Drive, Sandown PO Box 652361, Benmore, 2010
Company registration number	1998/006957/06
Sponsors	PSG Capital Limited Woodmead Estate, 1 Woodmead Drive, Woodmead, 2191 PO Box 987, Parklands, 2121

NOTES

Designed by motiv
Printed by INCE

FORM OF PROXY

VERIMARK HOLDINGS LIMITED

(Registration Number: 1998/006957/06)
JSE Share Code: VMK ISIN: ZAE000068011

ANNUAL GENERAL MEETING

NB: THIS FORM OF PROXY IS FOR USE BY SHAREHOLDERS HOLDING SHARE CERTIFICATES AND SHAREHOLDERS WHO HAVE DEMATERIALISED THEIR SHARE CERTIFICATES AND HAVE ELECTED "OWN NAME" REGISTRATION THROUGH A CENTRAL SECURITIES DEPOSITORY PARTICIPANT (CSDP) OR BROKER, AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 11:00 ON THURSDAY, 21 JUNE 2007

If you are a shareholder entitled to attend and vote at the abovementioned annual general meeting you can appoint a proxy to attend, vote and speak in your stead. A proxy need not be a shareholder of the Company.

If you are a shareholder and have dematerialised your share certificates through a CSDP or broker, and have not selected own name registration in the sub-register maintained by a CSDP, you must not complete this form of proxy but must instruct your CSDP or broker to issue you with the necessary authority to attend the annual general meeting, or if you do not wish to attend, you may provide your CSDP or broker with your voting instructions in terms of the custody agreement entered into with your CSDP or broker.

I/We

(Name in block letters)

of (Address in block letters)

being a member/members of Verimark Holding Limited and entitled to votes, hereby appoint

1. or failing him/her

2. or failing him/her

the chairman of the meeting

as my/our proxy to act for me/us at the Annual General Meeting, to be held at 11:00 on Thursday ,21 June 2007, at the offices of PSG Capital Limited, Building 8, Woodmead Estate, 1 Woodmead Drive, Woodmead, Sandton and at any adjournment thereof, as follows:

	Number of Verimark Shares		
	In favour	Against	Abstain
Ordinary Resolution Number 1 To receive and adopt the audited annual financial statements for the year ended 28 February 2007			
Ordinary Resolution Number 2 To re-appoint KPMG as independent auditors			
Ordinary Resolution Number 3 To re-elect Dr James Motlatsi who retires by rotation in terms of the Company's Articles of Association			
Ordinary Resolution Number 4 To approve the fees of the Non-executive Directors			
Ordinary Resolution Number 5 Authority to place unissued shares under the control of the Directors			
Ordinary Resolution Number 6 General authority to issue shares for cash			

Please indicate with an "X" in the space above how you wish your votes to be cast. If no indication is given the proxy will vote or abstain in his discretion.

Any member of the company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

Every person present and entitled to attend and vote at the Annual General Meeting shall, on show of hands, have one vote only, but in the event of a poll, every share shall have one vote.

Signed at on

Name in Block Letters Signature

Full name of signatory/ies if signing in a representative capacity (see note 6)

Please read the instructions on the reverse side of this form of proxy.

FORM OF PROXY – INSTRUCTIONS

1. On a poll a shareholder is entitled to one vote for each share held.

2. Forms of proxy must be lodged at, posted to or faxed to Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107 Fax +27 11 688 5238), by no later than 11:00 on Tuesday, 19 June 2007.

3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting the words "the chairman of the annual general meeting". Any such deletion must be individually initialled by the shareholder, failing which they will not have been validly effected. The person present at the annual general meeting whose name appears first on the form of proxy and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.

4. Any alterations or corrections to this form of proxy have to be initialled by the relevant signatory(ies).

5. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder (s) of the Company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.

6. Voting instructions for each of the resolutions must be completed by filling the number of votes (one per ordinary share) under the "In Favour", "Against" or "Abstain" headings on the form of proxy. If no instructions are filled in on the form of proxy, the chairman of the annual general meeting, if the chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.

7. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareholder.

8. Documentary evidence establishing the authority of a person signing this form must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.

9. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in electronic form in the sub-register.

10. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their Central Securities Depository Participant (CSDP) or broker who will furnish them with the necessary letter of authority to attend the annual general meeting. Alternatively, they have to instruct their CSDP or broker as to how they wish to vote. This has to be done in terms of the agreement between the shareholder and the CSDP or the broker.

11. Shareholders who wish to attend and vote at the meeting must ensure that their letters of authority from their CSDP or broker reach the transfer secretaries not later than 11:00 on Tuesday, 19 June 2007.

12. 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.

13. 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 2004 (Proprietary) Limited
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Verimark Holdings Limited
67 CR Swart Drive
Cnr Freda Road
Bromhof Extension 48
Randburg 2194