HomeChoice

We are South Africa's leading catalogue retailer

ANNUAL REPORT 2007

HOMECHOICE HOLDINGS LIMITED

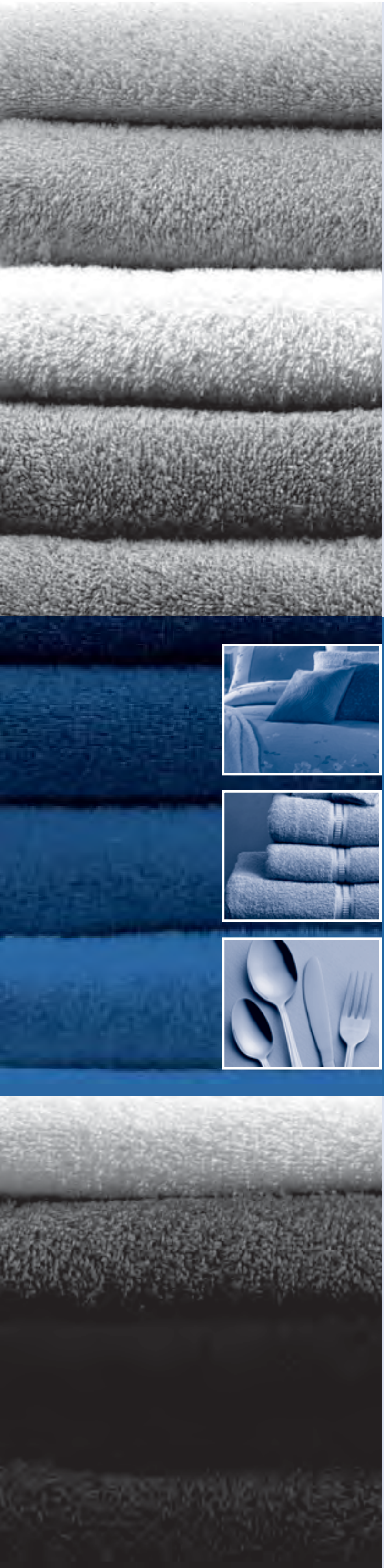
South Africa's leading catalogue retailer

HomeChoice

Registration number: 1991/005430/06

contents

Group profile



HomeChoice Holdings Limited is an investment holding company whose trading activities are conducted through its various wholly owned subsidiaries.

HomeChoice, the catalogue retail company of the group, has developed an exclusive range of household goods which it sells to the urban market focusing on LSM 4 to 6 and offers its products on cash or a variety of credit terms ranging from 6 to 16 months.

With a track record of 23 years and hundreds of thousands of happy customers, HomeChoice has firmly established itself as South Africa's leading catalogue retailer.

HOMECHOICE CURRENTLY HAS FOUR MERCHANDISE DIVISIONS:

BED LINEN
Bed coverings and coordinating curtains

HOUSEHOLD TEXTILES
Textiles for other rooms in the home

HOUSEWARES
Crockery, cookware and luggage

APPLIANCES
Small appliances for the kitchen

FinChoice, the personal loans company of the group, started providing personal loans to our existing customer base during February 2007.

FINCHOICE
FinChoice provides loans on terms ranging from 6 to 24 months to HomeChoice customers of good credit standing.

Letter to shareholders

Revenue
HomeChoice had a good trading year in 2007, although turnover increased by only 10% from R388 million to R427 million. This was in line with forecasts and is a result of the cautious approach adopted in view of the new National Credit Act and the more difficult retail trading environment.

The group's newly established financial services business, FinChoice, started providing personal loans to existing customers of good credit standing. The main impact of this on the year's financial results is reflected below.

Revenue from FinChoice for the year was R10,5 million.

In 2008 the impact will be considerably greater and the group will provide segmental information in the annual financial statements.

Operating profit
Operating profit of R99 million is similar to 2006. Operating profit was affected by the following:

- The National Credit Act resulted in increases in the interest rate charged to customers and reductions in other charges to customers to ensure that the overall cost of credit remained the same. This resulted in a deferral of revenue and profit of R16 million.
- FinChoice had an operating loss of R7,5 million.
- The decline of the rand increased the cost of imported merchandise.

In view of the above, the group is satisfied with the operating profit for 2007, which was in line with forecast.

Cash flow
Cash generated by operations was R64 million compared to R80 million last year. This decrease was mainly due to a net investment of R27 million in the growth of the FinChoice personal loan book and certain movements in working capital.

Net cash flow from operating activities was reduced substantially by R47 million mainly as a result of increased provisional tax payments. The largest trading company in the group used to have an assessed loss and started paying provisional tax during 2007.

Bad debt
As mentioned in the interim report, HomeChoice considerably tightened its credit criteria in view of previous increases in bad debt. The level of bad debt has remained stable despite the more difficult retail and credit environment.

The group's tightened credit criteria will remain in force during 2008.

Balance sheet
A group company has purchased an office building for R28 million, which is being redeveloped as the new head office for the group. Expected redevelopment costs are shown under capital commitments and will be financed externally.

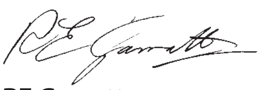
The company has reclassified its investments and included these in current assets. The amount reclassified at year-end was R43,9 million (2006: R67,9 million).

Trade and other receivables increased, mainly due to the growth in the loan book of FinChoice, as mentioned above.

Dividends
The directors declared and paid a dividend of 10 cents per share during the year. The directors have also decided to declare another dividend of 1 cent per share.

Reduction of share premium
The directors will propose, subject to the approval of the members at the annual general meeting, the reduction of the company's share premium by an amount equal to 10 cents per ordinary share.

Prospects
The directors expect 2008 to yield reasonable growth in revenue and operating profit for HomeChoice and considerable growth for FinChoice.



RE Garratt
Executive chairman

14 March 2008
Cape Town

Five-year review

	2007 R000	2006 R000	2005 R000	2004 R000	2003* R000
Balance sheets					
Assets					
Non-current assets	**56 494**	77 374	70 888	88 788	10 305
Deferred tax	**4 432**	2 487	450	72	21 388
Current assets	**415 630**	335 563	265 551	212 391	183 988
Total assets	**476 556**	415 424	336 889	301 251	215 681
Equity and liabilities					
Ordinary shareholders' interest	**393 872**	325 757	266 577	262 915	184 786
Long-term liabilities	**804**	2 005	2 746	2 859	222
Deferred tax	**23 231**	30 580	29 429	10 630	–
Current liabilities	**58 649**	57 082	38 137	24 847	30 673
Total equity and liabilities	**476 556**	415 424	336 889	301 251	215 681
Income statements					
Turnover	**427 042**	388 258	305 294	256 418	273 124
Operating profit	**99 001**	97 985	87 294	100 512	18 671
Net interest received/(paid)	**1 978**	1 950	1 898	4 527	(2 255)
Dividends received	**10 650**	5 150	5 140	373	–
Equity loss on associate	**(2 471)**	–	–	–	–
Profit after interest and dividends	**109 158**	105 085	94 332	105 412	16 416
Taxation	**(25 518)**	(27 655)	(26 329)	(31 247)	21 388
Attributable profit	**83 640**	77 430	68 003	74 165	37 804
Cash flow statements					
Cash receipts from customers	**421 073**	370 533	291 310	263 881	343 093
Cash paid to suppliers and employees and loan disbursements to customers	**(356 870)**	(290 909)	(235 668)	(201 927)	(241 306)
Cash generated by operations	**64 203**	79 624	55 642	61 954	101 787
Net interest received/(paid)	**2 099**	1 808	1 824	4 613	(2 981)
Net dividends received /(paid)	**1 013**	5 150	(1 639)	373	–
Taxation paid	**(47 201)**	(11 856)	(582)	–	–
Net cash inflow from operating activities	**20 114**	74 726	55 245	66 940	98 806
Net cash (outflow)/inflow from investing activities	**(35 228)**	(14 870)	15 583	(70 909)	(1 497)
Net cash outflow from financing activities	**(5 438)**	(15 073)	(58 302)	(257)	(1 091)
Net (decrease)/increase in cash balances	**(20 552)**	44 783	12 526	(4 226)	96 218
Cash balances/(bank overdrafts) at beginning of year	**94 759**	49 976	37 450	41 676	(54 542)
Cash balances at end of year	**74 207**	94 759	49 976	37 450	41 676

** Based on South African Statements of Generally Accepted Accounting Practice.*

HomeChoice

Five-year review *continued*

	2007	2006	2005	2004	2003*
Financial ratios					
Interest paid cover (times)	**171,6**	167,1	211,4	693,2	5,8
Current ratio (:1)	**7,1**	5,8	6,9	8,5	6,0
Acid test ratio (:1)	**6,5**	5,3	6,2	7,8	5,4
Debt/equity ratio (:1)	**0,00**	0,01	0,02	0,02	0,00
Operating margin (%)	**23,2**	25,2	28,6	39,2	6,8
Operating margin before depreciation (%)	**24,0**	26,2	29,8	40,3	8,3
Taxed profit/turnover from sale of goods (%)	**19,6**	19,9	22,2	28,9	13,7
Operating profit/average					
Shareholders' funds (%)	**27,5**	33,1	32,5	44,9	11,3
Operating profit/average total assets (%)	**22,2**	26,0	27,0	38,9	8,7
Earnings per share	**86,4**	79,4	54,4	54,7	27,9
Dividends per share (cents)	**10,0**	–	5,0	–	–
Net asset value per share including					
intangibles (cents)	**408,7**	335,3	256,1	193,9	136,3
Net asset value per share excluding					
intangibles (cents)	**408,7**	335,2	256,0	193,6	135,7
Employee statistics					
Number of employees	**402**	371	398	374	617
Turnover per employee (R000)	**1 062**	1 047	767	686	442
Assets per employee (R000)	**1 185**	1 111	846	805	349
Average number of years service	**4,5**	4,9	5,3	4,9	4,6
Weighted average number of shares (000)	**96 776**	97 567	125 097	135 577	135 577

** Based on South African Statements of Generally Accepted Accounting Practice.*

HomeChoice

Corporate governance

The King Code of Corporate Practices and Conduct
The recommendations of the King II Report are applicable to companies listed on the JSE Limited. Although HomeChoice is not listed, we nevertheless consider the application of the Code of Corporate Practices and Conduct as far as possible.

The code forms the basis upon which the group's commitment to sound corporate governance is pursued. The various committees of the board of directors are charged with monitoring and evaluating conformity with the provisions of the King II Report as far as possible, to ensure fairness, accountability, responsibility and transparency in the conduct of the group's various business enterprises.

Board of directors
The board is ultimately accountable and responsible for the performance and affairs of the company.

The board comprises three executive directors and two independent non-executive directors. Its primary responsibility is setting the strategic direction of HomeChoice and monitoring investment decisions, considering significant financial matters and reviewing the performance of executive management.

The board meets three times per year, with additional meetings added where circumstances necessitate, to discharge its responsibilities.

All board members are required to disclose their shareholdings in HomeChoice, other directorships and any potential conflicts of interest.

An abbreviated version of the board charter is set out below:

- The board is the focal point of the corporate governance system.
- The board is ultimately accountable and responsible for the performance and affairs of the company.
- The board must give strategic direction to the company through adoption of strategic plans.
- The board must appoint the chief executive officer and ensure that succession is planned.
- The board must retain full and effective control over the company.
- The board must ensure that the company complies with all relevant laws, regulations and codes of business practice.
- The board must ensure that it communicates with its shareowners and relevant stakeholders openly and promptly.
- The board must have unrestricted access to all company information, records, documents and property.
- The board must identify key risk areas and key performance indicators of the business enterprise.
- The board must regularly review processes and procedures to ensure the effectiveness of the company's internal systems of control.
- The company should be headed by an effective board that can both lead and control the company.
- Procedures for appointments to the board should be formal and transparent.
- The board should ascertain whether potential new directors are fit and proper and are not disqualified from being directors.
- The board should establish a formal and transparent procedure for developing a policy on executive and director remuneration.
- The board should meet once a quarter.
- Non-executive directors must have access to management and may even meet separately with management.
- At a minimum, the board must have an audit and a remuneration committee.
- The board should regularly (annually) review its required mix of skills and experience and diversify in order to assess the effectiveness of the board.

Audit committee
The committee, which is chaired by an independent non-executive director, comprises two non-executive directors.

The audit committee has a charter, setting out its responsibilities.

The audit committee identifies and continuously evaluates exposure to significant risks, reviews the appropriateness and adequacy of the systems of internal financial and operational control, reviews accounting policies and financial information issued to the shareholders, provides effective communication between directors, management and external auditors, and recommends the appointment of the external auditors.

Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties.

The committee meets at least three times per year. Meetings are attended by invitees, including the chief operating officer, the financial manager and external auditors. The external auditors have unlimited access to the chairman.

Remuneration committee

The committee, which is chaired by a non-executive director, comprises the non-executive director and two executive directors. The committee's charge is to ensure that the remuneration of executive directors and senior management is competitive and appropriate to the levels of responsibility carried and performance achieved. Executive directors receive salaries, benefits and performance bonuses. The non-executive directors receive fees for their services on the board and committees of the board. The remuneration committee reviews remuneration levels on an annual cycle.

Risk management

The board is accountable for the process of risk management and the system of internal control which are regularly reviewed for effectiveness and for establishing appropriate risk and control policies and communicating these throughout the company.

Significant risks are identified, evaluated and managed on an ongoing basis.

The board believes that there is an adequate system of internal control in place to mitigate the significant risks faced by the company to an acceptable level. This can only provide reasonable, but not absolute, assurance.

Internal audit

The group has a comprehensive reporting system, monitored and reviewed monthly by management and directors. The system facilitates budgetary control, provides reasonable assurance as to the accuracy of financial statements and safeguards the group's assets.

The group is in the process of setting up an internal audit function. The directors also utilise the services of professional audit firms to assist in evaluating internal control and business risks as and when required.

Integrated sustainability reporting

HomeChoice is committed to maintaining the highest standards of business and ethical behaviour. The group has included in its conditions of employment, the code of ethics as published by the King Commission.

The group is focused on its commitment to providing career advancement opportunities to both genders and members of previously disadvantaged communities, and its progress towards these labour equity objectives is the subject of continuing review and measurement. Group personnel employment and promotion practices are premised upon equal opportunity and merit and, to this end, the group operates an ongoing programme of personnel development. The directors continue to closely monitor the employment equity progress of the group.

HomeChoice

Audit committee report

The audit committee
The members of the audit committee for the period under review were as follows:

RL Lumb (Chairman)
RE Garratt (resigned – 9 November 2007)
A Chorn (appointed – 9 November 2007)

The audit committee is now comprised solely of non-executive directors who act independently. The committee met four times during the period under review. Of the current committee members, RL Lumb is a Chartered Accountant (SA).

The board of directors has approved written terms of reference, as contained in the audit committee charter, for the audit committee.

The chairman of the committee reports to the board after each committee meeting.

The committee is appointed to assist the board in discharging its duties relating to:

- The nomination of auditors for appointment as external auditors
- The determination of the fees and terms of engagement of the external auditors
- Preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards
- The operation of adequate systems, control processes and safeguarding of assets
- Compliance with legal and regulatory provisions

The main duties and activities of the committee during the period under review can be summarised as follows:

External audit
The committee nominated for appointment the external auditor, reviewed the audit plan, the terms of engagement and the audit fee budget. It is satisfied that the external auditor is independent.

The committee reviewed the external auditor's opinion on the financial statements and has considered any reports on risk exposure and weaknesses in internal controls.

The committee will also pre-approve any proposed contract with the auditors for provision of non-audit services. No such requests were received during the period under review.

Results and financial statements
The committee has reviewed the groups' interim and annual financial statements for the period and has considered matters such as the selection of accounting policy and disclosure.

The committee makes recommendations to the board for the adoption of the financial statements.

Risks and internal controls
The committee will review activities and findings of the internal audit function. The committee reviewed the reports on certain internal controls prepared by independent consultants.

The committee reviewed reports from the external auditor and independent consultants on the controls regarding security, financial and accounting systems and reporting and satisfied itself that management maintains an effective control environment and identifies and manages critical risk areas.

The committee approved the internal audit plan.

Compliance with laws and regulations
The committee reviewed the process in place to ensure compliance with legal and regulatory provisions.

RL Lumb
Chairman of the audit committee

14 March 2008

Directors' responsibility for and approval of the annual financial statements

The presentation of the annual financial statements, the selection and appropriateness of accounting policies and the integrity of the financial information are the responsibility of the directors.

The company and group annual financial statements and other financial information set out in this annual report were prepared by management in conformity with International Financial Reporting Standards and the Companies Act in South Africa. Appropriate accounting policies, supported by sound and prudent managerial judgements and estimates, have been consistently applied.

The group has developed and continues to maintain adequate accounting records and an effective system of internal control.

The directors believe the controls in use are appropriate to provide reasonable assurance that assets are safeguarded from loss or unauthorised use and that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The directors have no reason to believe that the business of the company and group will not continue as a going concern for the foreseeable future.

The directors are primarily responsible for the financial affairs of the group. The external auditors are responsible for independently reviewing and reporting on the group annual financial statements. In this process certain internal controls are reviewed to the extent considered necessary for the purpose of expressing an opinion on these financial statements.

The audit committee meets periodically with the external auditors and executive management to review matters concerning accounting policies, internal control, auditing and financial reporting.

The annual financial statements have been examined by the group's external auditors and their report is presented on page 9.

The annual financial statements, which in the directors' opinion fairly present the state of affairs and the results of the company and the group at the end of the financial year, have been approved by the board of directors and are signed on its behalf by:

RE Garratt
Executive chairman

A Kirsten
Chief operating officer

14 March 2008
Cape Town

Report of the company secretary

Pursuant to section 268 G(d) of the Companies Act (61 of 1973 as amended), I confirm that to the best of my knowledge and belief all returns required in terms of the said Act have been duly lodged with the Registrar of Companies and all such returns are true, correct and up to date.

A Kirsten
Company secretary

14 March 2008
Cape Town

HomeChoice

Independent auditor's report to the members of HomeChoice Holdings Limited

Report on the financial statements

We have audited the company and group annual financial statements of HomeChoice Holdings Limited, which comprise the directors' report, the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 42.

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 auditors consider 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 the directors, 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 financial statements present fairly, in all material respects, the financial position of the company and group as of 31 December 2007, and of the financial performance and its 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.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

14 March 2008
Cape Town

HomeChoice

Report of the directors

Nature of business

HomeChoice Holdings Limited, incorporated in South Africa, is an investment holding company. Trading activities are conducted through its various wholly owned subsidiaries, mainly involving the direct marketing of an exclusive range of products on a credit and a cash basis, through the use of catalogues by mail order and telemarketing and the direct marketing of personal loans.

Retail and financial results

The results of operations for the year are set out in the income statements, and commentary thereon is provided in the executive chairman's letter to shareholders.

Share capital

The unissued shares are under the control of the directors until the next annual general meeting. Details of the authorised and issued share capital are contained in note 12 to the annual financial statements.

Acquisition of company's own shares

The company repurchased 775 000 shares during July 2007 after a specific special resolution was passed by the shareholders on 4 May 2007. The consideration paid for the above transaction was R2 595 000.

Reduction of share premium

The directors will propose, subject to the approval of the members at the annual general meeting, the reduction of the company's share premium by an amount equal to 10 cents per ordinary share.

Employee share options

	1996 Scheme Number of shares (000)		
Exercise price	**R2**	**R4**	
Date of offer	**Sept 96**	**Jan 99**	**Total**
Balance at 31 December 2005	522,0	0,5	522,5
Cancelled during the year	(522,0)	–	(522,0)
Balance at 31 December 2006	–	0,5	0,5
Cancelled during the year	–	(0,5)	(0,5)
Balance at 31 December 2007	**–**	**–**	**–**

The directors held no share options at 31 December 2007 (2006: nil).

The exercise rates in respect of the options were, from the dates of such offers, as follows:
– 40% on or after the 3rd anniversary
– 70% on or after the 4th anniversary
– 100% on or after the 5th anniversary

Employees had the right to exercise their options at any time from the exercise date up to a period of 10 years after the offer, failing which they lapse.

Dividend

The company declared and paid a dividend of R10 387 000 (2006: nil) during the year. This gave rise to secondary tax on companies of R1 039 000 against which STC credits of R708 000 were utilised. A final dividend of R1 039 000 has been declared, representing 1 cent per share, and will give rise to secondary tax on companies of R104 000 against which STC credits of R104 000 will be utilised.

Subsidiary companies
Details of the company's investments in subsidiaries are set out in note 3 to the annual financial statements. The interest of the company in the aggregate profits after taxation of the subsidiary companies is R77 122 000 (2006: R64 091 000).

Subsidiary companies' resolutions
No significant resolutions were passed by the company's subsidiaries since the date of the directors' report forming part of the previous annual financial statements of the company.

Events after balance sheet date
The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or the group annual financial statements, that would affect the operations of the group or the results of those operations significantly.

Directors
The board of directors at the date of this report are as follows:
RE Garratt#
SM Maltz
A Chorn@*
A Kirsten#
RL Lumb@*#

* *Member of the audit committee*
\# *Member of the remuneration committee*
@ *Non-executive director*

In terms of the articles of association, A Chorn and RL Lumb retire at the annual general meeting, being the longest serving directors. A Chorn and RL Lumb, being eligible, offer themselves for re-election.

Company secretary
A Kirsten

Country of incorporation
South Africa

Business and postal address
The company secretary
200 Main Road
Private Bag X150
Claremont 7735
South Africa

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those adopted in the previous year, except as follows:

The group has adopted the following new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment – Presentation of Financial Statements
- IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

Adoption of the new and amended standards and interpretations did not have any impact on the financial performance or position of the group. They did however give rise to additional disclosures including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the group's financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the group to make new disclosures to enable users of the financial statements to evaluate the group's objectives, policies and processes for managing capital.

IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies

This interpretation provides guidance on how to apply IAS 29 in a reporting period in which the existence of hyperinflation is identified in the economy of its functional currency, when the economy was not hyperinflationary before. The interpretation does not currently apply to the activities of this group.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to transactions in which the entity cannot identify specifically some or all of the goods or services received. The interpretation does not currently apply to the activities of this group.

IFRIC 9 Reassessment of Embedded Derivatives

This interpretation states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract. The interpretation does not currently apply to the activities of this group.

IFRIC 10 Interim Financial Reporting and Impairment

This interpretation states that an entity should not reverse an impairment loss recognised in the previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The interpretation does not currently apply to the activities of this group.

Basis of preparation

The financial statements have been prepared on the going concern principle on the historical cost basis except for available-for-sale investments, which are measured at fair value, and derivative financial instruments, which are classified as fair value through profit and loss. The consolidated and separate annual financial statements are expressed in South African rands (ZAR).

Statement of compliance

The consolidated financial statements are prepared in compliance with both IFRS and interpretations of those standards as adopted by the International Accounting Standards Board and the Companies Act in South Africa.

Consolidation

The group annual financial statements include those of the company, its subsidiaries and the employee share trust. The results of subsidiaries are included from the date on which control is obtained by the group and de-consolidated from the date control ceases. The financial statements of the subsidiaries and employee share trust are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are defined as those companies in which the group, either directly or indirectly, has more than one half of the voting rights, has the right to appoint more than half the board of directors or otherwise has the power to control the financial and operating activities of the entity.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

The company carries its investment in subsidiaries at cost less accumulated impairment losses.

Investment in associate

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date. The cost of an asset comprises any costs incurred in bringing the asset to the location and condition necessary for it to operate as intended by management.

Property, plant and equipment are subsequently stated at cost, less accumulated depreciation and accumulated impairment in value. Freehold land is stated at cost less any accumulated impairment in value and is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Depreciation commences when the assets are available for their intended use. Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the various classes of assets, after taking into account residual values.

Useful lives of property, plant and equipment, the depreciation method, depreciation rates, and residual values are reviewed on an annual basis.

The annual rates applied for depreciation are as follows:

Furniture and fittings	16,7% – 27,3%
Office equipment	20,0%
Computer equipment	12,5% – 50,0%
Motor vehicles	20,0% – 25,0%
Plant and machinery	20,0%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Improvements to leasehold property are capitalised and depreciated over the period of the relevant lease agreements if there is no reasonable certainty that the lessee will obtain ownership of the asset at the end of the lease term.

Intangible assets

Intangible assets are initially recognised at cost if acquired separately, or at fair value if acquired as part of a business combination. The useful lives of intangible assets are assessed to be either finite or indefinite.

If assessed as having an indefinite useful life, the intangible asset is not amortised but tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, it is amortised over its useful economic lives using a straight-line basis and tested for impairment if there is an indication that it may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets include mailing lists and trademarks. All of the group's intangible assets are assessed as having finite useful lives. Those intangible assets are amortised at 10% per annum.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Impairment of non-financial assets
At each reporting date the group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with the impairment loss being recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit or loss.

Inventory
Inventory is valued at the lower of cost, determined on the first-in first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and cost necessary to make the sale.

Taxation
The income tax expense is determined based on taxable income for the year and includes deferred tax, secondary taxation on companies (STC) and capital gains tax.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred taxation is provided using the liability method on temporary differences at the balance sheet date between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that the related taxation benefit will be realised in the foreseeable future against future taxable profit. Deferred taxation is calculated using the taxation rates that have been enacted at the balance sheet date that are expected to apply when the asset is realised or the liability settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all to be utilised, the carrying value of the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Secondary tax on companies

STC is recognised as part of the current tax charge in the income statement when the related dividend is paid.

A deferred tax asset is recognised for the carry forward of unused STC credits to the extent that it is probable that future taxable profit will be available for distribution as dividends.

Customer returns

Based on the historical returns experience, provision is made for estimated customer returns for goods despatched prior to the end of each financial year but subsequently returned by the customer and received after the end of the financial year.

Foreign currency transactions

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). HomeChoice Holdings Limited's company and consolidated functional and presentation currency is rands and all amounts, unless otherwise indicated, are stated in rands. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement except when deferred in equity as qualifying cash flow hedges. Non-monetary items designated in foreign currency are translated at the spot rate at the date of the transaction.

Financial instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, trade and other receivables, loans, investments, borrowings and trade and other payables. Financial instruments are initially measured at fair value, including transaction costs, when the group becomes a party to the contractual arrangements. However, transaction costs in respect of financial assets classified as fair value through profit and loss are expensed. Trade date accounting for 'regular way' purchases or sale of financial assets has been adopted. The trade date is the date that the group commits to purchase or sell an asset. A 'regular way' contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the marketplace. Subsequent to initial recognition, these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. The amount of the allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents, consisting of cash on hand, cash in banks, short-term deposits and bank overdrafts, are subsequently measured at amortised cost.

Derivative financial instruments

The group uses derivative financial instruments such as forward currency contracts to economically hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Trade and other payables

Liabilities for trade and other payables are classified as financial liabilities and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised as well as through the amortisation process.

Borrowings
Borrowings are classified as other financial liabilities and are subsequently measured at amortised cost using the effective interest rates. Gains and losses are recognised in profit or loss when liabilities are derecognised as well as through the amortisation process.

Available-for-sale investments
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-to-maturity, loans and receivables or fair value through profit or loss. Investments include preference shares, which are classified as available-for-sale financial assets. The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using recent arm's length market transactions. Gains and losses are recognised directly as a revaluation reserve in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement.

Loans
Loans are classified as loans and receivables. Loans with maturity repayment terms are measured at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit and loss when the assets are derecognised or impaired, as well as through the amortisation process.

Offset
Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention on a net basis to realise the assets and settle the liabilities on a net basis.

Derecognition of financial assets and liabilities
Financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

Financial liabilities

A financial liability is derecognised when the relevant obligation has either been discharged or cancelled or has expired.

Impairment of financial assets
The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred and reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced by the allowance for impairment. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be measured reliably, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets
If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Retirement benefits
The group's contribution to the provident fund is charged against profits as incurred.

Suspensive sale transactions

Finance charges payable on suspensive sale transactions, for the purchase of property, plant and equipment, are accounted for over the period of the agreements using the effective interest rate method and are included with interest paid.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Revenue recognition

Revenue is recognised at the fair value of the consideration received net of discounts and related taxes and consists primarily of the sale of goods, finance charges, interest income and dividend income. Turnover includes income from the sale of goods and interest and finance charges earned on trade and loans receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be measured reliably. The following specific criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income and finance charges

Interest income and finance charges are recognised on the time proportionate basis using the effective interest rate implicit in the instrument.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows and includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income

Dividend income on equity instruments is recognised when the right to receive payment is established.

Treasury shares

Shares in HomeChoice Holdings Limited held by a share trust are classified as treasury shares. Treasury shares are treated as a deduction from equity and the cost price of these shares is deducted in arriving at group equity. Issued and weighted average number of shares are reduced by treasury shares for earnings per share calculation purposes.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are dis-counted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Leases

Leases are classified as operating leases, where substantially all the risks and rewards associated with ownership of the asset are not transferred from the lessor to the lessee.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The resulting difference arising from straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset. Contingent rental income and expenses are recognised when accrued or incurred.

Comparative figures

Comparative figures have been reclassified or restated where necessary to afford a proper and more meaningful comparison of results. The company reclassified the 2007 prudential dividend income amount of R43,9 million from investments to cash and cash equivalents as the amount is considered to be a highly liquid investment.

IFRS and IFRIC interpretations not yet effective

The group has not applied the following IFRS and IFRIC interpretations that have been issued but are not yet effective. They will be adopted no later than their effective dates.

IFRS 2 Share-based Payments
Effective 1 January 2009. The amendment to this standard clarifies the terms 'vesting conditions' and 'cancellations', including that vesting conditions shall be restricted to service and performance conditions only and that all cancellations shall receive the same accounting treatment. This standard does not currently apply to the activities of the group.

IFRS 3 Business Combinations
Effective 1 July 2009. This revised standard requires amendments to the scope of the standard as well as changes to the treatment of certain transactions within a business combination. The scope has been changed to include mutual entities and combinations without consideration and exclude entities under common control. Changes to the treatment of transactions includes the treatment of costs of issuing debt or equity instruments, contingent consideration changes, goodwill and non-controlling interests, partial disposals and accounting for pre-existing relationships. This standard does not currently apply to the activities of the group.

IFRS 8 Operating Segments
Effective 1 January 2009. This standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. This standard does not currently apply to the activities of the group. However, the group will consider adopting this standard in future.

IAS 1 Presentation of Financial Statements
This amendment sets out comprehensive revisions to the presentation of financial statements, including changes to the titles of financial statements, requiring a statement of comprehensive income and expanded disclosures of income tax and reclassification adjustments. This statement becomes effective for periods beginning on or after 1 January 2009. The revised standard will have no effect on the financial performance or position of the group but will impact on the disclosures in the financial statements.

IAS 23 Borrowing Costs
The revised standard removes the option to expense or capitalise borrowing costs on qualifying assets, and now requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset, provided that it is probable that it will result in future economic benefits to the company and the costs can be measured reliably. This statement becomes effective for periods beginning on or after 1 January 2009. The amendment to the standard will not have a material impact on the group.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

IFRIC 12 Service Concession Arrangements
Effective 1 January 2008. This interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. This interpretation does not currently apply to the activities of the group.

IFRIC 13 Customer Loyalty Programmes
This interpretation explains how an entity should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. This interpretation becomes effective for periods beginning on or after 1 July 2008. The interpretation does not currently apply to the activities of this group.

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
This interpretation addresses the interaction between a minimum funding requirement and the limit placed by paragraph 58 of IAS 19 on the measurement of the defined benefit asset or liability by requiring an entity to measure any economic benefits available to them in the form of refunds or reductions in future contributions at the maximum amount that is consistent with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan. This interpretation becomes effective for periods beginning on or after 1 January 2008. The interpretation does not currently apply to the activities of this group.

Significant accounting judgments, estimates and assumptions
The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of

contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying of the asset or liability affected in the future.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Bonus provision

The bonus provision is based on a financial model which takes the following into account: whether the company achieved its financial targets, individual staff performance during the year and the remuneration committee's final discretion.

Depreciation rates

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the various classes of assets, after taking into account residual values.

Trade accounts receivable

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The estimated future cash flow is based on prior debtors book yields and average instalment terms.

Customer returns

Based on the historical returns experience, provision is made for estimated customer returns for goods despatched prior to the end of each financial year but subsequently returned by the customer and received after the end of the financial year. As at 31 December 2007 provisions for customer returns amounted to R5 157 000 (2006: R4 604 000).

Stock obsolescence provision

Stock items are reviewed on a line-by-line basis by merchandise planners and the merchandise director. Slow-moving items expected to realise less than cost have a provision raised for the difference between expected selling price less selling cost and original cost.

Balance sheets
at 31 December 2007

	Note	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
Assets					
Non-current assets					
Property, plant and equipment	1	**47 686**	16 896	**–**	–
Intangible assets	2	**–**	66	**–**	–
Investments	3	**–**	50 129	**4**	4
Investment in associate	4	**8 808**	10 283	**–**	–
Deferred tax	5	**4 432**	2 487	**143**	240
		60 926	79 861	**147**	244
Current assets					
Loan to employee share trust	6	**–**	–	**12 549**	13 298
Loans to subsidiaries	7	**–**	–	**162 890**	131 067
Available-for-sale investments	8	**46 278**	–	**–**	–
Inventories	9	**36 084**	32 101	**–**	–
Trade and other receivables	10	**259 008**	208 703	**–**	–
Receiver of Revenue		**53**	–	**53**	–
Cash and cash equivalents	11	**74 207**	94 759	**43 901**	67 922
		415 630	335 563	**219 393**	212 287
Total assets		**476 556**	415 424	**219 540**	212 531
Equity and liabilities					
Capital and reserves					
Share capital	12	**1 039**	1 046	**1 039**	1 046
Share premium	13	**156 662**	159 250	**156 662**	159 250
Treasury shares	14	**(13 288)**	(13 288)	**–**	–
Revaluation reserve		**(6 173)**	(2 881)	**–**	–
Distributable reserve		**255 632**	181 630	**61 736**	52 209
Ordinary shareholders' interest		**393 872**	325 757	**219 437**	212 505
Non-current liabilities					
Interest-bearing liabilities	15	**804**	2 005	**–**	–
Deferred tax	5	**23 231**	30 580	**–**	–
		24 035	32 585	**–**	–
Current liabilities					
Trade and other payables	16	**38 407**	22 985	**103**	25
Provisions	17	**9 499**	8 817	**–**	–
Current portion of interest-bearing liabilities	15	**815**	2 457	**–**	–
Receiver of Revenue		**9 928**	22 823	**–**	1
		58 649	57 082	**103**	26
Total liabilities		**82 684**	89 667	**103**	26
Total equity and liabilities		**476 556**	415 424	**219 540**	212 531

Income statements
for the year ended 31 December 2007

	Note	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
Revenue	18	**440 247**	395 944	**21 884**	17 887
Turnover	18	**427 042**	388 258	**–**	–
Cost of sales		**(209 234)**	(169 573)	**–**	–
Gross profit		**217 808**	218 685	**–**	–
Income					
Capital profit on sale of legal book	19	**23 699**	–	**–**	–
Expenses					
Depreciation – property, plant and equipment	1	**(3 566)**	(3 745)	**–**	–
Amortisation – intangible assets	2	**(66)**	(80)	**–**	–
Staff costs		**(54 653)**	(45 006)	**–**	–
Other operating costs		**(84 221)**	(71 869)	**–**	(20)
Operating profit	20	**99 001**	97 985	**–**	(20)
Interest paid		**(577)**	(586)	**–**	–
Interest received	18	**2 555**	2 536	**5 318**	16 312
Dividends received	18	**10 650**	5 150	**16 566**	1 575
Equity loss on associate	4	**(2 471)**	–	**–**	–
Profit before taxation		**109 158**	105 085	**21 884**	17 867
Taxation	21	**(25 518)**	(27 655)	**(1 970)**	(4 528)
Profit for the year		**83 640**	77 430	**19 914**	13 339

HomeChoice

Cash flow statements
for the year ended 31 December 2007

	Note	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
Cash flow from operating activities					
Cash receipts from customers		**421 073**	370 533	**–**	–
Cash paid to suppliers and employees and loan disbursements to customers		**(356 870)**	(290 909)	**78**	(1)
Cash generated/(utilised) by operations	i	**64 203**	79 624	**78**	(1)
Interest received		**2 676**	2 394	**5 318**	16 312
Interest paid		**(577)**	(586)	**–**	–
Dividends received		**10 651**	5 150	**16 566**	1 576
Dividends paid		**(9 638)**	–	**(10 387)**	–
Taxation paid	ii	**(47 201)**	(11 856)	**(1 927)**	(11 681)
Net cash inflow from operating activities		**20 114**	74 726	**9 648**	6 206
Cash flow from investing activities					
Purchase of property, plant and equipment to maintain operations	iii	**(34 953)**	(4 858)	**–**	–
Proceeds from sale of property, plant and equipment		**510**	271	**–**	–
Investment in associate		**(785)**	(10 283)	**–**	–
Net cash outflow from investing activities		**(35 228)**	(14 870)	**–**	–
Cash flow from financing activities					
Share repurchase		**(2 595)**	–	**(2 595)**	–
Treasury shares		**–**	(12 430)	**–**	–
Loans (provided to)/repaid by subsidiaries		**–**	–	**(31 823)**	48 799
Loan repaid/(provided to) share trust		**–**	–	**749**	(12 430)
Payment of capital element of suspensive sale agreements		**(2 843)**	(2 643)	**–**	–
Net cash (outflow)/inflow from financing activities		**(5 438)**	(15 073)	**(33 669)**	36 369
Net (decrease)/increase in cash balances		**(20 522)**	44 783	**(24 021)**	42 575
Cash balances at beginning of year		**94 759**	49 976	**67 922**	25 347
Cash balance at end of year		**74 207**	94 759	**43 901**	67 922

Notes to the cash flow statements
for the year ended 31 December 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
i Reconciliation of profit before taxation to cash generated/(utilised) by operations				
Profit before taxation	**109 158**	105 085	**21 884**	17 867
Adjustments for:				
Accounting loss in associate	**2 259**	–	**–**	–
Loss/(Profit) on disposal of property, plant and equipment	**87**	(40)	**–**	–
Depreciation and amortisation	**3 632**	3 825	**–**	–
Interest paid	**577**	586	**–**	–
Interest received	**(2 555)**	(2 536)	**(5 318)**	(16 312)
Dividends received	**(10 650)**	(5 150)	**(16 566)**	(1 575)
Cash inflow/(outflow) before working capital changes	**102 508**	101 770	**–**	(20)
Working capital changes				
Increase in inventories	**(3 982)**	(5 289)	**–**	–
Increase in trade and other receivables	**(50 427)**	(19 798)	**–**	–
Increase/(Decrease) in trade and other payables	**15 422**	(68)	**78**	19
Increase in provisions	**682**	3 009	**–**	–
Cash generated/(utilised) by operations	**64 203**	79 624	**78**	(1)
ii Taxation paid				
Amounts owing at beginning of year	**(22 823)**	(7 125)	**(1)**	(6 957)
Amounts charged to the income statement	**(25 518)**	(27 655)	**(1 970)**	(4 528)
SA normal tax	**(33 922)**	(27 554)	**(1 542)**	(4 725)
Deferred tax	**8 735**	(101)	**(97)**	197
Secondary tax on companies	**(331)**	–	**(331)**	–
Deferred tax movement	**(8 735)**	101	**97**	(197)
Amounts owing/(prepaid) at end of year	**9 875**	22 823	**(53)**	1
Net outflow	**(47 201)**	(11 856)	**(1 927)**	(11 681)

iii Non-cash investing and financing activities

During the year the group acquired property, plant and equipment at an aggregate cost of R34 953 000 (2006: R7 068 000) of which Rnil (2006: R2 210 000) was financed by means of suspensive sale agreements.

Statements of changes in equity
for the year ended 31 December 2007

	Group					
	Share capital R000	Share premium R000	Treasury shares R000	Revaluation reserve R000	Distributable reserve R000	Total R000
Balance at 31 December 2005	1 046	159 250	(858)	2 939	104 200	266 577
Profit for the year	–	–	–	–	77 430	77 430
Unrealised loss on investments	–	–	–	(6 808)	–	(6 808)
Deferred tax on unrealised loss on investments	–	–	–	988	–	988
Shares repurchased by share trust	–	–	(12 430)	–	–	(12 430)
Balance at 31 December 2006	1 046	159 250	(13 288)	(2 881)	181 630	325 757
Profit for the year	**–**	**–**	**–**	**–**	**83 640**	**83 640**
Unrealised loss on available-for-sale investments	**–**	**–**	**–**	**(3 850)**	**–**	**(3 850)**
Deferred tax on unrealised loss on available-for-sale investments	**–**	**–**	**–**	**558**	**–**	**558**
Dividends paid	**–**	**–**	**–**	**–**	**(9 638)**	**(9 638)**
Shares repurchased	**(7)**	**(2 588)**	**–**	**–**	**–**	**(2 595)**
Balance at 31 December 2007	**1 039**	**156 662**	**(13 288)**	**(6 173)**	**255 632**	**393 872**

	Company					
Balance at 31 December 2005	1 046	159 250	–	–	38 870	199 166
Profit for the year	–	–	–	–	13 339	13 339
Balance at 31 December 2006	1 046	159 250	–	–	52 209	212 505
Profit for the year	**–**	**–**	**–**	**–**	**19 914**	**19 914**
Dividends paid	**–**	**–**	**–**	**–**	**(10 387)**	**(10 387)**
Shares repurchased	**(7)**	**(2 588)**	**–**	**–**	**–**	**(2 595)**
Balance at 31 December 2007	**1 039**	**156 662**	**–**	**–**	**61 736**	**219 437**

	Land and buildings R000	Computer equipment R000	Group Equipment, furniture, fittings and plant R000	Motor vehicles R000	Total R000
1. Property, plant and equipment					
Cost					
Balance at 31 December 2005	4 800	15 770	14 065	2 955	37 590
Additions	963	2 702	938	2 465	7 068
Disposals	–	(13)	–	(471)	(484)
Balance at 31 December 2006	5 763	18 459	15 003	4 949	44 174
Additions	**31 462**	**2 636**	**855**	**–**	**34 953**
Disposals	**–**	**(9 556)**	**(9 470)**	**(909)**	**(19 935)**
Balance at 31 December 2007	**37 225**	**11 539**	**6 388**	**4 040**	**59 192**
Accumulated depreciation					
Balance at 31 December 2005	–	11 564	11 561	659	23 784
Depreciation for the year	–	1 917	1 042	786	3 745
Disposals	–	(2)	–	(249)	(251)
Balance at 31 December 2006	–	13 479	12 603	1 196	27 278
Depreciation for the year	**–**	**1 955**	**922**	**689**	**3 566**
Disposals	**–**	**(9 556)**	**(9 470)**	**(312)**	**(19 338)**
Balance at 31 December 2007	**–**	**5 878**	**4 055**	**1 573**	**11 506**
Book value at 31 December 2006	5 763	4 980	2 400	3 753	16 896
Book value at 31 December 2007	**37 225**	**5 661**	**2 333**	**2 467**	**47 686**

The net book value of property, plant and equipment subject to suspensive sale agreements (see note 15) at 31 December 2007 was R1 750 000 (2006: R4 612 000).

Included in disposals are computer equipment with a cost and accumulated depreciation of R9 556 000 (2006: Rnil) and equipment, furniture and fittings and plant with a cost and accumulated depreciation of R9 470 000 (2006: Rnil) which had no further economic value and have been removed from the asset register.

Land and buildings comprise:

- Vacant industrial-site land, being remainder of portion 240 of the farm Wimbledon 454 situated in the City of Cape Town and measuring 3,3136 hectares (acquired in 2005),
- Land and buildings, being erf 58080 Cape Town at Claremont situated in the City of Cape Town, in extent of 159 square metres (acquired in 2006); and
- Land and buildings, being remainder erf 66592 Cape Town at Wynberg situated in the City of Cape Town, in extent of 2 858 square metres (acquired in 2007).

Land and buildings are recorded at cost. At 31 December 2007, had the land and buildings been carried at fair value, their carrying amount would have been approximately R53 372 000 (2006: R15 963 000).

The land and buildings acquired in 2005 and 2006 were valued at 31 December 2007 by an independent valuer not connected with the group, by reference to market evidence of recent transactions for similar properties, and conforms to International Valuation Standards.

HomeChoice

	Group		Company	
	2007	2006	**2007**	2006
	R000	R000	**R000**	R000

2. Intangible assets

Mailing lists and trademarks				
Cost	**2 910**	2 910	**–**	–
Accumulated amortisation	**(2 910)**	(2 844)	**–**	–
Net book value	**–**	66	**–**	–
Movement for the year				
Amortisation	**(66)**	(80)	**–**	–

3. Investments

Listed preference shares at market value	**–**	50 129	**–**	–
Wholly owned subsidiary companies' shares at cost	**–**	–	**4**	4
	–	50 129	**4**	4

Listed preference shares	**Quantity**	Quantity
FirstRand Limited	**–**	126 400
Investec Bank Limited	**–**	117 000
Nedcor Limited	**–**	1 088 900
Standard Bank Limited	**–**	117 300

The listed preference shares are regarded as available-for-sale investments. Due to the change of intention by management during the current year, the current year amount has been reflected as a current asset. Refer to note 8 for further disclosure.

	Company	
	Issued share capital	
	2007	2006
	R	R
Wholly owned subsidiary companies		
Operating companies:		
HomeChoice (Pty) Ltd	**1**	1
HomeChoice Property Company (Pty) Ltd	**60**	60
HomeChoice Investments (Pty) Ltd	**120**	120
FinChoice (Pty) Ltd (formerly HomeChoice Financial Services (Pty) Ltd)	**1 700**	1 700
Dormant companies:		
HC Direct (Pty) Ltd	**60**	60
HomeChoice Innovations (Pty) Ltd	**1 700**	1 700
Warehousing & Fulfilment Services (Pty) Ltd	**60**	60
HomeChoice (Pty) Ltd (incorporated in Namibia)	**1**	1
HomeChoice (Pty) Ltd (incorporated in Botswana)	**100**	100

4. Investment in associate

The group has a 49,5% interest in an en-commandite partnership, which is involved in the transportation of passengers for fare.

The partnership commenced trading on 1 January 2007, and the following table illustrates summarised management financial information of the company's interest in the en-commandite partnership:

	Group		Company	
	2007	2006	**2007**	2006
	R000	R000	**R000**	R000
4. Investment in associate *(continued)*				
Share of the associate's balance sheet:				
Non-current assets	**21 280**	22 175	**–**	–
Current assets	**106**	3 145	**–**	–
Non-current liabilities	**(15 970)**	(16 742)	**–**	–
Current liabilities	**(895)**	(3 953)	**–**	–
	4 521	4 625	**–**	–
Share of associate's revenue and profit and loss:				
Revenue	**1 770**	–	**–**	–
Loss	**(2 471)**	–	**–**	–
Carrying amount of the investment	**8 808**	10 283	**–**	–
The partnership has a financial reporting date of 30 June. Management accounts have been prepared to 31 December 2007.				
5. Deferred tax				
Statement of changes in equity				
Deferred income tax related to items charged or credited directly to equity				
Unrealised loss on investments	**558**	988	**–**	–

	Group			
	Balance sheet		Income statement	
	2007	2006	**2007**	2006
Net deferred tax asset				
Assessed loss	**2 052**	790		
STC credit	**1 211**	1 086		
Capital gains tax loss and unrealised loss on investment	**1 169**	611		
	4 432	2 487		
Net deferred tax liability				
Income tax	**(23 231)**	(30 580)		
	(23 231)	(30 580)		
Analysis of deferred tax				
Deferred tax asset				
Provisions	**2 973**	2 725	**247**	887
Debtors provisions	**8 919**	–	**8 919**	–
Assessed loss	**2 052**	790	**1 262**	782
Credit balances in debtors	**115**	81	**34**	15
Capital gains tax loss	**67**	67	**–**	–
STC credit	**1 211**	1 086	**125**	644
Unrealised loss on investment	**1 102**	544	**–**	–
	16 439	5 293		
Deferred tax liability				
Debtors provisions	**–**	(1 535)	**1 535**	4 681
Debtors allowances	**(33 574)**	(31 829)	**(1 745)**	(7 241)
Accelerated depreciation for tax purposes	**(1 664)**	(22)	**(1 642)**	131
	(35 238)	(33 386)		
Deferred income tax expense/(income)			**8 735**	(101)

	Company			
	Balance sheet		Income statement	
	2007	2006	**2007**	2006
5. Deferred tax *(continued)*				
Deferred tax asset				
STC credit	**143**	240	**(97)**	197
	143	240		
Deferred income tax (income)/expense			**(97)**	197

	Company	
	2007	2006
	R000	R000
6. Loan to employee share trust		
Balance at beginning of year	**13 298**	868
Amount (repaid)/advanced during the current year	**(749)**	12 430
Balance at end of year	**12 549**	13 298
The loan is unsecured, interest-free and payable on demand.		
7. Loans to subsidiaries		
Subsidiary companies wholly owned		
Operating companies:		
HomeChoice (Pty) Ltd	**24 622**	65 679
HomeChoice Property Company (Pty) Ltd	**42 147**	5 756
HomeChoice Investments (Pty) Ltd	**55 078**	54 962
FinChoice (Pty) Ltd	**41 045**	4 672
Dormant companies:		
HomeChoice Innovations (Pty) Ltd	**(2)**	(2)
	162 890	131 067

The loans are unsecured, interest-free, payable on demand and are therefore recorded at cost, except for the HomeChoice (Pty) Ltd loan that pays a market-related interest rate.

The company has ceded its rights in and to the loan account of HomeChoice (Pty) Ltd in favour of the group's bankers. The company has provided, in favour of the group's bankers, unlimited suretyship to HomeChoice (Pty) Ltd and suretyship limited to R1 000 000 to FinChoice (Pty) Ltd. The company has subordinated its loan to FinChoice (Pty) Ltd in favour of FinChoice (Pty) Ltd's creditors for so long as the liabilities of FinChoice (Pty) Ltd exceed its assets, fairly valued.

The company measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on profit before tax based on the company's exposure at 31 December. The company regards a 2% change in the Reserve Bank repo rate as being reasonably possible at 31 December.

The sensitivity of the company's profit before tax due to a reasonably possible change in interest rates, with all other variables held constant, through the impact on the loan from holding company is as follows:

	Movement in basis points	Effect on profit before tax R000
2007	**+200**	**492**
	-200	**(492)**
2006	+200	1 314
	-200	(1 314)

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
8. Available-for-sale investments				
Listed preference shares at market value	**46 278**	–	**–**	–

Listed preference shares	**Quantity**	Quantity
FirstRand Limited	**126 400**	–
Investec Bank Limited	**117 000**	–
Nedcor Limited	**1 088 900**	–
Standard Bank Limited	**117 300**	–

	R000	R000	**R000**	R000
9. Inventories				
Merchandise for resale	**24 181**	21 386	**–**	–
Goods in transit	**11 903**	10 715	**–**	–
	36 084	32 101	**–**	–
The carrying amount of inventories written down to net realisable value is R273 000 (2006: R227 000). Stock sold at less than cost during the year was R2 114 000 (2006: R185 000). Provision for obsolete stock R552 000 (2006: R320 000). There was no reversal of any provisions for writedown of inventory in the year (2006: Rnil).				
10. Trade and other receivables				
Trade receivables	**255 230**	235 401	**–**	–
Loans receivable	**31 478**	496	**–**	–
Provision for impairment on trade receivables	**(35 368)**	(32 211)	**–**	–
Provision for impairment on loans receivable	**(3 730)**	(19)	**–**	–
	247 610	203 667	**–**	–
Other receivables	**11 398**	5 036	**–**	–
	259 008	208 703	**–**	–
Movements in the provision for impairment of trade receivables were as follows:				
Opening balance	**(32 211)**	(23 237)	**–**	–
Debts provided for during the year	**(33 766)**	(28 272)	**–**	–
Recovery of debts written off	**(17 032)**	(19 895)	**–**	–
Debts written off during the year	**46 906**	38 535	**–**	–
Small balance transfers	**735**	658	**–**	–
Closing balance	**(35 368)**	(32 211)	**–**	–
Movements in the provision for impairment of loans receivable were as follows:				
Opening balance	**(19)**	–	**–**	–
Debts provided for during the year	**(3 720)**	(19)	**–**	–
Debts written off during the year	**9**	–	**–**	–
Closing balance	**(3 730)**	(19)	**–**	–

Refer to significant accounting judgments, estimates and assumptions for the calculation of the impairment of debtors. A percentage of all trade and loans receivable balances past due has been provided for in terms of this calculation and therefore at 31 December all trade and loans receivable past due had been impaired.

Trade receivables and loans receivable have repayment terms of 6, 12, 16, 18 or 24 months and attract interest based on rates as determined by the Usury Act and National Credit Act. Interest and finance charges earned on trade and loans receivable during the current year are disclosed in note 18.

Included in trade and loans receivable are amounts approximating R20,4 million (2006: R10,8 million) that contractually fall due in excess of one year.

10. Trade and other receivables *(continued)*

Trade receivables

The group measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on profit before tax based on the group's exposure at 31 December. The group regards a 2% change in the Reserve Bank repo rate as being reasonably possible at 31 December 2007, which in terms of the National Credit Act allows for a 4,4% change in the interest rates charged to customers.

During 2006 the group charged interest based on the Usury Act, which prescribes an interest rate independent of the Reserve Bank repo rate. The sensitivity analysis for 2006 therefore reflects the effect on profit before tax based on a 2% change in the Usury rate.

The sensitivity of the group's profit before tax due to a reasonably possible change in interest rates, with all other variables held constant, through the impact on trade receivables is as follows:

	Movement in basis points	Effect on profit before tax R000
2007	**+440**	**11 230**
	-440	**(11 230)**
2006	+200	4 708
	-200	(4 708)

Due to growth in the debtors book over time the effects disclosed above overstate the risk inherent in trade receivables as the group's exposure at 31 December does not reflect the exposure during the year.

Loans receivable

The group measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on profit before tax based on the group's exposure at 31 December. The group regards a 2% change in the Reserve Bank repo rate as being reasonably possible at 31 December 2007, which in terms of the National Credit Act allows for a 4,4% change in the interest rates charged to customers.

During 2006 the group charged interest based on the Usury Act, which prescribes an interest rate independent of the Reserve Bank repo rate. The sensitivity analysis for 2006 therefore reflects the effect on profit before tax based on a 2% change in the Usury rate.

The sensitivity of the group's profit before tax due to a reasonably possible change in interest rates, with all other variables held constant, through the impact on loans receivable is therefore as follows:

	Movement in basis points	Effect on profit before tax R000
2007	**+440**	**1 297**
	-440	**(1 297)**
2006	+200	10
	-200	(10)

Due to significant growth in the loan books over the past few years, the effects disclosed above overstate the risk inherent in loans receivable as the group's exposure at 31 December does not reflect the exposure during the year.

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000

11. Cash and cash equivalents

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
Cash at bank	**17 372**	5 557	**–**	–
Short-term deposits	**56 835**	89 202	**43 901**	67 922
	74 207	94 759	**43 901**	67 922

Cash at bank earns interest based on daily bank deposit rates. Short-term deposits are made depending on the cash requirements, and earn interest at the respective short-term deposit rates.

The group measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on profit before tax based on the group's exposure at 31 December. The group regards a 2% change in the Reserve Bank repo rate as being reasonably possible at 31 December.

The sensitivity of the group's profit before tax due to a reasonably possible change in interest rates, with all other variables held constant, through the impact on cash and cash equivalents is as follows:

	Movement in basis points	Effect on profit before tax R000
2007	**+200**	**477**
	-200	**(477)**
2006	+200	537
	-200	(537)

12. Share capital

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
Authorised				
200 000 000 (2006: 200 000 000) ordinary shares of 1 cent each	**2 000**	2 000	**2 000**	2 000
Issued				
103 869 000 (2006: 104 644 000) ordinary shares of 1 cent each	**1 039**	1 046	**1 039**	1 046

	Number of shares 000	Number of shares 000
Reconciliation of movement in issued shares		
Balance at beginning of year	**104 644**	104 644
Shares repurchased and cancelled	**(775)**	–
Balance at end of year	**103 869**	104 644
Treasury shares held by share trust	**(7 490)**	(7 490)
Adjusted issued shares at end of year	**96 379**	97 154
Shares repurchased and held by share trust as a percentage of the issued shares at end of year	**7,2%**	7,2%

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
13. Share premium				
Balance at beginning of year	**159 250**	159 250	**159 250**	159 250
Premium on shares repurchased	**(2 588)**	–	**(2 588)**	–
Balance at end of year	**156 662**	159 250	**156 662**	159 250
14. Treasury shares				
Balance at beginning of year	**(13 288)**	(858)	**–**	–
Purchased during the year	**–**	(12 430)	**–**	–
Balance at end of year	**(13 288)**	(13 288)	**–**	–
15. Interest-bearing liabilities				
Long-term payable between two and five years				
– Suspensive sale agreements	**804**	2 005	**–**	–
Current				
– Current portion of suspensive sale agreements	**815**	2 457	**–**	–
	1 619	4 462	**–**	–

The suspensive sale agreements are repayable in monthly instalments of R108 000 (2006: R258 000) including interest and capital. Interest rates are linked to the prime overdraft rate and varied between 13% and 13,05% (2006: between 11,00% and 11,05%) at year-end.

There were no breaches in payments during the year.

The suspensive sale agreements are secured over various items of property, plant and equipment as indicated in note 1.

Suspensive sale agreements

The sensitivity of the group's profit before tax due to a reasonably possible change in interest rates, with all other variables held constant, through the impact on suspensive sale agreements is as follows:

	Movement in basis points	Effect on profit before tax R000
2007	**+200**	**(32)**
	-200	**32**
2006	+200	(89)
	-200	89

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
16. Trade and other payables				
Trade accounts payable	**24 481**	18 189	**–**	–
Other accounts payable	**13 926**	4 796	**103**	25
	38 407	22 985	**103**	25

	Group Leave pay	Group Bonus	Group Lease liability	Group 2007 Total	Group 2006 Total
17. Provisions					
Balance at beginning of year	**1 288**	**6 121**	**1 408**	**8 817**	5 808
Utilised	**–**	**(6 121)**	**(410)**	**(6 531)**	(3 200)
Raised	**319**	**6 894**	**–**	**7 213**	6 209
Balance at end of year	**1 607**	**6 894**	**998**	**9 499**	8 817

Leave pay provision

A provision is recognised for the leave that is owed to staff at 31 December 2007, based on their salaries at year-end. This leave will be taken, paid out or cancelled in terms of company policy within the next eighteen months.

Bonus provision

The bonus provision is based on a financial model that takes the following into account: Whether the company achieved its financial targets, individual staff performance during the year and the remuneration committee's final discretion. It is anticipated that the final bonus amounts, excluding an amount of Rnil (2006: R805 000) that is deferred, will be paid out in March 2008.

Lease liability

A provision is recognised for the difference between the lease amounts paid and the expense, based on a straight-line method, over the lease term. All current leases terminate by 31 December 2008, by which time the provision would have been utilised.

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
18. Revenue				
Sales	**361 447**	340 397	**–**	–
Interest and finance charges earned on trade and loans receivable	**65 595**	47 861		–
Total turnover	**427 042**	388 258	**–**	–
Interest received on cash and cash equivalents	**2 555**	2 536	**5 318**	16 312
Dividends received	**10 650**	5 150	**16 566**	1 575
Total revenue	**440 247**	395 944	**21 884**	17 887
19. Other income				
Capital profit on sale of legal book	**23 699**	–	**–**	–

During the year a subsidiary company sold debts which had previously been written off as irrecoverable in terms of a debt acquisition agreement for 5,0 cents in the rand.

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
20. Operating profit				
20.1 Operating profit				
The operating profit includes the following items:				
Auditor's remuneration	**883**	736	**–**	–
– Current year	**875**	584	**–**	–
– Underprovision prior year	**–**	132	**–**	–
– Other services	**8**	20	**–**	–
Loss/(Profit) on disposal of property, plant and equipment	**87**	(40)	**–**	–
Foreign exchange (gain)/loss	**(1 146)**	335	**–**	–
Operating lease charges – immovable property	**7 016**	6 492	**–**	–
Sublease payments	**(353)**	(534)	**–**	–
Contributions to provident fund	**5 538**	4 620	**–**	–
Consulting fees paid to non-employees	**4 334**	5 027	**–**	–
20.2 Directors' emoluments				
Non-executive directors				
– Fees			**289**	279
Executive directors				
– Fees			**200**	200
– Remuneration			**4 716**	2 916
– Bonus			**1 592**	548
– Retirement, medical, disability and death benefits			**540**	291
			7 337	4 234
All the directors' emoluments are paid by subsidiaries. No service contracts exist with any directors.				
21. Income tax				
Income statement				
SA normal tax – current year	**(33 922)**	(27 708)	**(1 542)**	(4 725)
– prior years	**–**	154	**–**	–
Deferred tax – current year	**9 009**	(320)	**(48)**	197
– prior years	**(59)**	219	**–**	–
– rate change	**(215)**	–	**(49)**	–
Secondary tax on companies	**(331)**	–	**(331)**	–
	(25 518)	(27 655)	**(1 970)**	(4 528)
Reconciliation of tax rate	**%**	%	**%**	%
Standard tax rate	**29,0**	29,0	**29,0**	29,0
Lower tax rate – CGT	**(3,1)**	(0,5)	**–**	–
Disallowable expenditure	**0,2**	0,2	**–**	–
Exempt income	**(2,8)**	(1,4)	**(22,0)**	(2,6)
Secondary taxation on companies	**(0,2)**	(0,6)	**1,8**	(1,1)
Rate change	**0,2**	–	**0,2**	–
Prior year adjustment	**0,1**	(0,4)	**–**	–
Effective tax rate	**23,4**	26,3	**9,0**	25,3
22. Capital commitments	**R000**	R000	**R000**	R000
Capital commitments for property, plant and equipment				
Approved by directors	**83**	4 544	**–**	–
Approved by directors and contracted for	**72 000**	–	**–**	–
	72 083	4 544	**–**	–

23. Borrowing powers

The borrowing powers of the group are not limited in terms of the articles of association of the companies.

24. Retirement benefits

HomeChoice provides retirement benefits for its permanent employees through the HomeChoice Provident Fund, a defined contribution plan. The fund is registered under and governed by the Pension Funds Act, 1956, as amended. The latest valuation, which is performed every three years, of the HomeChoice Provident Fund as at December 2005 confirmed that the fund was in a sound financial position. The company contribution to the provident fund during the year is disclosed under note 20.1.

25. Contingent liabilities and commitments

25.1 The company has guaranteed the letters of credit of HomeChoice (Pty) Ltd amounting to R26 287 000 (2006: R4 776 000) at the balance sheet date.

25.2 A subsidiary of the company, HomeChoice (Pty) Ltd, has bound itself as co-principal debtor for the payment of 28% of present and future debts of its associate to Standard Bank of South Africa Limited. As at 31 December 2007, the surety provided by the subsidiary to Standard Bank of South Africa Limited was R9 500 000 (2006: R11 700 000).

25.3 The suspensive sale arrangements of HomeChoice (Pty) Ltd are secured by a suretyship from the company.

25.4 The company has issued deeds of suretyship in respect of the operating leases of properties leased by HomeChoice (Pty) Ltd. The group rents all of its premises in terms of operating leases. Leases are contracted for periods not exceeding five years and contain renewal options. At 31 December the future minimum operating lease commitments amounted to the following:

	Group	
	2007	2006
	R000	R000
Properties		
Payable within one year	**7 395**	6 267
Payable between two and five years	**4 235**	6 595
Subleases		
Receivable within one year	**(789)**	(288)
Receivable between two and five years	**–**	–

25.5 The Pretoria Supreme Court, in its decision of 21 May 2003, upheld the group's application to set aside the South African Revenue Service 1999 claim for customs duty on VAT of R10 million and forfeitures of R21 million. The state has given notice that it intends to apply for leave to appeal. As at 31 December 2007 the company was still awaiting a written judgement on the matter.

26. Financial risk management

26.1 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. Potential concentrations of credit risk consist principally of trade receivables, loans receivable and short-term cash investments.

Trade receivables and loans receivable comprise a large, widespread customer base and ongoing credit evaluations are performed. The granting of credit is controlled by bureau, application and behavioural models and the assumptions therein are reviewed and updated on a regular basis.

The group only deposits short-term cash surpluses with major banks of high-quality credit standing.

The group and company's maximum exposure to credit risk is as follows:

	Group Maximum credit risk		Company Maximum credit risk	
	2007	2006	**2007**	2006
	R000	R000	**R000**	R000
Loan to employee share trust	**–**	–	**12 549**	13 298
Loans to subsidiaries	**–**	–	**162 890**	131 067
Available-for-sale investments	**46 278**	–	**–**	–
Trade receivables	**219 861**	203 190	**–**	–
Loans receivable	**27 749**	477	**–**	–
Other receivables	**11 398**	5 036	**–**	–
Short-term deposits	**56 835**	89 202	**43 901**	67 922
Bank and cash	**17 372**	5 557	**–**	–
Guarantees	**11 500**	15 200	**27 287**	5 776
	390 993	318 662	**246 627**	218 063

The group did not consider there to be any significant credit risk exposure which has not been adequately provided for.

26.2 Liquidity risk management

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

The group has minimised its liquidity risk by obtaining funding and support from its shareholders.

26. Financial risk management *(continued)*

26.2 Liquidity risk management *(continued)*

The table below details the group's expected maturity for its financial liabilities. The amounts are based on the undiscounted contractual maturities of the financial liabilities.

Group	Weighted average interest rate %	On demand R000	Less than 1 month R000	1 to 3 months R000	3 months to 1 year R000	1 to 2 years R000	Over 2 years R000	Total R000
2007								
Non-interest-bearing liabilities								
– Trade and other payables	**–**	**12 004**	**21 068**	**1 352**	**683**	**1 200**	**2 100**	**38 407**
Interest-bearing liabilities								
– Suspensive sale agreements	**13,00**	**–**	**94**	**188**	**681**	**865**	**–**	**1 828**
		12 004	**21 162**	**1 540**	**1 364**	**2 065**	**2 100**	**40 235**
2006								
Non-interest-bearing liabilities								
– Trade and other payables	–	3 678	13 608	2 199	500	1 000	2 000	22 985
Interest-bearing liabilities								
– Suspensive sale agreements	11,00	–	249	499	2 032	2 214	–	4 994
		3 678	13 857	2 698	2 532	3 214	2 000	27 979

The table below details the company's expected maturity for its financial liabilities. The amounts are based on the undiscounted contractual maturities of the financial liabilities.

Company	Weighted average interest rate %	On demand R000
2007		
Non-interest-bearing liabilities		
– Trade and other payables	**–**	**103**
		103
2006		
Non-interest-bearing liabilities		
– Trade and other payables	–	25
		25

26. Financial risk management *(continued)*

26.2 Liquidity risk management *(continued)*

The table below details the group's expected maturity for its derivative financial instruments. The amounts are based on the undiscounted contractual maturities of the derivative financial instruments.

Group	On demand R000	Less than 1 month R000	1 to 3 months R000	Total R000
2007				
Gross settled:				
Forward foreign exchange contracts	–	7 897	6 920	14 817
	–	7 897	6 920	14 817

There were no forward exchange contracts in the group at 31 December 2006.

There were no forward exchange contracts in the company at 31 December 2007 or 31 December 2006.

The group has the following undrawn borrowing facilities available:

	2007 R000	2006 R000
General banking facilities at date of this report	**30 000**	30 000
Guarantees	**2 000**	3 500
Suspensive sale arrangements at date of this report	**8 000**	8 000
	40 000	41 500
Borrowings, guarantees and letters of credit	**(30 839)**	(12 271)
Unutilised borrowing facility	**9 161**	29 229

26.3 Foreign currency risk management

The group undertakes certain transactions in foreign currencies, hence exposure to exchange rate fluctuations arise. When deemed appropriate by the directors the group enters into forward exchange contracts to cover foreign purchases in order to assist in managing its foreign currency exposure.

The group has entered into contracts to purchase inventory from Asia. The group has entered into forward foreign exchange contracts to economically hedge the exchange rate risk arising from these transactions. Refer to details below for open forward exchange contracts at year-end.

At 31 December 2007 the following forward foreign exchange contracts were outstanding.

Group	Maturity date	Contract exchange rate	Foreign currency US$000	Contract value R000	Fair value R000
Commitment to buy US dollars (US$):					
– CGP7B02050	31 Jan 08	6,74	1 172	7 897	157
– CGP7B02051	29 Feb 08	6,78	872	5 907	120
– CGP7B02052	31 Mar 08	6,82	149	1 013	21
				14 817	298

26. Financial risk management *(continued)*

26.3 Foreign currency risk management *(continued)*

There were no outstanding contracts at 31 December 2006.

The group measures sensitivity to foreign exchange rates as the effect of a change in the US dollar exchange rate on profit before tax based on the group's exposure at 31 December. The group regards a 15% change in the foreign exchange rate as being reasonably possible at 31 December.

The sensitivity of the group's profit before tax due to a reasonably possible change in exchange rates, with all other variables held constant, through the impact on foreign purchases is as follows:

	Movement in US dollar rate	Effect on profit before tax R000
2007	+15%	913
	-15%	(913)
2006	+15%	679
	-15%	(679)

The group had uncovered foreign liabilities at 31 December 2007 amounting to US$ 912 691 (2006: US$ 679 398).

26.4 Interest rate risk management

The group finances its operations through a mixture of excess cash, bank borrowings and long-term borrowings.

As part of the process of managing the group's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in the interest rates.

Details of interest rates are disclosed in notes 7, 10, 11 and 15.

26.5 Fair value of financial instruments

All financial instruments have been recognised in the balance sheet and there is no difference between their fair values and the carrying values. The following methods and assumptions were used by the group in establishing fair values:

- Cash and cash equivalents, trade and other receivables, loans and borrowing, and trade and other payables: The carrying amount in the balance sheet approximates fair values.
- Forward exchange contracts: Forward exchange contracts are entered into mainly to cover specific orders, and fair values are determined by reference to current forward exchange rates for contracts with similar maturity profiles. Forward rate agreements are entered into mainly as economic hedges, and fair values are determined with reference to market at 31 December 2007.
- Investments: Fair values are determined by reference to the quoted market prices.

26. Financial risk management *(continued)*

26.6 Capital risk management

The group manages its capital to ensure that the group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure comprises debt and equity attributable to equity holders, comprising issued share capital, share premium, revaluation reserves, distributable reserves less treasury shares, as disclosed in the statement of changes in equity.

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the group to fund the capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital.

From time to time the group repurchased its own shares. The timing of these repurchases depends on the availability of the shares to be repurchased. During the current year 775 000 shares were repurchased and cancelled. The decision to repurchase are made on a specific transaction basis. The group does not have a defined share buy-back plan.

There were no changes in the group's approach to capital management during the year. Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

27. Related-party disclosures

The following companies and other entities are regarded as related parties:

Wholly owned subsidiaries

HomeChoice (Pty) Ltd
FinChoice (Pty) Ltd
HomeChoice Investments (Pty) Ltd
HomeChoice Property Company (Pty) Ltd
HC Direct (Pty) Ltd
HomeChoice Innovations (Pty) Ltd
Warehouse and Fulfilment Services (Pty) Ltd
HomeChoice (Pty) Ltd (incorporated in Namibia)
HomeChoice (Pty) Ltd (incorporated in Botswana)

Associate entity

En-commandite partnership

Trusts

The HomeChoice Share Trust
The HomeChoice Development Trust

The following table provides the total amount of transactions, which have been entered into between HomeChoice Holdings Limited and related parties for the relevant financial year (for information regarding the outstanding loan balances at year-end, refer to notes 6 and 7).

27. Related-party disclosures *(continued)*

		Interest earned R000	Dividends received R000	Donations granted R000	(Repayments) and loans granted R000
Wholly owned subsidiaries					
HomeChoice (Pty) Ltd	**2007**	**5 464**	**10 387**	**–**	**(46 521)**
	2006	16 311	–	–	(69 742)
HomeChoice Investments (Pty) Ltd	**2007**	**–**	**–**	**–**	**116**
	2006	–	–	–	39
HomeChoice Property Company (Pty) Ltd	**2007**	**–**	**–**	**–**	**36 391**
	2006	–	–	–	(82)
FinChoice (Pty) Ltd	**2007**	**–**	**–**	**–**	**36 373**
	2006	–	–	–	4 673
Trusts					
The HomeChoice Share Trust	**2007**	**–**	**–**	**–**	**(749)**
	2006	–	–	–	12 430
The HomeChoice Development Trust	**2007**	**–**	**–**	**1 000**	**–**
	2006	–	–	1 000	–
Associate					
En-commandite partnership	**2007**	**–**	**–**	**–**	**(785)**
	2006	–	–	–	(10 283)

HomeChoice (Pty) Ltd

The interest received on the loan account is at a market-related rate.

Terms and conditions of transactions with related parties

All transactions with related parties are made at normal market prices with the exception of certain intergroup loans. The loan to HomeChoice (Pty) Ltd is unsecured and pays market-related interest and settlement occurs in cash. All other outstanding balances are unsecured, interest-free and repayable on demand.

The company has ceded its right in and to the loan to HomeChoice (Pty) Ltd in favour of the group's bankers. The company has also subordinated its loan to FinChoice (Pty) Ltd in favour of FinChoice (Pty) Ltd's creditors for so long as the liabilities of FinChoice (Pty) Ltd exceed its assets, fairly valued. Other than the above, there have been no guarantees provided or received for any related-party receivables or payables.

The company has provided, in favour of the group's bankers, unlimited suretyship to HomeChoice (Pty) Ltd and limited suretyship of R1 000 000 to FinChoice (Pty) Ltd. For the year ended 31 December 2007, the group has not made any impairment provision relating to amounts owed by related parties, except for the loan to the Share Trust that has a provision of R5 265 000 (2006: R5 265 000). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with other related parties

Directors

A director of one of the company's subsidiaries, HomeChoice (Pty) Ltd, has a minority interest in an entity providing the group with information technology consultancy services. The transactions with this entity are made at normal market prices. Fees paid to the entity amount to R4 832 000 (2006: R4 400 000).

27. Related-party disclosures *(continued)*

Other than the above, none of the directors have indicated that they have a material interest in contracts of any significance with the company or any of its subsidiaries.

A director of one of the company's subsidiaries, HomeChoice (Pty) Ltd, purchased a company motor vehicle at normal market prices . The amount paid by the director was R150 000.

No loans have been made to directors.

Details of the directors' emoluments are contained in note 20.2.

Post-retirement benefit plans

The group is a member of the HomeChoice Provident Fund, a defined contribution plan. Refer note 24 for further details.

Key management personnel

Key management personnel are those persons having authority for planning, directing and controlling activities, directly or indirectly, including any director of the holding company or subsidiary. Directors of the company's subsidiaries, HomeChoice (Pty) Ltd and FinChoice (Pty) Ltd, excluding those who are also executive directors of HomeChoice Holdings Limited, have been classified as key management personnel. Summary of emoluments paid:

	2007 **R000**	2006 R000
Non-executive directors (refer note 20.2)	**289**	279
Executive directors (refer note 20.2)	**7 048**	3 955
Other key management personnel – directors of subsidiary companies		
– Remuneration	**5 765**	3 243
– Bonus	**310**	336
– Retirement, medical, disability and death benefits	**878**	479
	14 290	8 292

28. Events after balance sheet date

No event material to the understanding of these financial statements has occurred between the end of the financial year and date of approval.

Notice to members

Notice is hereby given that the annual general meeting of members of HomeChoice Holdings Limited (registration number 1991/005430/06) will be held in the boardroom of HomeChoice, 200 Main Road, Claremont, Cape Town, on Friday, 9 May 2007, at 10:30 for transacting of the following business:

1. To receive and adopt the annual financial statements of the company and the group for the year ended 31 December 2007.
2. To elect two directors in the place of A Chorn and RL Lumb who retire in terms of the company's articles of association. A Chorn and RL Lumb, being eligible, offer themselves for re-election.
3. To place the unissued shares in the authorised share capital of the company under the control of the directors of the company for allotment and issue at such price or prices, or for such consideration, whether payable in cash or otherwise, at such time or times and to such person or persons as they in their discretion deem fit, subject to the provisions of the Companies Act, 1973.
5. To confirm the dividend as declared.
6. The shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the following special resolution:

Background information
As disclosed in the company's latest published financial statements for the year ended 31 December 2007, attached to this notice (the "financial statements"), the company has substantial amounts of liquid investments and cash.

Reduction of share premium
The board of directors hereby propose, subject to the approval of the members in general meeting and subject to the provisions of section 90 of the Companies Act 61 of 1973, as amended (the "Companies Act"), that:

(i) the company's share premium be reduced by an aggregate amount of R10 386 943,80 (the "consideration"); and
(ii) the company utilises the consideration to repay to members an amount equal to 10 (ten) cents per ordinary share in the capital of the company ("HomeChoice share") held by its members (the "distribution").

The company is authorised to reduce its share premium and make payments to its members in accordance with the provisions of section 90 of the Companies Act pursuant to the provisions of Article 74 of the company's articles of association.

Rationale
The board of directors is of the opinion that the current level of capital of the company is surplus to the requirements of the company and therefore believes that the distribution to members as proposed above is appropriate.

Special Resolution Number 1 – Repayment of the share premium to members
"Resolved that,

(a) the board of directors of HomeChoice Holdings Limited (the "company") be and are hereby authorised in compliance with the provisions of section 90 of the Companies Act 61 of 1973, as amended (the "Companies Act"), and in accordance with Article 74 of the company's articles of association, to:
   (i) reduce the company's share premium account by an aggregate amount of R10 386 943,80 (the "consideration"); and
   (ii) utilise the consideration to repay to members, registered at a date to be determined by the board, an amount equal to 10 (ten) cents per ordinary share in the capital of the company ("HomeChoice share") held by its members;
(b) the approval given in terms of (a) above shall be effective from the date of registration of this special resolution by the Registrar of Companies until 31 October 2008;
(c) the board of directors shall only exercise the authority granted to it pursuant to this special resolution if the board reasonably believes that:
   (i) each of the company and its subsidiaries would, after payment of the consideration, be able to pay its debts as they become due in the ordinary course of business for a period of twelve months; and
   (ii) the consolidated assets of the company and its subsidiaries, fairly valued, would, after payment of the consideration, not be less than the consolidated liabilities of the company and its subsidiaries, for a period of twelve months measured in accordance with the accounting policies used in the audited financial statements of the company for the year ended 31 December 2007."

Reasons for and effect of Special Resolution 1

The reason for Special Resolution Number 1 is to grant the directors of the company the authority, in accordance with the provisions of section 90 of the Companies Act and Article 74 of the company's articles of association, to reduce the company's share premium account by an aggregate amount of R10 386 943,80 and to utilise those funds to repay to members an amount equal to 10 (ten) cents per HomeChoice share held by its members, which authority shall be valid until 31 October 2008.

The passing and registration of this special resolution will have the effect of authorising the company to so reduce its share premium account and to utilise the consideration to repay to members an aggregate amount of R10 386 943,80, the equivalent of 10 (ten) cents per HomeChoice share.

Distribution of payments to members

Payments in respect of the distribution will be made to members on 30 May 2008 or as soon as possible after the date of registration of this special resolution by the Registrar of Companies, and will be effected by way of cheque. All monies so payable by cheques shall be sent by ordinary post, at the risk of the member, to the address of the member in question set forth in the register.

Payment of a cheque as aforesaid shall be a complete discharge by the company of its relevant payment obligations in terms of the distribution.

If several persons are entered in the register as joint members, then payment to any one of them of any monies payable on or in respect of the distribution shall be an effective and complete discharge by the company of the amount so paid, notwithstanding any notice (express or otherwise) which the company may have of the right, title, interest of claim of any other person to or in any HomeChoice share or interest therein.

Exchange control regulations

The following guideline is a summary of South African Exchange Control regulations. It is not a comprehensive statement and members who have any doubt as to the action they must take should consult with their professional adviser. Brokers are required to comply with the South African Exchange Control Regulations as set out herein. On or prior to 9 May 2008, each member who is an emigrant from or non-resident of the common monetary area shall provide to the company secretary, in writing, the full details of its authorised dealer, such information to include the name of their authorised dealer, address and account number. Should such detail not be provided, monies owing will be held in trust by the company. No interest will be paid on any such amounts held in trust.

1. *Emigrants from the common monetary area*

   1.1 Payments arising as a result of the distribution to Members are not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations of South Africa. Cheques issued as a result of the distribution will be forwarded at the risk of the member to the member's authorised dealer in foreign exchange in South Africa, who controls the emigrant's blocked assets.

   1.2 You are advised to take instructions from your authorised dealer in relation to your blocked assets and the procedures attaching to any potential repatriation thereof from South Africa.

2. *All other non-residents of the common monetary area*

   2.1 Distributions from the share premium to a shareholder who is a non-resident of the common monetary area, who has never resided in the common monetary area and whose registered address is outside the common monetary area will be dealt with as follows:

      2.1.1 Subject to the relevant share certificates carrying a non-resident endorsement and the amount of share capital and share premium having been recorded as such by the relevant authorised dealer which received the funds at the time that the shares were endorsed "non-resident" and the company's bank being presented with an auditor's certificate confirming that the payment constitutes a payment from the share premium of the company (which the company will procure from their auditors), a banker's draft for the amount due in the currency nominated by the shareholder (at a rate of exchange ruling at close of business at 12:00 on 30 May 2008 or as soon as possible after the date of registration of this special resolution by the Registrar of Companies) will be purchased on behalf of such shareholder and on the instruction and at the expense of such shareholder. The banker's draft will be posted at the risk of the shareholder to such shareholder. All foreign exchange risk in this regard shall be with the non-resident shareholder.

7. To transact any other business that may be transacted at an annual general meeting.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote thereat in his/her/its stead. A proxy need not be a member of the company. Members who wish to appoint proxies are required to complete and return the enclosed form of proxy to reach the registered office of the company at least 24 hours before the appointed time of the meeting.

By order of the board

A Kirsten
Company secretary

14 March 2008
Cape Town

Details on directors eligible for re-election

A Chorn has been a non-executive director since 1 December 2005. She is a member of the audit committee. A Chorn currently works as an independent tax consultant specialising in cross-border transactions and related international tax matters, and holds a non-executive directorship in Insigner de Beaufort, a private bank from the Netherlands. A Chorn holds a law degree (UCT) and a master's law degree from The London School of Economics.

RL Lumb has been a non-executive director since 1 December 2005. He is the chairman of the audit committee and the remuneration committee. RL Lumb also holds non-executive directorships in Distell Group Limited, New Clicks Holdings Limited and Metje & Ziegler Limited. RL Lumb is a former partner of Ernst & Young and was managing partner of the firm's Western Cape practice from 1989 to 2002 and a member of its National Executive Committee for 18 years. RL Lumb is a Chartered Accountant (SA) and holds an advanced diploma in tax law (UCT).

Form of proxy

HomeChoice

Annual general meeting on 9 May 2008

I/We ____

of ____

being a member of HomeChoice Holdings Limited

hereby appoint ____

of ____

or failing him/her ____

of ____

or failing him/her the chairman of the meeting

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 9 May 2008 and at any adjournment thereof as follows:

	Number of shares		
	For	Against	Abstain
1. Resolution to receive and adopt annual financial statements			
2 Resolution to elect directors			
2.1 Resolution to re-elect A Chorn, a non-executive director retiring in accordance with the articles of association			
2.2 Resolution to re-elect RL Lumb, a non-executive director retiring in accordance with the articles of association			
3. Resolution to place unissued shares under control of the directors			
4. Resolution to approve the remuneration of the directors			
5. Resolution to confirm the dividend declared			
6. Special resolution to reduce the share premium			

Signed by me on this ______________________ day of ______________________ 2008

Signature ____

Notes to the form of proxy

1. A member entitled to attend and vote at the abovementioned meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and vote thereat in his/her/its stead.

2. This proxy form and power of attorney (if any) under which it is signed must be addressed to the company secretary and reach the registered office of the company, 200 Main Road, Claremont 7708 (Private Bag X150, Claremont 7735), not less than twenty-four hours before the appointed time of the meeting.

3. A member's instructions to the proxy regarding voting should be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she deems fit in respect of all the shareholder's votes.

4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held.

5. A vote given in terms of an instrument of proxy shall be valid in relation to the meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless a notice of any of the aforementioned matters shall have been received by the company at its registered office or by the chairperson of the meeting at the venue of the meeting before commencement of the meeting.

6. If a shareholder does not indicate on this form that his proxy is to vote in favour or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.

7. The chairperson of the meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

9. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded with the company or unless the chairperson of the meeting waives this requirement.

10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the company.

11. Where there are joint holders of shares:
    - 11.1 any holder may sign the form of proxy;
    - 11.2 the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

12. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).

HomeChoice

Administration

Company registration number
1991/005430/06

Company secretary
A Kirsten

Registered office
200 Main Road
Claremont 7708

Attorneys
Edward Nathan Sonnenbergs Inc.
Edward Nathan Sonnenbergs House
1 North Wharf Square
Loop Street
Foreshore
Cape Town 8001

Auditors
Ernst & Young Inc.
Ernst & Young House
35 Lower Long Street
Cape Town 8001

Commercial bank
FirstRand Bank Limited
3rd Floor, Great Westerford
Main Road, Rondebosch 7700

Country of incorporation
South Africa

Shareholders' diary

Financial year-end	31 December
Annual general meeting	9 May 2008
Reports and profit statements	
Interim report	Approximately 8 August 2008
Publication of annual report	Approximately 31 March 2008

GREYMATTER & FINCH # 3891

HomeChoice