

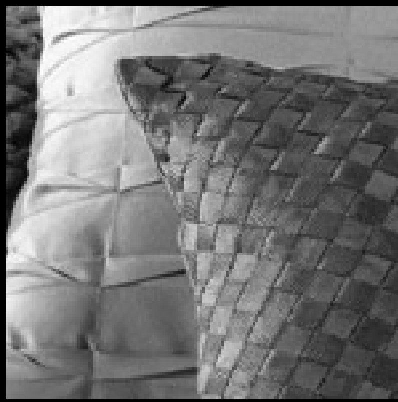


HomeChoice annual report 08

South Africa's leading catalogue retailer

HomeChoice annual report 2008

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HomeChoice

who we are

Firmly established as the **leading catalogue retailer in Southern Africa,** our ongoing commitment to our customers can be summed up by our business philosophy:


our business philosophy
EMPLOYEE To be empowered, respected, challenged and recognised for the unique contribution we make.
RETAIL To be our customers' most trusted and exclusive homewares retailer, helping them to easily realise their décor dreams.
FINANCIAL To achieve consistent long-term real growth and an outstanding return on equity while making a significant contribution to our community.
CUSTOMER DELIGHT We will put our customers first in everything we do.
TEAMWORK We will be united in purpose and action, turning our diversity, skills and experience into a source of strength.
INTEGRITY We will be transparent in our dealings, upholding moral, legal and ethical codes.
INNOVATION Through our courage and initiative we will identify and implement new opportunities and ideas that will successfully shape our future.
EXCELLENCE We will continuously assess, adapt and improve while being accountable and professional.

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 24 years and hundreds of thousands of happy customers, HomeChoice has firmly established itself as South Africa's leading catalogue retailer.

436

number of staff employed by the group

FinChoice commenced trading in 2007 and is a registered financial services company.

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

We leverage technology to provide low cost, centralised access to financial services. Our products and processes are customer driven and focused and we deliver products that provide value and accessibility.

HomeChoice currently has four merchandise divisions

1. **Bed linen** Bed coverings and coordinating curtains
2. **Household textiles** Textiles for other rooms in the home
3. **Housewares** Crockery, cookware and luggage
4. **Appliances** Small appliances for the kitchen

125

product ranges

We currently offer personal loans with terms ranging from 6 to 24 months, revolving loans and insurance products.

Our operations are centralised in Cape Town from where we use direct marketing, our call centre, mobile and internet to originate and manage our portfolio.

five-year review

	2008 R000	2007* R000	2006* R000	2005* R000	2004* R000
Balance sheets					
Non-current assets	**133 824**	56 494	77 374	70 888	88 788
Deferred tax	**2 786**	4 432	2 487	450	72
Current assets	**423 767**	405 869	317 250	247 555	199 057
Total assets	**560 377**	466 795	397 111	318 893	287 917
Ordinary shareholders' interest	**437 334**	386 459	312 755	253 800	253 448
Long-term liabilities	**162**	804	2 005	2 746	2 859
Deferred tax	**15 277**	20 202	25 269	24 210	6 763
Current liabilities	**107 604**	59 330	57 082	38 137	24 847
Total equity and liabilities	**560 377**	466 795	397 111	318 893	287 917
Income statements					
Turnover	**553 383**	437 070	387 921	300 657	253 014
Operating profit	**58 878**	106 873	97 669	82 632	96 863
Net interest (paid)/received	**(2 065)**	1 978	1 950	1 898	4 527
Dividends received	**9 575**	10 650	5 150	5 140	373
Equity loss on associate	**(3 150)**	(2 471)	–	–	–
Profit after interest and dividends	**63 238**	117 030	104 769	89 670	101 763
Taxation	**(20 210)**	(27 801)	(27 563)	(24 977)	(30 286)
Attributable profit	**43 028**	89 229	77 206	64 693	71 477
Cash flow statements					
Cash receipts from customers	**561 711**	421 073	370 533	291 310	263 881
Cash paid to suppliers and employees and loans disbursed to customers	**(528 906)**	(356 870)	(290 909)	(235 668)	(201 927)
Cash generated by operations	**32 805**	64 203	79 624	55 642	61 954
Net interest (paid)/received	**(1 293)**	2 099	1 808	1 824	4 613
Net dividends received/(paid)	**8 611**	1 013	5 150	(1 639)	373
Taxation paid	**(32 899)**	(47 201)	(11 856)	(582)	–
Net cash inflow	**7 224**	20 114	74 726	55 245	66 940
Net cash (outflow)/inflow from investing activities	**(77 220)**	(35 228)	(14 870)	15 583	(70 909)
Net cash outflow from financing activities	**(10 586)**	(5 438)	(15 073)	(58 302)	(257)
Net (decrease)/increase in cash balances	**(80 582)**	(20 552)	44 783	12 526	(4 226)
Cash balance at beginning of year	**74 207**	94 759	49 976	37 450	41 676
Cash balance at end of year	**(6 375)**	74 207	94 759	49 976	37 450

* Comparative figures have been restated, refer to note 29.

	2008	2007*	2006*	2005*	2004*
Financial ratios					
Interest paid cover (times)	**16,4**	185,2	166,7	200,1	668,0
Current ratio (:1)	**3,9**	6,8	5,6	6,5	8,0
Acid test ratio (:1)	**3,5**	6,2	5,0	5,8	7,3
Debt/equity ratio (:1)	**0,15**	0,00	0,01	0,02	0,01
Operating margin (%)	**10,6**	24,5	25,2	27,5	38,3
Operating margin before depreciation (%)	**11,3**	25,3	26,2	28,7	39,5
Taxed profit/revenue (%)	**7,8**	20,4	19,9	21,5	28,3
Operating profit/average shareholders' funds (%)	**14,3**	30,6	34,5	32,6	44,9
Operating profit/average total assets (%)	**11,5**	24,7	27,3	27,3	39,2
EPS (weighted number of shares)	**43,8**	92,2	79,1	51,7	52,7
Dividends per share (cents)	**1,0**	10,0	–	5,0	–
Share premium reduction per share (cents)	**10,0**	–	–	–	–
NAV per share including intangibles (total shares)	**439,0**	401,0	321,9	243,9	186,9
NAV per share excluding intangibles (total shares)	**439,0**	401,0	321,8	243,7	186,6
Employee statistics					
Number of employees	**436**	402	371	398	374
Turnover per employee (R000)	**1 269**	1 087	1 046	755	677
Assets per employee (R000)	**1 285**	1 161	1 070	801	770
Average number of years service	**4,6**	4,5	4,9	5,3	4,9
Weighted average number of shares (000)	**98 199**	96 776	97 567	125 097	135 577

* Comparative figures have been restated, refer to note 29.

directorship

Left to right, seated: Merwe Scholtz, Annalize Kirsten, Shirley Maltz, Sean Wibberley, Diane Paterson, Lorraine Steyn
Left to right, standing: Anthea Abrahams, Bradley Bastard, Mike Roux, Richard Garratt, Kenneth Walker, Robert Ross, Brian Bothma
Inset: Amanda Chorn and Robert Lumb

HomeChoice Holdings Limited

Richard Garratt (62)
BCom, CA(SA)
Executive chairman
Founded the group in 1985

Amanda Chorn (50)
BA, LLB, LLM
Non-executive director
Appointed 2005

Robert Lumb (65)
CA(SA) AdDip Tax
Non-executive director
Appointed 2005

Shirley Maltz (37)
BCom, CPE, LPC
Executive director
Appointed 2004

Annalize Kirsten (40)
BCompt, BCompt (Hons), CA(SA)
Executive director
Appointed 2002

HomeChoice (Proprietary) Limited

Rick Garratt (62) *
BCom, CA(SA)
Chairman
Founded the group 1985

Shirley Maltz (37) *
BCom, CPE , LPC
Chief executive officer
Joined the group in 2001

Annalize Kirsten (40) *
BCompt, BCompt (Hons), CA(SA)
Chief operating officer
Joined the group in 1999

Anthea Abrahams (38)
BPrim Ed, PDM
Marketing director
Joined the group in 2007

Bradley Bastard (34)
BCom, PDip Acc, MCom (Tax), CA(SA)
Finance director
Joined the group in 2008

Brian Bothma (55)
Human resources director
Joined the group in 2001

Diane Paterson (46)
BA (Hons)
Merchandise director
Joined the group in 2006

Robert Ross (64)
Logistics director
Joined the group in 1986

Lorraine Steyn (46) *
Dip Datametrics
ICT director
Joined the group in 2006

Kenneth Walker (38) *
BSc (Hons), Dip Econ
Credit risk director
Joined the group in 2006

FinChoice (Proprietary) Limited

Merwe Scholtz (31)
BCom (Law)
Chief executive officer
Joined the group in 2006

Sean Wibberley (38)
BSc Elec Eng, MBA
Chief operating officer
Joined the group in 2006

Mike Roux (48)
BSc (Hons), HDE (PG), MPhil
Credit risk director
Joined the group in 2007

** Also a director of FinChoice*

HomeChoice grew turnover by **27%** from **R437 million** to **R553 million,** which was in line with forecasts.

FinChoice contributed **R38 million** of turnover, which represents growth of **260%.**

General economy

2008 has been a difficult year for the mass market consumer, which is the group's target market. The weak economy, the impact of the National Credit Act, food inflation, the decline of the rand and high real interest rates have burdened consumers and impacted their spending.

Household debt, as a percentage of total disposable income, has risen to record highs and consumers are experiencing greater difficulty accessing credit and servicing their existing debt.

The fairly sudden weakening of the world economy is having its impact on South Africa and will also affect the mass market consumer. Fortunately our customer base, being largely female, has not yet experienced significant job losses, as most job losses have been in the mining and manufacturing sectors.

Financial performance

Revenue

Despite the difficulties mentioned above, the group increased revenue by 27% from R437 million to R553 million. Our catalogue business grew revenue by 21%, from R428 million to R518 million, whilst our new financial services business, FinChoice, grew revenue by 260% from R10 million to R38 million.

The board decided that maintaining revenue growth was important in continuing to lay the foundation for growth over the next five years.

Operating profit

Unfortunately group operating profit declined by 45% from R107 million to R59 million.

This was influenced by the following:

- "Other income" of R24 million was realised in the catalogue retail company in 2007 from the sale of irrecoverable debt written off in prior years.
- Due to a prolonged decline in the fair value of the listed preference shares held by a company in the group, an impairment loss of R11 million was recognised through the income statement in 2008. The unrealised loss on marking the shares to market was previously reflected through the statement of changes in equity.
- An amortisation cost adjustment of R6 million on loans issued to employees as part of the group's Employee Share Incentive Scheme was recognised in 2008.

Excluding the transactions mentioned above, group operating profit would have decreased from R83 million to R75 million or 10%.

The decline in the group operating profit is attributable to the significant increase in bad debt charged to the income statement, which increased from R43 million to R116 million, or 170%. Actual bad debts incurred during the year increased from R36 million to R62 million, or 71%, whilst the provision for impairment of trade receivables was increased substantially in line with the increased levels of delinquency observed at year-end.

FinChoice achieved an operating profit of R6 million from a loss of R7 million in 2007.

Cash flow

Cash flow generated by operations was R33 million compared to R64 million last year. The decrease was mainly due to the R24 million of other income included in 2007 and increased investment in working capital of R9 million compared to the previous year.

Net cash outflow from investing activities has increased mainly due to the development of the new head office, discussed more fully below.

Net cash outflow from financing activities has increased due to the share premium reduction in the first half of 2008.

HomeChoice

The group has retained its strong liquidity position with cash and liquid investments of R100 million at year-end.

New head office
As noted in the 2007 annual report, a group company purchased an office building for R28 million and it has been redeveloped as the new head office for the group. It was completed during December 2008 and further costs of R63 million were incurred during the year, financed through a bank overdraft. The overdraft will be converted into a long-term facility in 2009 on completion of the building in April 2009.

Credit risk
Trade and other receivables are the group's major asset. This is mass market consumer debt for the catalogue retail company before impairment of R297 million (2007: R249 million) and FinChoice consumer loans of R67 million (2007: R31 million) and other receivables of R6 million (2007: R8 million).

Despite adopting a cautious approach to credit throughout the year, the group has experienced a significant increase in bad debt and delinquency levels. Management is focused on improving credit assessment and collection processes in 2009 to mitigate the increased credit risk environment, and the board believes that credit policies are appropriate in the circumstances

Balance sheet
Ordinary shareholders' interest increased from R386 million to R437 million.

Trade and other receivables increased substantially due to the material growth in the loans book of FinChoice and normal growth in the HomeChoice debtors book in line with increased revenue.

The reduction of treasury shares is due to the sale of shares by the HomeChoice Share Trust to employees of the two trading companies in terms of a share scheme. This scheme is designed to enable the directors and senior management to participate in and benefit from the future growth of the group.

Reduction of share premium
The company's share premium was reduced by an amount equal to 10 cents per ordinary share and paid out to shareholders during the year.

Dividends
The directors declared and paid a dividend of 1 cent per share during the year. The directors have decided to declare a further dividend of 9 cents per share.

Governance
The group is committed to best corporate governance practice and risk management to safeguard the interests of all stakeholders, and it subscribes to the Code of Corporate Practices and Conduct recommended by the King Reports on Corporate Governance. As outlined in our corporate governance report, the board's various subcommittees address the fields of audit, risk, internal controls, compliance with laws and regulations and remuneration.

Change of shareholding
During the year, a subsidiary of Rand Merchant Bank acquired 9,5 million shares in the company. We welcome them as strategic shareholders, and also welcome P Joubert to the board. His appointment as a non-executive director will be affective from 23 March 2009.

Prospects
We expect the retail environment in 2009 to continue to be difficult and consumers will remain under pressure in a slowing economy; however, the group expects to increase operating profit next year, with significant revenue and profit growth from our financial services company.

Acknowledgements
On behalf of my board I wish to extend thanks to:

- our customers for their loyal support;
- our employees for their efforts in the face of a demanding year;
- our suppliers and business partners;
- my fellow board members and management team who add considerable value to the group; and
- our shareholders, for your continued investment and confidence in the group.

RE Garratt
Chairman

20 March 2009
Cape Town

Our **key proposition** to our customer is offering value through the **quality of our product.**

Financial and trading performance

The 2008 financial period has been marked by a slowdown in the economy, increasing fuel and food costs and a resultant cutback in retail spending, which is discussed in the chairman's report. Our customers have been severely impacted by the downturn in the economy. Despite this, we managed to increase turnover from retail operations by 21,0%. However, we had to increase our advertising spend in order to meet our turnover target. Considerable rand volatility towards the end of the financial year also impacted on our cost of sales. However, we marginally improved our gross profit from 51,4% to 51,8%, which we were pleased with.

Our merchandise sales increased by 18,3%. We launched an appliance category within the catalogue and were encouraged by our customers' reaction. Furthermore, within each category we had considerable innovation which is pleasing when we consider the rand and extreme volatility we experienced in some of the commodity prices. We remain focused on textiles, in particular bedding, and see ourselves as offering the broadest range of bedding options within the mass market. This will remain a key strength and focus area for the business going forward.

Our key proposition to our customer is offering value through the quality of our product. With the pressure on input costs, a number of our competitors have shifted their quality focus, choosing to downgrade on quality in order to maintain margins. As we believe that quality is central to our offering, we have not followed this trend.

One of the key drivers of our customer experience is our in-stock ratio. We increased our stock-holding in December 2008 in order to improve our service in this area. We are in the process of developing new merchandise planning systems and as a part of this project have reviewed the business rules relating to our stock health and markdowns. As a result of these two initiatives our inventory increased 26,5% from R36,1 million to R45,7 million and we have increased our obsolete stock provision accordingly. The streamlining of merchandise processes and the development of planning systems are a key focus for the 2009 financial year.

Managing credit risk

As economic conditions worsened during 2008, we tightened credit policy in the second half of the year on both new and existing customer sales. Our active account base grew by 10% in the course of the year, adding net 21 000 active accounts to our base.

Our total sales to new second-time purchase customers has increased year on year. These new customers have higher delinquency rates than existing customers. This, coupled with the deteriorating economic outlook, has resulted in net bad debts charged to the income statement increasing by 159% from R39,1 million to R101,3 million and as a percentage of turnover increasing from 9,1% to 19.6%. Actual bad debts incurred during the year increased by 46.6% from R36,0 million to R52,7 million, whilst the provision for impairment of trade receivables was raised from 14.2% to 28.2%. Considering the sharp increase in bad debt and the economic conditions, we believe the provisions are appropriate.

As a result of the increase in bad debts our operating profit margin, excluding the sale of an unusual debtors book item in the previous year, has declined from 21,3% to 14,6%.

During the course of 2008 we took steps to curb the increase in bad debts at both an operational level and redeveloped scorecards across new and existing universes. We have continued to tighten up on credit policy in the first quarter of 2009 and are focusing considerable resource in our collections area. Furthermore, we have refined our approach to forecasting bad debt at the point of sale and the integration with the new marketing planning process.

Our customers and our people

During the course of 2007 we embarked on a project to define our vision and values as an organisation. This process has been well received throughout the organisation. Each team is picking up on the business philosophy and running integration processes within their areas. Central to our business philosophy is customer service: we aim "to put our customers first in everything we do". We also aim to employ people who subscribe to these values and wish to push the organisation further in order to meet them.

Our training centre, as well as a number of our training modules for our staff, was SETA-certified during 2008. We continue to run junior and senior management and leadership development programmes and also call centre programmes. Our training centre has increased in size considerably and this improvement in capacity is resulting in improved skills within the organisation. We see this as a key strategic focus and will continue to expand our skills and energy in this area.

Investing for growth

We relaunched our website in 2007 and increased our focus on and revenue opportunities within this space. Our sales through this order source increased significantly during the past year.

We introduced a new selling team of sales agents towards the end of the year. The agents are from within our customer base and, although the expected impact on the 2009 financial year is small, we hope this new initiative will prove to be successful and is meeting our expectations to date.

Outlook for 2009

The retail environment will continue to pose challenges to the business, with high levels of consumer debt, inflation and increasing job losses. We remain committed to the launch of our new product lines although we have reduced sales expectations on these lines. We still remain committed to our quality orientation. Our marketing strategy has shifted towards a strongly promotional stance. This, coupled with our merchandise innovation and strong product differentiation, is securing our customer demand expectations and we foresee this continuing.

While bad debts have grown significantly, we have continued to tighten credit policy on both new and existing accounts. This will continue throughout the foreseeable future. Enhanced collection strategies are also being introduced.

Despite the tough economic climate, customer demand for our products is in line with expectations. We are comfortable that our merchandise strategy is robust and our retail formula clearly differentiated from the market. This will enable us to continue to service their needs in even tougher times ahead. We remain confident and committed to achieving our 2009 financial targets.

Thank you

In closing I would like to thank all our staff at head office and at our distribution centres for their contribution this year. Although we have had a tough year, the knowledge and growth will stand us in good stead for the coming year.

I would also like to thank the directors for their continued support, guidance and constructive challenge over the past year.

Shirley Maltz
Chief executive officer

20 March 2009
Cape Town

We have experienced **good demand since the inception** of FinChoice, and demand has remained **consistently strong** throughout 2008 despite difficult trading conditions.

Although 2008 was a difficult trading year, FinChoice showed resilience to the converging elements of high interest rates, high inflation, the residual impact of the National Credit Act, the deterioration of the rand and increasing consumer debt levels.

FinChoice started trading in 2007, with a mandate to lay a foundation for sustainable, long-term growth. To this end the following was developed:

- A scalable, highly automated technology and operational environment
- A model to maximise penetration of the HomeChoice customer base with high-yielding financial products
- Scorecards and collection systems to optimise intake and minimise default ratios

Revenue and operating profit

During 2007 we generated R10,5 million of revenue and an operating loss of R7,4 million. In 2008 we increased loan disbursements to achieve revenue of R37,7 million, a 260% increase over 2007 but well within our operational and credit management capacity.

We reached profit breakeven in the third quarter of 2008 and returned a full-year operating profit of R5,9 million. This was however below expectation due to worse than expected credit risk metrics in the second and third quarter as discussed below.

We have experienced good demand since the inception of FinChoice, and demand has remained consistently strong throughout 2008 despite difficult trading conditions. Our customers have little exposure to long-term debt and our credit offer to HomeChoice customers has remained compelling in an environment of protracted lending by other financial institutions.

Credit risk

Credit risk is managed within very tight parameters by applying the following criteria:

- We exclusively market to HomeChoice customers of good credit standing who have been paying their retail account for at least six months.
- We apply both an application and behaviour scorecard to further refine our intake.
- All repayments are collected using a real-time debit order, thereby ensuring timely collection of available funds from a bank account on the customer's salary date.
- During the third quarter we implemented a specialised collections area to follow up on any unpaid debit orders on the salary date, with automated processes to deal with any anomalies.

During the second quarter of 2008 we experienced an increase in both intake vintages and roll rates. We reacted to this by tightening credit policy and implementing a revised collections strategy.

These changes caused both vintages and roll rates to return to budgeted levels in the fourth quarter, albeit at a reduced pass rate, which was compensated for by increasing our gross intake.

We expect the tough credit environment to persist for some time and the board is satisfied that our impairment against receivables, our credit policies and continued collections focus provide sufficiently for this.

Prospects

We expect a significant increase in our operating profit in 2009, driven by:

- A significant increase in revenue, albeit less pronounced than the 2008 increase which was off a low base, and
- A stable fixed cost base that provides for future growth

We are broadening our product range to include cell phone contracts, insurance products and penetration into Namibia and Botswana which should create additional revenue opportunities in 2010.

Trading conditions in 2009 will be at least as difficult as 2008 and we will continue to monitor and manage our intake and credit risk levels and make the necessary adjustments.

I would like to thank my board, management team and employees for their invaluable and spirited contribution in establishing FinChoice and creating good long-term prospects for the group.

Most importantly, our thanks go to our customers for their continued loyal support.

Merwe Scholtz
Chief executive officer

20 March 2009
Cape Town

The group is committed to best corporate governance practice and risk management to safeguard the interests of all stakeholders.

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. Director appointments are made by the board in a formal and transparent manner.

The board meets at least four times per year, with additional meetings added where circumstances necessitate, and all meetings are convened by formal notice. The board and its committees are timeously supplied with comprehensive information to enable them to have meaningful debate and discharge their responsibilities. All directors have unrestricted access to the company secretary and all company records, and are entitled to independent professional advice at company expense should the circumstances warrant it.

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

A documented, formal board charter outlines the composition, scope of authority and responsibilities of the board. 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 share owners 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, experience and diversity in order to assess the effectiveness of the board.

The main board of directors has delegated specific responsibilities to board committees to assist the board in meeting its oversight responsibilities.

The committees meet independently and formally report back to the board.

Audit committee

The committee, which is chaired by an independent non-executive director, comprises two non-executive directors. Meetings are also attended by invitees, including the chief operating officer, the finance director and external auditors. The external auditors have unlimited access to the chairman. The committee meets at least three times per year. Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties.

The audit committee is governed by a formal charter, setting out its responsibilities. The role of the audit committee is, inter alia:

- to review the appropriateness and adequacy of the systems of internal financial and operational control;

- to ensure that written representations on internal control are submitted to the board annually by operational directors, providing assurance on the adequacy and effectiveness of the group's systems of internal control and compliance with laws and procedures;
- to review accounting policies and financial information issued to shareholders;
- to provide effective communication between directors, management and external auditors;
- to identify and continuously evaluate exposure to significant risks;
- to monitor and supervise the effective functioning and performance of internal audit;
- to confirm the nomination and appointment of the external auditors each year, and approve the terms of engagement and fees paid; and
- to fulfil the function of audit committee to group subsidiaries.

Remuneration committee

The committee, which is chaired by a non-executive director, comprises the non-executive director and two executive directors.

The key mandate of the committee is to ensure that the remuneration of executive directors and senior management is competitive and appropriate to the levels of responsibility carried, with particular attention to retention and performance. The committee meets at least three times per year.

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 group has also adopted an annual documented risk management process that ensures that all material risks are identified, evaluated and mitigated wherever possible and compliance with laws and regulations assessed. This process is undertaken within each division of the group's trading subsidiary companies and serves to instil risk awareness and accountability throughout the group.

An anonymous tip-off facility is in place for the reporting of suspected fraudulent or unethical behaviour via an outsourced toll-free hotline. Staff awareness of this facility is promoted through posters and an induction programme.

The board believes that there is an adequate system of internal control in place to mitigate 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 has established an internal audit function, reporting directly to the audit committee, to provide assurance on the adequacy and effectiveness of internal control and risk management practices, and assisting management by making recommendations for improvement. As the department is limited in its capacity, the directors also utilise the services of professional audit firms to assist in evaluating internal control and business risks as and when required.

sustainability report

The group is committed to meeting the short-term financial needs of shareholders and ensuring long-term sustainable profitability and balanced growth, whilst considering the needs of all our stakeholders, the environment, local communities and society at large.

Employment equity

The group is compliant with all aspects of the Employment Equity Act, No. 55 of 1998, and is focused on its commitment to provide career advancement opportunities to both genders and members of previously disadvantaged communities. The group's 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 the directors continue to closely monitor the employment equity progress of the group.

Skills development

The group operates an ongoing programme of personnel development and training is designed to skill our staff in all areas where a need has been identified, addressing both business and leadership competencies.

Employee benefits

All permanent staff are required to join the HomeChoice Provident Fund, which is a defined contribution provident fund established in 1994.

The fund is managed by a board of trustees that meet quarterly and the trustees do not receive remuneration for their services. Fifty percent of the trustees are member-elected. The assets of the fund are under the control of the trustees, who are advised by external consultants.

Apart from retirement benefits, the following are provided by the fund:

- A death benefit of four times annual salary (plus approximate taxable portion) as well as the member's fund credit is available to provide benefits to dependants and beneficiaries.
- An insured disability benefit equating to 75% of pensionable salary earned at the time of disablement
- Collateral surety on a housing loan

The group provides educational assistance or bursaries to employees to assist with the costs of studies that will assist them with their current or future career with the group, as well as paid study leave to sit examinations.

A weekly health service is provided by a nursing sister to all employees working at the head office.

Corporate social investment

The group is committed to sustainable economic development and social upliftment in the communities amongst which we operate and where our customers reside.

The HomeChoice Development Trust

The HomeChoice Development Trust was registered as a charitable organisation in 2006, with specific emphasis on the upliftment of women and children, and in particular pre-school education. The Trust receives annual donations of R1 million from the group and donations made by the Trust to date amount to R3 million.

The Development Trust's activities are governed by four trustees, of which two are independent.

Environment

Whilst the group's activities are considered to have a low direct impact on the environment, it remains committed to minimising its environmental impact through initiatives such as recycling paper and packaging and utilisation of efficient lighting in its head operations and distribution centre.

value added statement

	Note	2008 R000	%	2007 R000	%
Turnover		**553 383**		437 070	
Other income		**1 528**		26 254	
Dividends received		**9 575**		10 650	
Impairment of investments and loans to employees		**(16 155)**		–	
Paid to suppliers for goods and services		**(418 362)**		(298 082)	
Value added		**129 969**	**100,0**	175 892	100,0
Applied as follows:					
Employees					
Remuneration to employees		**59 641**	**45,9**	54 653	31,1
Taxation					
Normal tax		**24 593**	**18,9**	33 922	19,3
STC		**–**	**0,0**	331	0,2
Providers of capital					
To lenders as finance charges		**3 593**	**2,8**	577	0,3
To shareholders as dividends and share premium reduction		**10 925**	**8,4**	9 638	5,5
Reinvested					
Reinvested in the group to finance future expansion and growth	1	**31 217**	**24,0**	76 771	43,6
Employment of value added		**129 969**	**100,0**	175 892	100,0

Notes to the value added statement

		2008 R000	%	2007 R000	%
1.	**Reinvested in the group to finance future expansion and growth**				
	Depreciation and amortisation	**3 497**	**2,7**	3 632	2,1
	Deferred taxation	**(4 383)**	**(3,4)**	(6 452)	(3,7)
	Retained income	**32 103**	**24,7**	79 591	45,2
		31 217	**24,0**	76 771	43,6
2.	**Taxes**				
	Direct taxation as above	**24 593**		34 253	
	Net value added tax	**(752)**		3 240	
	Employees' taxation	**14 571**		11 656	
	Channelled through the group	**38 412**		49 149	

report from the audit committee

The audit committee

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

RL Lumb (Chairman)
A Chorn

The audit committee is comprised solely of non-executive directors who are independent according to the King II definition. Of the current committee members, RL Lumb is a Chartered Accountant (SA).

The committee met three times during the period under review and the chairman of the committee reports to the board after each committee meeting.

The board of directors has approved written terms of reference, as contained in the audit committee charter, for the audit committee. 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 safe-guarding 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 preapproves 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 group's 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 reviews activities and findings of the internal audit function. The committee reviewed reports on certain internal controls prepared by the internal audit department and 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

20 March 2009

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 1973, as amended. 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 company and group. The external auditors are responsible for independently reviewing and reporting on the company and 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 20.

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

20 March 2009
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.

BJ Bastard
Company secretary

20 March 2009
Cape Town

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 2008, 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 21 to 55.

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 1973, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 2008, 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 1973, as amended.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

20 March 2009
Cape Town

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 reports from the chairman and chief executive officers.

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 13 to the annual financial statements.

Reduction of share premium

The company's share premium was reduced by an aggregate amount of R10 387 000 which was utilised to repay members an amount of 10 (ten) cents per ordinary share in the capital of the company held by its members.

Dividend

The company declared and paid a dividend of R1 039 000 (2007: R10 387 000) during the year. This gave rise to secondary tax on companies of R104 000 (2007: R1 039 000) against which STC credits of R104 000 (2007: R708 000) were utilised.

A final dividend of R9 348 000 has been declared, representing 9 (nine) cents per share, payable to ordinary shareholders recorded in the books of the company at the close of business on Friday, 8 May 2009. The dividend will give rise to secondary tax on companies of R935 000 against which STC credits of R935 000 will be utilised.

Subsidiary companies

Details of the company's investments in subsidiaries are set out in note 4 to the annual financial statements. The interest of the company in the aggregate profits after taxation of the subsidiary companies is R46 559 000 (2007: R82 711 000).

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.

Sale of shares to directors

As part of an Employee Share Incentive Scheme, 3 230 000 (2007: Nil) shares in HomeChoice Holdings Limited were sold to certain directors and senior management at market value, for an aggregate amount of R11 952 000 (2007: Nil) and financed by the provision of a loan from the HomeChoice Share Trust as contained in note 3 to the annual financial statements.

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, RE Garratt and A Kirsten retire at the annual general meeting, being the longest serving directors. RE Garratt and A Kirsten, being eligible, offer themselves for re-election.

Company secretary

BJ Bastard (Appointed 30 June 2008)
A Kirsten (Resigned 30 June 2008)

Country of incorporation

South Africa

Business and postal address

The company secretary
78 Main Road
Wynberg 7800
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 8 Operating segments
- IAS 38 Intangible Assets
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The group has adopted IFRS 8 earlier than required by the standard. The adoption did not have any effect on the financial performance or position of the group. It did, however, give rise to additional disclosures, as provided in note 18.

The group has adopted IAS 38 (amended) earlier than required by the standard. The effect on the financial performance and position of the group due to the adoption of this amendment has been provided in note 29.

The principal effects of these changes are as follows:

IFRS 8 Operating Segments

This standard sets out requirements for disclosure of information about the group's operating segments and also about the group's products and services, the geographical areas in which it operates, and its major customers. The group has determined its operating segments at year-end, and disclosure is provided in note 18.

IAS 38 Intangible Assets

This standard requires that expenditure on advertising and promotional activities is recognised as an expense when an entity either has the right to access the goods or has received the service. The amendment also clarifies that catalogues are considered to be a form of advertising and promotional activities. The amendment becomes effective with retrospective effect for periods on or after 1 January 2009; however, early adoption is encouraged. The group has elected to adopt the amendment in the current year with retrospective effect. The prior year financial information has been restated, and the effect on the opening retained income is provided in note 29.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation concerns share-based payment arrangements that involve two or more entities within the same group and addresses certain share-based transactions with employees. This interpretation does not currently apply to the activities of the group.

IFRIC 12 Service Concession Arrangements

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 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 does not apply to the activities of the 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 1973, as amended.

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.

Land and buildings are not depreciated as their residual value exceeds cost.

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.

Fair value

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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 discounted 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. A summary of restatements is provided in note 29.

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.

Annual improvements to IFRS (2007)
During the year the IFRS Committee approved various minor amendments to existing IFRS.

The application of these minor amendments will have no material impact on the group's financial statements. These amendments become effective for periods beginning on or after 1 January 2009 or 1 July 2009.

IFRS 1 First-time Adoption of IFRS – Cost of investment on first-time adoption

This amendment allows first-time adopters to use an alternate cost of investment in the separate financial statements of a parent entity. This amendment becomes effective for periods beginning on or after 1 January 2009, but currently does not apply to the activities of the group.

IFRS 2 Share-based Payments

This 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 amendment becomes effective for periods beginning on or after 1 January 2009, but does not currently apply to the activities of the group.

IFRS 3 Business Combinations

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 include 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 revised standard becomes effective for periods beginning on or after 1 July 2009, but does not currently apply to the activities of the group.

IAS 1 Presentation of Financial Statements – Disclosure of puttable instruments and obligations arising on liquidation

This amendment sets out additional disclosure required if an entity has a puttable instrument that is presented as equity. This amendment becomes effective for periods beginning on or after 1 January 2009, but currently does not apply to the activities of the group.

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

This 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 the 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 revised statement becomes effective for periods beginning on or after 1 January 2009, but will not have a material impact on the group.

IAS 27 Consolidated and Separate Financial Statements – Amendments arising from IFRS 3

This revised standard arises from revisions made to *IFRS 3 Business Combinations*, in which the treatment of certain transactions within a business combination has changed. This revised standard becomes effective for periods beginning on or after 1 July 2009, but currently does not apply to the activities of the group.

IAS 27 Consolidated and Separate Financial Statements – Cost of investment on first-time adoption

This amendment allows first-time adopters to use an alternate cost of investment in the separate financial statements of a parent entity. This amendment becomes effective for periods beginning on or after 1 July 2009, but currently does not apply to the activities of the company.

IAS 31 Consolidated and Separate Financial Statements – Amendments arising from IFRS 3

This revised standard arises from revisions made to *IFRS 3 Business Combinations*, in which the treatment of certain transactions within a business combination has changed. This revised standard becomes effective for periods beginning on or after 1 January 2009, but currently does not apply to the activities of the group.

IAS 32 Financial Instruments: Presentation – Puttable instruments and obligations arising on liquidation

This amendment sets out additional disclosure required if an entity has a puttable instrument that is presented as equity. This amendment becomes effective for periods beginning on or after 1 January 2009, but currently does not apply to the activities of the group.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged items

This amendment clarifies the treatment of inflation in a financial hedged item and clarifies the value that should be assigned to a one-sided risk in a hedged item. This amendment becomes effective for periods beginning on or after 1 July 2009, but currently does not apply to the activities of the group.

IFRIC 15 Agreements for the Construction of Real Estate
This interpretation standardises accounting practice across jurisdictions for the recognition of revenue by real estate developers for the sale of units before construction is complete. This interpretation becomes effective for periods beginning on or after 1 January 2009, but currently does not apply to the activities of the group.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
This interpretation clarifies that a parent entity may designate a hedged risk in relation to foreign exchange differences between functional currencies; that hedging instruments may be held by any entity within the group and that IAS 21 must be applied in respect of a hedged item. This interpretation becomes effective for periods beginning on or after 1 October 2008, but currently does not apply to the activities of the group.

IFRIC 17 Distributions of Non-cash Assets to Owners
This interpretation clarifies the recognition, measurement and disclosure requirements when an entity distributes non-cash assets to its owners. This interpretation becomes effective for periods beginning on or after 1 July 2009, but currently does not apply to the activities of the group.

IFRIC 18 Transfer of Assets from Customers
This interpretation applies to the accounting for transfers of items of property, plant and equipment by the entity that receive items of property, plant and equipment from their customers and must use the property, plant and equipment to either connect their customers to a network or to provide the customer with the ongoing access to a supply of goods or services or both. This interpretation becomes effective on or after 1 July 2009, but currently does not apply to the activities of the group.

Significant accounting judgements, estimates and assumptions
The preparation of the group's financial statements requires management to make judgements, 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. Bonus provisions due at year-end are paid out annually in March.

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. The prior year debtors book yields have been adjusted to take into account the current economic conditions. As these conditions are uncertain, management has been cautious in assessing the ability of customers to make their required payments.

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 2008 provisions for customer returns amounted to R5 369 000 (2007: R5 157 000).

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 2008

		Group		Company	
		2008	2007*	**2008**	2007
	Note	**R000**	R000	**R000**	R000
Assets					
Non-current assets					
Property, plant and equipment	1	**119 077**	47 686	**–**	–
Loans to employees	3	**6 790**	–	**–**	–
Investments	4	**–**	–	**4**	4
Investment in associate	5	**7 957**	8 808	**–**	–
Deferred tax	6	**2 786**	4 432	**584**	143
		136 610	60 926	**588**	147
Current assets					
Loan to employee share trust	7	**–**	–	**23 879**	12 549
Loans to subsidiaries	8	**–**	–	**147 541**	162 890
Available-for-sale investments	9	**43 346**	46 278	**–**	–
Inventories	10	**45 669**	36 084	**–**	–
Trade and other receivables	11	**277 608**	249 247	**–**	–
Receiver of Revenue		**59**	53	**52**	53
Cash and cash equivalents	12	**57 085**	74 207	**48 310**	43 901
		423 767	405 869	**219 782**	219 393
Total assets		**560 377**	466 795	**220 370**	219 540
Equity and liabilities					
Capital and reserves					
Share capital	13	**1 039**	1 039	**1 039**	1 039
Share premium	14	**146 275**	156 662	**146 275**	156 662
Treasury shares	15	**(7 223)**	(13 288)	**–**	–
Revaluation reserve		**325**	(6 173)	**–**	–
Distributable reserve		**296 918**	248 219	**73 034**	61 736
Ordinary shareholders' interest		**437 334**	386 459	**220 348**	219 437
Non-current liabilities					
Interest-bearing liabilities	16	**162**	804	**–**	–
Deferred tax	6	**15 277**	20 202	**–**	–
		15 439	21 006	**–**	–
Current liabilities					
Trade and other payables	17	**41 281**	41 693	**22**	103
Provisions	17	**700**	6 894	**–**	–
Current portion of interest-bearing liabilities	16	**535**	815	**–**	–
Receiver of Revenue		**1 628**	9 928	**–**	–
Bank overdraft	12	**63 460**	–	**–**	–
		107 604	59 330	**22**	103
Total equity and liabilities		**560 377**	466 795	**220 370**	219 540

* Comparative figures have been restated, refer to note 29.

Income statements

for the year ended 31 December 2008

		Group		Company	
		2008	2007*	**2008**	2007
	Note	**R000**	R000	**R000**	R000
Revenue	19	**564 486**	450 275	**7 092**	21 884
Turnover	19	**553 383**	437 070	**–**	–
Cost of sales		**(256 535)**	(211 390)	**–**	–
Gross profit		**296 848**	225 680	**–**	–
Income					
Capital profit on sale of legal book	20	**–**	23 699	**–**	–
Reversal of impairment of loan		**–**	–	**5 265**	–
Expenses					
Depreciation – property, plant and equipment	1	**(3 497)**	(3 566)	**–**	–
Amortisation – intangible assets	2	**–**	(66)	**–**	–
Loans to employees – amortised cost adjustment	3	**(5 620)**	–	**–**	–
Impairment of available-for-sale investment	9	**(10 535)**	–	**–**	–
Staff costs		**(59 641)**	(54 653)	**–**	–
Other operating costs		**(158 677)**	(84 221)	**–**	–
Operating profit	21	**58 878**	106 873	**5 265**	–
Interest paid		**(3 593)**	(577)	**–**	–
Interest received	19	**1 528**	2 555	**1 645**	5 318
Dividends received	19	**9 575**	10 650	**5 447**	16 566
Equity loss on associate	5	**(3 150)**	(2 471)	**–**	–
Profit before taxation		**63 238**	117 030	**12 357**	21 884
Taxation	22	**(20 210)**	(27 801)	**(20)**	(1 970)
Profit for the period		**43 028**	89 229	**12 337**	19 914

* Comparative figures have been restated, refer to note 29.

Cash flow statements

for the year ended 31 December 2008

		Group		Company	
		2008	2007*	**2008**	2007
	Note	**R000**	R000	**R000**	R000
Cash flow from operating activities					
Cash receipt from customers		**561 711**	421 073	**–**	–
Cash paid to suppliers and employees and loans disbursed to customers		**(528 906)**	(356 870)	**(81)**	78
Cash generated/(utilised) by operations	i	**32 805**	64 203	**(81)**	78
Interest received		**2 300**	2 676	**1 645**	5 318
Interest paid		**(3 593)**	(577)	**–**	–
Dividends received		**9 575**	10 651	**5 447**	16 566
Dividends paid		**(964)**	(9 638)	**(1 039)**	(10 387)
Taxation paid	ii	**(32 899)**	(47 201)	**(460)**	(1 927)
Net cash inflow from operating activities		**7 224**	20 114	**5 512**	9 648
Cash flow from investing activities					
Purchase of fixed assets to maintain operations	iii	**(75 727)**	(34 953)	**–**	–
Proceeds on disposal of fixed assets		**514**	510	**–**	–
Investment in associate		**(2 007)**	(785)	**–**	–
Net cash outflow from investing activities		**(77 220)**	(35 228)	**–**	–
Cash flow from financing activities					
Share repurchase		**–**	(2 595)	**–**	(2 595)
Share premium reduction		**(9 638)**	–	**(10 387)**	–
Proceeds on sale of treasury shares		**11 952**	–	**–**	–
Loans repaid by/(provided to) subsidiaries		**–**	–	**15 349**	(31 823)
Loan (provided to)/repaid by share trust		**–**	–	**(6 065)**	749
Loans provided to employees		**(11 981)**	–	**–**	–
Payment of capital element of suspensive sale agreements		**(919)**	(2 843)	**–**	–
Net cash outflow from financing activities		**(10 586)**	(5 438)	**(1 103)**	(33 669)
Net (decrease)/increase in cash and cash equivalents		**(80 582)**	(20 552)	**4 409**	(24 021)
Cash balance at beginning of year		**74 207**	94 759	**43 901**	67 922
Cash balance at end of year		**(6 375)**	74 207	**48 310**	43 901

* Comparative figures have been restated, refer to note 29.

Notes to the cash flow statements

for the year ended 31 December 2008

	Group		Company	
	2008	2007*	**2008**	2007
	R000	R000	**R000**	R000
i. Reconciliation of cash flows generated/(utilised) by operations				
Profit before taxation	**63 238**	117 030	**12 357**	21 884
Non-cash adjustment – loss from associate	**2 855**	2 259	**–**	–
Loss on disposal of property, plant and equipment	**324**	87	**–**	–
Reversal of impairment of loan	**–**	–	**(5 265)**	–
Impairment of available-for-sale investments	**10 535**	–	**–**	–
Loans to employees – amortised cost adjustment	**5 620**	–	**–**	–
Interest on loans to employees	**(429)**	–	**–**	–
Depreciation and amortisation	**3 497**	3 632	**–**	–
Interest paid	**3 593**	577	**–**	–
Interest received	**(1 528)**	(2 555)	**(1 645)**	(5 318)
Dividends received	**(9 575)**	(10 651)	**(5 447)**	(16 566)
	78 130	110 379	**–**	–
Movements in working capital				
Increase in inventories	**(9 585)**	(3 982)	**–**	–
Increase in trade and other receivables	**(29 134)**	(58 978)	**–**	–
(Decrease)/increase in trade and other payables	**(412)**	16 102	**(81)**	78
(Decrease)/increase in provisions	**(6 194)**	682	**–**	–
Cash generated/(utilised) by operations	**32 805**	64 203	**(81)**	78
ii. Taxation paid				
Amounts (owing)/receivable at beginning of period	**(9 875)**	(22 823)	**53**	(1)
Amounts charged to income statement	**(20 210)**	(27 801)	**(20)**	(1 970)
SA normal tax	**(24 593)**	(33 922)	**(461)**	(1 542)
Deferred tax	**4 383**	6 452	**441**	(97)
Secondary tax on companies	**–**	(331)	**–**	(331)
Deferred tax movement	**(4 383)**	(6 452)	**(441)**	97
Amounts owing/(receivable) at end of year	**1 569**	9 875	**(52)**	(53)
Net outflow	**(32 899)**	(47 201)	**(460)**	(1 927)

iii. Non-cash investing and financing activities

During the year the group acquired property, plant and equipment at an aggregate cost of R75 727 000 (2007: R34 953 000) which was financed through surplus cash and overdraft facility.

* Comparative figures have been restated, refer to note 29.

Statements of changes in equity

for the year ended 31 December 2008

	Group					
	Share capital R000	Share premium R000	Treasury shares R000	Revaluation reserve R000	Distributable reserve R000	Total R000
Opening balance at 1 January 2007	1 046	159 250	(13 288)	(2 881)	168 628	312 755
Profit for the period – restated	–	–	–	–	89 229	89 229
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)	248 219	386 459
Profit for the period	**–**	**–**	**–**	**–**	**43 028**	**43 028**
Unrealised loss on available-for-sale investments	**–**	**–**	**–**	**(2 935)**	**–**	**(2 935)**
Deferred tax on unrealised loss on available-for-sale investments	**–**	**–**	**–**	**373**	**–**	**373**
Reversal on unrealised loss on available-for-sale investments impaired through the income statement	**–**	**–**	**–**	**10 535**	**–**	**10 535**
Deferred tax on impairment of available-for-sale investments	**–**	**–**	**–**	**(1 475)**	**–**	**(1 475)**
Dividends paid	**–**	**–**	**–**	**–**	**(964)**	**(964)**
Reduction in share premium	**–**	**(10 387)**	**426**	**–**	**–**	**(9 961)**
Shares sold by share trust	**–**	**–**	**5 639**	**–**	**6 635**	**12 274**
Balance at 31 December 2008	**1 039**	**146 275**	**(7 223)**	**325**	**296 918**	**437 334**

	Company					
Opening balance at 1 January 2007	1 046	159 250	–	–	52 209	212 505
Profit for the period	–	–	–	–	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
Profit for the period	**–**	**–**	**–**	**–**	**12 337**	**12 337**
Dividends paid	**–**	**–**	**–**	**–**	**(1 039)**	**(1 039)**
Reduction in share premium	**–**	**(10 387)**	**–**	**–**	**–**	**(10 387)**
Balance at 31 December 2008	**1 039**	**146 275**	**–**	**–**	**73 034**	**220 348**

	Group				
	Land and buildings R000	Computer equipment R000	Equipment, furniture, fittings and plant R000	Motor vehicles R000	Total R000

1. Property, plant and equipment

	Land and buildings R000	Computer equipment R000	Equipment, furniture, fittings and plant R000	Motor vehicles R000	Total R000
Cost					
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
Additions	**62 740**	**7 613**	**4 487**	**887**	**75 727**
Disposals	**–**	**(1 506)**	**(1 469)**	**(1 050)**	**(4 025)**
Balance at 31 December 2008	**99 965**	**17 646**	**9 406**	**3 877**	**130 894**
Accumulated depreciation					
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
Depreciation for the year	**–**	**2 307**	**932**	**258**	**3 497**
Disposals	**–**	**(1 291)**	**(1 420)**	**(475)**	**(3 186)**
Balance at 31 December 2008	**–**	**6 894**	**3 567**	**1 356**	**11 817**
Book value at 31 December 2007	37 225	5 661	2 333	2 467	47 686
Book value at 31 December 2008	**99 965**	**10 752**	**5 839**	**2 521**	**119 077**

The net book value of property, plant and equipment subject to suspensive sale agreements (see note 16) at 31 December 2008 was R1 385 000 (2007: R1 750 000).

Included in disposals are equipment, furniture and fittings and plant with a cost and accumulated depreciation of R696 000 (2007: R9 470 000), and in 2007 computer equipment with a cost and accumulated depreciation of R9 556 000, 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 2008, had the land and buildings been carried at fair value, their carrying amount would have been approximately R141 910 000 (2007: R53 372 000).

The land and buildings were valued at 31 December 2008 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.

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
2. Intangible assets				
Mailing lists and trademarks				
Cost	**–**	2 910	**–**	–
Accumulated amortisation	**–**	(2 910)	**–**	–
Net book value	**–**	–	**–**	–
Movement for the year				
Amortisation	**–**	(66)	**–**	–

3. Loans to employees

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
Loans to employees	**6 790**	–	**–**	–

As part of an Employee Share Incentive Scheme, loans have been provided to certain employees within the HomeChoice group to enable them to acquire shares in HomeChoice Holdings Limited.

The loans are interest-free and repayable within 5 years of the acquisition date. The employees' shares are pledged to and held by the Trustees of the HomeChoice Share Trust.

The amortised cost adjustment is based on an effective interest rate of 13,5%.

Movement in carrying value of the loans were as follows:	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
Opening balance	**–**	–	**–**	–
Loans issued during the year	**11 981**	–	**–**	–
Amortised cost adjustment	**(5 620)**	–	**–**	–
Notional interest recognised during the year	**429**	–	**–**	–
Closing balance	**6 790**	–	**–**	–

4. Investments

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
Wholly owned subsidiary companies' shares at cost	**–**	–	**4**	4
	–	**–**	**4**	4

	Company Issued share capital 2008 R	Company Issued share capital 2007 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	**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

5. 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 group's interest in the en-commandite partnership:

	Group		Company	
	2008 R000	2007 R000	**2008 R000**	2007 R000
Share of the associate's balance sheet:				
Non-current assets	**20 370**	21 280	**–**	–
Current assets	**69**	106	**–**	–
Non-current liabilities	**(14 460)**	(15 970)	**–**	–
Current liabilities	**(1 641)**	(895)	**–**	–
	4 338	4 521	**–**	–
Share of associate's revenue and profit and loss:				
Revenue	**1 233**	1 770	**–**	–
Loss	**(3 150)**	(2 471)	**–**	–
Carrying amount of the investment	**7 957**	8 808	**–**	–

The partnership has a financial reporting date of 30 June. Management accounts have been prepared to 31 December 2008.

6. Deferred tax

	Group		Company	
Statement of changes in equity				
Deferred income tax related to items charged or credited directly to equity				
Unrealised loss on available-for-sale investments	**(1 102)**	558	**–**	–

	Group			
	Balance sheet		Income statement	
	2008 R000	2007 R000	**2008 R000**	2007 R000
Net deferred tax asset				
Assessed loss	**1 797**	2 052		
STC credit	**925**	1 211		
Capital gains tax loss and unrealised loss on investment	**64**	1 169		
	2 786	4 432		
Net deferred tax liability				
Income tax	**(15 277)**	(20 202)		
	(15 277)	(20 202)		
Analysis of deferred tax				
Deferred tax asset				
Provisions	**1 181**	4 134	**(2 952)**	872
Debtors provisions	**26 351**	10 787	**15 565**	6 011
Assessed loss	**1 797**	2 052	**(255)**	989
Credit balances in debtors	**148**	115	**33**	34
Capital gains tax loss	**64**	67	**(3)**	–
STC credit	**925**	1 211	**(286)**	125
Unrealised loss on investment	**–**	1 102	**–**	–
	30 466	19 468		
Deferred tax liability				
Debtors provisions	**–**	–	**–**	1 535
Debtors allowances	**(39 131)**	(33 574)	**(5 557)**	(1 745)
Accelerated depreciation for tax purposes	**(3 826)**	(1 664)	**(2 162)**	(1 369)
	(42 957)	(35 238)		
Deferred tax income statement			**4 383**	6 452

	Company			
	Balance sheet		Income statement	
	2008 R000	2007 R000	**2008 R000**	2007 R000
6. Deferred tax (continued)				
Deferred tax asset				
STC credit	**584**	143	**441**	(97)
	584	143		
Deferred tax income statement			**441**	(97)

	Company	
	2008 R000	2007 R000
7. Loan to employee share trust		
Balance at beginning of year	**12 549**	13 298
Amount advanced/(repaid) during the current year	**11 330**	(749)
Balance at end of year	**23 879**	12 549
The loan is unsecured, interest-free, and payable on demand.		
8. Loans to subsidiaries		
Subsidiary companies wholly owned		
Operating companies:		
HomeChoice (Pty) Ltd	**2 195**	24 622
HomeChoice Property Company (Pty) Ltd	**36 940**	42 147
HomeChoice Investments (Pty) Ltd	**41 016**	55 078
FinChoice (Pty) Ltd	**67 392**	41 045
Dormant companies:		
HomeChoice Innovations (Pty) Ltd	**(2)**	(2)
	147 541	162 890

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.

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
9. Available-for-sale investments				
Listed preference shares at market value	**43 346**	46 278	**–**	–
Listed preference shares	**Quantity**	Quantity		
FirstRand Limited	**126 400**	126 400		
Investec Bank Limited	**117 000**	117 000		
Nedcor Limited	**1 088 900**	1 088 900		
Standard Bank Limited	**117 300**	117 300		

Due to a prolonged decline in the fair value of the available-for-sale investments, the directors have determined that these investments are impaired and have accordingly recognised an impairment loss through the income statement of R10,5 million (2007: Nil) during the current year.
The investments have been pledged as security for the general banking facilities within the group.

	R000	R000	R000	R000
10. Inventories				
Merchandise for resale	**33 000**	24 181	**–**	–
Goods in transit	**12 669**	11 903	**–**	–
	45 669	36 084	**–**	–
The carrying amount of inventories written down to net realisable value is R5 161 000 (2007: R273 000). Stock sold at less than cost during the year was R397 000 (2007: R2 114 000). Provision for obsolete stock R4 003 000 (2007: R552 000). There was no reversal of any provisions for writedown of inventory in the year (2007: Nil).				
11. Trade and other receivables				
Trade receivables	**297 414**	248 790	**–**	–
Loans receivable	**66 868**	31 478	**–**	–
Provision for impairment on trade receivables	**(83 951)**	(35 368)	**–**	–
Provision for impairment on loans receivable	**(9 135)**	(3 730)	**–**	–
	271 196	241 170	**–**	–
Other receivables	**6 412**	8 077	**–**	–
	277 608	249 247	**–**	–
Movements in the provision for impairment of trade receivables were as follows:				
Opening balance	**(35 368)**	(32 211)	**–**	–
Debts provided for during the year	**(96 363)**	(33 766)	**–**	–
Recovery of debts written off	**(14 724)**	(17 032)	**–**	–
Debts written off during the year	**61 333**	46 906	**–**	–
Small balance transfers	**1 171**	735	**–**	–
Closing balance	**(83 951)**	(35 368)	**–**	–
Movements in the provision for impairment of loans receivable were as follows:				
Opening balance	**(3 730)**	(19)	**–**	–
Debts provided for during the year	**(14 226)**	(3 720)	**–**	–
Recovery of debts written off	**(320)**	–	**–**	–
Debts written off during the year	**9 110**	9	**–**	–
Small balance transfers	**31**	–	**–**	–
Closing balance	**(9 135)**	(3 730)	**–**	–

Refer to significant accounting judgements, 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, 16, 18 or 24 months and attract interest based on rates as determined by the National Credit Act, or the Usury Act for contracts entered into prior to June 2007. Interest and finance charges earned on trade and loans receivable during the current year are disclosed in note 19.
Included in trade and loans receivable are amounts approximating R21,6 million (2007: R20,4 million) that contractually fall due in excess of one year.

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
12. Cash and cash equivalents				
Cash at bank	**8 011**	17 372	**–**	–
Short-term deposits	**49 074**	56 835	**48 310**	43 901
	57 085	74 207	**48 310**	43 901
Bank overdraft	**63 460**	–	**–**	–
The bank overdraft incurs interest at prime less 1,5%.				
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.				
13. Share capital				
Authorised				
200 000 000 (2007: 200 000 000) ordinary shares of 1 cent each	**2 000**	2 000	**2 000**	2 000
Issued				
103 869 000 (2007: 103 869 000) ordinary shares of 1 cent each	**1 039**	1 039	**1 039**	1 039

	Number of shares 000	Number of shares 000
Reconciliation of movement in issued shares		
Balance at beginning of year	**103 869**	104 644
Shares repurchased and cancelled	**–**	(775)
Balance at end of year	**103 869**	103 869
Treasury shares held by share trust	**(4 260)**	(7 490)
Adjusted issued shares at end of year	**99 609**	96 379
Shares held by share trust as a percentage of the issued shares at end of year	**4,1%**	7,2%

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
14. Share premium				
Balance at beginning of year	**156 662**	159 250	**156 662**	159 250
Share premium reduction	**(10 387)**	–	**(10 387)**	–
Premium on shares repurchased	**–**	(2 588)	**–**	(2 588)
Balance at end of year	**146 275**	156 662	**146 275**	156 662
15. Treasury shares				
Balance at beginning of year	**(13 288)**	(13 288)	**–**	–
Share premium reduction	**426**	–	**–**	–
Sold during the year	**5 639**	–	**–**	–
Balance at end of year	**(7 223)**	(13 288)	**–**	–

	Group		Company	
	2008 R000	2007 R000	**2008 R000**	2007 R000
16. Interest-bearing liabilities				
Long-term payable between two and five years				
– Suspensive sale agreements	**162**	804	**–**	–
Current				
– Current portion of suspensive sale agreements	**535**	815	**–**	–
	697	1 619	**–**	–

The suspensive sale agreements are repayable in monthly instalments of R57 000 (2007: R108 000) including interest and capital. Interest rates are linked to the prime overdraft rate and varied between 13,50% and 13,55% (2007: between 13,00% and 13,05%) 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.

17. Trade and other payables

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
17.1 Trade and other payables				
Trade accounts payable	**26 551**	25 063	**–**	–
Annual leave pay accrual	**2 451**	1 607	**–**	–
Lease liability	**81**	998	**–**	–
Other accounts payable	**12 198**	14 025	**22**	103
	41 281	41 693	**22**	103
17.2 Provisions				
Balance at beginning of year	**6 894**	6 121	**–**	–
Utilised	**(6 894)**	(6 121)	**–**	–
Raised	**700**	6 894	**–**	–
Balance at end of year	**700**	6 894	**–**	–

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.

18. Segment information

The group's reportable segments have been identified as HomeChoice, FinChoice and Properties:

- HomeChoice is the catalogue retail company of the group providing an exclusive range of household goods to the urban market.
- FinChoice provides personal loans to existing customers within the group.
- HomeChoice Properties holds land and building for rental within the group (refer to note 1).

Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties, with the exception of certain intergroup loans, as disclosed in note 28.

	Retail R000	Financial services R000	Property R000	All other R000	Group R000
18. Segment information (continued)					
2008					
Total revenue	**518 184**	**37 677**	**2 362**	**(4 840)**	**553 383**
Third party	**514 354**	**37 677**	**1 059**	**293**	**553 383**
Inter-segment	**3 830**	**–**	**1 303**	**(5 133)**	**–**
Depreciation and amortisation	**3 175**	**322**	**–**	**–**	**3 497**
Operating profit/(loss)	**75 655**	**5 711**	**66**	**(22 554)**	**58 878**
Net interest (paid)/received	**(1 199)**	**233**	**(3 037)**	**1 938**	**(2 065)**
Profit/(loss) for the period	**55 659**	**4 531**	**(2 139)**	**(15 023)**	**43 028**
Profit/(loss) before tax	**74 457**	**5 944**	**(2 971)**	**(14 192)**	**63 238**
Tax (expense)/income	**(18 798)**	**(1 413)**	**832**	**(831)**	**(20 210)**
Segment assets excluding group loans	**297 284**	**67 609**	**102 736**	**92 748**	**560 377**
Segment liabilities excluding group loans	**53 791**	**3 606**	**67 922**	**(2 276)**	**123 043**
Group loans payable/(receivable)	**4 754**	**67 392**	**36 940**	**(109 086)**	**–**
Capital expenditure	**12 544**	**443**	**62 740**	**–**	**75 727**
2007					
Total revenue	428 198	10 476	212	(1 816)	437 070
Third party	426 381	10 476	212	1	437 070
Inter-segment	1 817	–	–	(1 817)	–
Depreciation and amortisation	3 401	231	–	–	3 632
Operating profit/(loss)	114 700	(7 520)	(232)	(75)	106 873
Net interest (paid)/received	(3 940)	82	243	5 593	1 978
Profit/(loss) for the period	82 563	(5 281)	7 349	4 598	89 229
Profit/(loss) before tax	110 760	(7 438)	10 351	3 357	117 030
Tax (expense)/income	(28 197)	2 157	(3 002)	1 241	(27 801)
Segment assets excluding group loans	290 747	34 988	42 253	98 807	466 795
Segment liabilities excluding group loans	79 447	1 861	93	(1 065)	80 336
Group loans payable/(receivable)	27 180	41 045	42 147	(110 372)	–
Capital expenditure	2 915	575	31 463	–	34 953

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
19. Revenue				
Turnover from the sale of goods and financial services	**414 356**	371 475	**–**	–
Interest and finance charges earned on trade and loans receivable	**139 027**	65 595	**–**	–
Total turnover	**553 383**	437 070	**–**	–
Interest received on cash and cash equivalents	**1 528**	2 555	**1 645**	5 318
Dividends received	**9 575**	10 650	**5 447**	16 566
Total revenue	**564 486**	450 275	**7 092**	21 884
20. Other income				
Capital profit on sale of legal book	**–**	23 699	**–**	–
During 2007 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.				
21. Operating profit				
21.1 Operating profit				
The operating profit includes the following items:				
Auditor's remuneration	**933**	883	**–**	–
– Current year	**919**	875	**–**	–
– Other services	**14**	8	**–**	–
Loss on disposal of property plant and equipment	**324**	87	**–**	–
Foreign exchange gain	**(220)**	(1 146)	**–**	–
Operating lease charges – immovable property	**8 005**	7 016	**–**	–
Sublease payments	**(54)**	(353)	**–**	–
Contributions to provident fund	**6 607**	5 538	**–**	–
Consulting fees paid to non-employees	**3 861**	4 334	**–**	–
21.2 Directors' emoluments				
Non-executive directors				
– Fees			**311**	289
Executive directors				
– Fees			**–**	200
– Remuneration			**5 567**	4 716
– Bonus			**1 335**	1 592
– Retirement, medical, disability and death benefits			**562**	540
			7 775	7 337

All the directors' emoluments are paid by subsidiaries. No service contracts exist with any directors.

		Group		Company	
		2008	2007	**2008**	2007
		R000	R000	**R000**	R000

22. Income tax

Income statement					
SA normal tax	– current year	**(24 593)**	(33 922)	**(461)**	(1 542)
Deferred tax	– current year	**3 759**	6 726	**441**	(48)
	– prior years	**624**	(59)	**–**	–
	– rate change	**–**	(215)	**–**	(49)
Secondary tax on companies		**–**	(331)	**–**	(331)
		(20 210)	(27 801)	**(20)**	(1 970)

Reconciliation of tax rate	**%**	%	**%**	%
Standard tax rate	**28,0**	29,0	**28,0**	29,0
Lower tax rate – CGT	**(1,5)**	(2,9)	**–**	–
CGT not raised	**4,7**	–	**–**	–
Disallowable expenditure	**3,3**	0,2	**(11,9)**	–
Exempt income	**(1,9)**	(2,6)	**(12,4)**	(22,0)
Secondary taxation on companies	**0,4**	(0,1)	**(3,7)**	1,8
Rate change	**(1,0)**	0,2	**–**	0,2
Effective tax rate	**32,0**	23,8	**0,0**	9,0

23. Capital commitments

	R000	R000	**R000**	R000
Capital commitments for property plant and equipment				
Approved by directors	**595**	83	**–**	–
Approved by directors and contracted for	**–**	72 000	**–**	–
	595	72 083	**–**	–

24. Borrowing powers

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

25. 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 21.1.

26. Contingent liabilities and commitments

26.1 The company has guaranteed the letters of credit of HomeChoice (Pty) Ltd amounting to R23 286 000 (2007: R26 287 000) at the balance sheet date.

26.2 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 2008, the surety provided by the subsidiary to Standard Bank of South Africa Limited was R8 975 000 (2007: R9 500 000).

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

26.4 The company has issued deeds of suretyship in respect of the operating leases of properties leased by HomeChoice (Pty) Ltd. 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 2008 R000	Group 2007 R000

26. Contingent liabilities and commitments (continued)

	2008 R000	2007 R000
Properties		
Payable within one year	**5 340**	7 395
Payable between two and five years	**508**	4 235
Subleases		
Receivable within one year	**–**	(789)

26.5 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 2008 the company was still awaiting a written judgement on the matter.

27. Financial risk management

27.1 Financial risk management policy

The board of HomeChoice Holdings Limited is responsible for the financial risk management of the group and is assisted by the directors of the subsidiary companies.

The group is exposed to a variety of financial risks arising from the use of financial instruments, including credit risk, liquidity risk and market risk.

In assessing risk the group classifies financial assets and liabilities as follows:

		Group				Company
Assets	Note	Loans and receivables R000	Available-for-sale investments R000	Non-financial assets R000	Total R000	Loans and receivables R000
2008						
Loan to employee share trust	7	**–**	**–**	**–**	**–**	**23 879**
Loans to subsidiaries	8	**–**	**–**	**–**	**–**	**147 541**
Loans to employees	3	**6 790**	**–**	**–**	**6 790**	**–**
Available-for-sale investments	9	**–**	**43 346**	**–**	**43 346**	**–**
Trade and loans receivable	11	**271 196**	**–**	**–**	**271 196**	**–**
Other receivables	11	**2 465**	**–**	**3 947**	**6 412**	**–**
Short-term deposits	12	**49 074**	**–**	**–**	**49 074**	**48 310**
Bank and cash	12	**8 011**	**–**	**–**	**8 011**	**–**
Total		**337 536**	**43 346**	**3 947**	**384 829**	**219 730**
Guarantees		**12 908**				
Maximum exposure to credit risk		**350 444**				
2007						
Loan to employee share trust	7	–	–	–	–	12 549
Loans to subsidiaries	8	–	–	–	–	162 890
Available-for-sale investments	9	–	46 278	–	46 278	–
Trade and loans receivable	11	241 170	–	–	241 170	–
Other receivables	11	2 849	–	5 228	8 077	–
Short-term deposits	12	56 835	–	–	56 835	43 901
Bank and cash	12	17 372	–	–	17 372	–
Total		318 226	46 278	5 228	369 732	219 340
Guarantees		11 500				
Maximum exposure to credit risk		329 726				

27. Financial risk management (continued)

27.1 Financial risk management policy (continued)

2008

		Group			Company
		At amortised cost	Non- financial liabilities	Total	At amortised cost
Liabilities	Note	R000	R000	R000	R000
Trade payables	17	**26 551**	**–**	**26 551**	**–**
Other payables	17	**12 101**	**2 629**	**14 730**	**22**
Bank overdraft	12	**63 460**	**–**	**63 460**	**–**
Suspensive sale agreements	16	**697**	**–**	**697**	**–**
Total		**102 809**	**2 629**	**105 438**	**22**
2007					
Trade payables	17	25 063	–	25 063	–
Other payables	17	13 996	2 634	16 630	103
Suspensive sale agreements	16	1 619	–	1 619	–
Total		40 678	2 634	43 312	103

27.2 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group or company. Potential concentrations of credit risk consist principally of trade and loans receivable and short-term cash deposits. The group's maximum exposure to credit risk at year-end in respect of financial assets is shown in note 27.1.

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

27.2.1 Trade and loans receivable

Trade 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. Methods used to grant credit to customers comply with the requirements of the National Credit Act.

Trade and loans receivable have repayment terms of 6, 12, 18 or 24 months and attract interest based on rates determined by the National Credit Act, or the Usury Act for contracts entered into prior to June 2007. Interest earned on trade and loans receivable during the current year is disclosed in note 19.

A provision for impairment is raised when there is objective evidence that the business will not be able to collect all amounts due according to the original terms of the receivable. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. Accordingly a percentage of all trade and loans receivable is provided for and at 31 December all trade and loans receivable past due had been impaired.

27.2.2 Cash and cash equivalents

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

27.3 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 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.

27. Financial risk management (continued)

27.3 Liquidity risk management (continued)

Group	Weighted average interest rate	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	Over 2 years	Total
	%	R000	R000	R000	R000	R000	R000	R000
2008								
Non-interest-bearing liabilities								
– Trade and other payables	–	**13 119**	**18 855**	**2 748**	**670**	**1 340**	**1 920**	**38 652**
Interest-bearing liabilities								
– Bank overdraft	13.50	**63 460**	**–**	**–**	**–**	**–**	**–**	**63 460**
– Suspensive sale agreements	13.50	**–**	**57**	**105**	**430**	**164**	**–**	**756**
		76 579	**18 912**	**2 853**	**1 100**	**1 504**	**1 920**	**102 868**
2007								
Non-interest-bearing liabilities								
– Trade and other payables	–	12 004	21 720	1 435	600	1 200	2 100	39 059
– Forward exchange contracts	–	–	7 897	6 920	–	–	–	14 817
Interest-bearing liabilities								
– Suspensive sale agreements	13.00	–	94	188	681	865	–	1 828
		12 004	29 711	8 543	1 281	2 065	2 100	55 704

The trade and other payables balance in the company is payable on demand.

	2008 R000	2007 R000
The group has the following undrawn borrowing facilities available:		
General banking facilities at date of this report	**110 000**	30 000
Guarantees	**4 700**	2 000
Suspensive sale arrangements at date of this report	**8 000**	8 000
	122 700	40 000
Borrowings, guarantees and letters of credit	**(90 375)**	(30 839)
Unutilised borrowing facility	**32 325**	9 161

27.4 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of market prices. Market prices comprise three types of risk: Interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include trade receivables, loans and borrowings, cash and cash equivalents, available-for-sale investments, and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position at 31 December 2008 and 2007.

27. Financial risk management (continued)

27.4 Market risk (continued)

27.4.1 Equity price risk

The available for sale investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The group manages the equity price risk through constant review of the share market.

At the balance sheet date, the exposure to listed equity securities at fair value was R43 346 000. A decrease of 10% on the value of these investments would have an impact of R4 335 000 of the income or equity attributable to the group, depending on whether or not the decline is significant or prolonged. An increase of 10% of the value of the listed securities would impact profit before tax as an impairment charge was recognised in the current year.

27.4.2 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 enters into contracts to purchase inventory from Asia and enters into forward foreign exchange contracts to economically hedge the exchange rate risk arising from these transactions. Refer below for details of open forward exchange contracts at year-end.

At 31 December 2008 there were no forward foreign exchange contracts outstanding.

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

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 20% (2007: 15%) change in exchange rates as being reasonably possible at 31 December.

27. Financial risk management (continued)

27.4 Market risk (continued)

27.4.2 Foreign currency risk management – continued

Group	Movement in exchange rate	Effect on profit before tax R000
2008		
	+20%	**(700)**
	–20%	**700**
2007		
	+15%	(913)
	–15%	913

The group had uncovered foreign liabilities at 31 December 2008 amounting to US$2 162 939 (2007: US$912 691).

The company has no exposure to foreign currency instruments.

27.4.3 Interest rate risk management
The group finances its operations through a mixture of excess cash and bank borrowings.

The group is also exposed to interest rate risk on trade and loans receivable, which accrues interest at rates prescribed under the National Credit Act.

The group and company measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on the profit before tax based on the group's exposure at 31 December. The group regards a 3% (2007: 2%) change in the Reserve Bank repo rate as being reasonably possible at 31 December 2008. In terms of the National Credit Act, a 3% (2007: 2%) change in the Reserve Bank repo rate allows for a 6,6% (2007: 4,4%) change in the interest rate charges to customers included in trade and loans receivable.

	Group		Company	
	Movement in basis points	Effect on profit before tax R000	Movement in basis points	Effect on profit before tax R000
2008				
Trade and loans receivable	**+660**	**22 307**	**–**	**–**
	–660	**(22 307)**	**–**	**–**
Cash and cash equivalents	**+300**	**(191)**	**+300**	**(1 449)**
	–300	**191**	**–300**	**1 449**
Loans to subsidiaries	**–**	**–**	**+300**	**(66)**
	–	**–**	**–300**	**66**
Suspensive sale agreement	**+300**	**(21)**	**–**	**–**
	–300	**21**	**–**	**–**
2007				
Trade and loans receivable	+440	11 895	–	–
	–440	(11 895)	–	–
Cash and cash equivalents	+200	1 484	+200	(878)
	–200	(1 484)	–200	878
Loans to subsidiaries	–	–	+200	(492)
	–	–	–200	492
Suspensive sale agreement	+200	(32)	–	–
	–200	32	–	–

27. Financial risk management (continued)

27.5 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 and company 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.
- Investments: Fair values are determined with reference to the quoted market prices.

27.6 Capital risk management

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

The capital structure comprises 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 group's 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 or reduced share premium. The timing of these repurchases or share premium reductions depends on the availability of shares to be repurchased and available funding.

During the current year Nil (2007: 775 000) shares were repurchased and cancelled and the share premium was reduced by an aggregate amount of R10 387 000 (2007: Nil), the equivalent of 10 cents (2007: Nil) per share. The decision to repurchase shares or reduce share premium is 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 maintenance during the year. Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

28. 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 7 and 8).

28. Related-party disclosures (continued)

		Interest earned R000	Dividends received R000	Donations granted R000	(Repayments) and loans granted R000
Wholly owned subsidiaries					
HomeChoice (Pty) Ltd	**2008**	**1 645**	**1 039**	**–**	**(25 111)**
	2007	5 464	10 387	–	(46 521)
HomeChoice Investments (Pty) Ltd	**2008**	**–**	**–**	**–**	**(14 061)**
	2007	–	–	–	116
HomeChoice Property Company (Pty) Ltd	**2008**	**–**	**–**	**–**	**(5 207)**
	2007	–	–	–	36 391
FinChoice (Pty) Ltd	**2008**	**–**	**–**	**–**	**26 347**
	2007	–	–	–	36 373
Trusts					
The HomeChoice Share Trust	**2008**	**–**	**–**	**–**	**11 330**
	2007	–	–	–	(749)
The HomeChoice Development Trust	**2008**	**–**	**–**	**1 000**	**–**
	2007	–	–	1 000	–
Associate					
En-commandite partnership	**2008**	**–**	**–**	**–**	**(2 007)**
	2007	–	–	–	(785)

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 2008, 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 Nil (2007: 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 477 000 (2007: R4 832 000).

28. 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.

Directors of two of the company's subsidiaries, HomeChoice (Pty) Ltd and FinChoice (Pty) Ltd, purchased company motor vehicles at normal market prices. The amount paid by the directors was R505 000 (2007: R150 000).

Details of the directors' emoluments are contained in note 21.2.

Loans to employees

All loans are individually immaterial and as such a detailed breakdown has not been disclosed. Refer to note 3.

Post-retirement benefit plans

The group is a member of the HomeChoice Provident Fund, a defined contribution plan. Refer note 25 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:

	2008	2007
	R000	R000
Non-executive directors (refer note 21.2)	**311**	289
Executive directors (refer note 21.2)	**7 464**	7 048
Other key management personnel – directors of subsidiary companies		
– Remuneration	**7 924**	5 765
– Bonus	**2 255**	310
– Retirement, medical, disability and death benefits	**1 141**	878
	19 095	14 290

29. Comparative figures

Early adoption

Advertising and promotional activity expenses

IAS 38 Intangible Assets has been amended and now expenditure on advertising and promotional activities is recognised as an expense when the entity has the right to access the goods or has received the service. The amendment also clarifies that catalogues are considered to be a form of advertising and promotional activities. The amendment becomes effective with retrospective effect for periods on or after 1 January 2009. The group has elected to early adopt the amendment in the current year.

Prior year adjustment

Origination fee income

The group receives origination fees relating to the creation or acquisition of trade receivables. The group previously recognised these fees when the services were performed.

During the current year, the group applied its policy and now includes these origination fees as part of the effective interest rate of the financial instrument.

Leave pay and lease liability reclassification

The company reclassified R2.6 million of the 2007 provisions to accruals.

29. Comparative figures (continued)

Prior year adjustment (continued)

	Group			
	Reclassi-fication 2007 R000	Early adoption 2007 R000	Prior year adjustment 2007 R000	Total 2007 R000
Income statement				
Increase in turnover	–	–	10 028	10 028
Increase in cost of sales	–	(2 156)	–	(2 156)
Decrease/(increase) in tax expense	–	625	(2 908)	(2 283)
(Decrease)/increase in profit	–	(1 531)	7 120	5 589
Balance sheet				
Decrease in trade receivables	–	–	(6 440)	(6 440)
Decrease in other receivables	–	(3 321)	–	(3 321)
Decrease in provisions	2 605	–	–	2 605
Increase in trade payables	(2 605)	(681)	–	(3 286)
Decrease in deferred tax	–	1 161	1 868	3 029
Decrease in opening retained income	–	1 310	11 692	13 002
(Decrease)/increase in closing retained income	–	(1 531)	7 120	5 589

	Group		
	Gross 2007 R 000	Deferred tax 2007 R 000	Net effect 2007 R 000
Statement of changes in equity			
Effect on retained income at 1 January 2007	(18 314)	5 312	(13 002)
Early adoption	(1 846)	536	(1 310)
Prior year adjustment	(16 468)	4 776	(11 692)

This had no effect on the financial performance and position of the company.

30. 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.

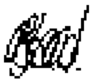
Notice to members

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, 78 Main Road, Wynberg, Cape Town, on Friday, 8 May 2009, 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 2008.
2. To approve the appointment of P Joubert as a non-executive director and to elect two directors in the place of RE Garratt and A Kirsten who retire in terms of the company's articles of association. RE Garratt and A Kirsten, 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 of South Africa, 1973, as amended.
4. To approve the remuneration of directors for services as directors for the past financial year.
5. To confirm the dividend as declared.
6. 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



BJ Bastard
Company secretary

20 March 2009
Cape Town

Details on non-executive director nominated for appointment to the board

P Joubert qualified as a Chartered Accountant (SA) with Deloitte in 1992 and joined Reunert Limited, ending as financial director of Reumech Equipment, a group subsidiary company. In May 1997 he was appointed commercial director of the Connection Group, a diversified IT company. He was appointed financial director of Software Connection Ltd upon the company's listing on the JSE Limited in October 1997, and in April 1999 assumed the role of chief executive of Connection Group Holdings. In November 2002, he joined Rand Merchant Bank, a division of FirstRand Bank Limited (RMB), as a senior equity transactor. P Joubert is currently head of Equities Trading at RMB.

Details on directors eligible for re-election

RE Garratt is the current chairman, a position he has held since 1 February 2007. Prior to that, he held the position of chief executive officer. He founded the group in 1985, and has been involved with all operational aspects. Before founding the group, he was a partner at Ernst and Young. RE Garratt is a Chartered Accountant (SA).

A Kirsten is the current chief operating officer, a position she has held since 1 February 2007. Prior to that, she held the position of deputy chief operating officer. She joined the group in December 1999 as finance manager and was appointed financial director in October 2002. In addition to her duties as financial director, she has been responsible for overseeing most operational matters including warehousing and distribution. Before joining the group, she was with PricewaterhouseCoopers and a company involved in grain trading. A Kirsten is a Chartered Accountant (SA).

Form of proxy

HomeChoice

Annual general meeting on 8 May 2009

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 8 May 2009 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 approve the appointment of P Joubert as a non-executive director			
2.2 Resolution to re-elect RE Garrett, an executive director retiring in accordance with the articles of association			
2.3 Resolution to re-elect A Kirsten, an 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			

Signed by me on this ______________________ day of ______________________ 2009

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, 78 Main Road, Wynberg 7800 (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).

Administration

Company registration number
1991/005430/06

Company secretary
BJ Bastard

Registered office
78 Main Road
Wynberg 7800

Attorneys
Edward Nathan Sonnenbergs Inc.
Edward Nathan Sonnenbergs House
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Loop Street
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Cape Town 8001

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

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

Country of incorporation
South Africa

Shareholders' diary

Financial year-end	31 December
Annual general meeting	8 May 2009
Reports and profit statements	
Publication of annual report	Approximately 31 March 2009
Interim report	Approximately 21 August 2009

GREYMATTER & FINCH # 4526

HomeChoice

www.homechoice.co.za