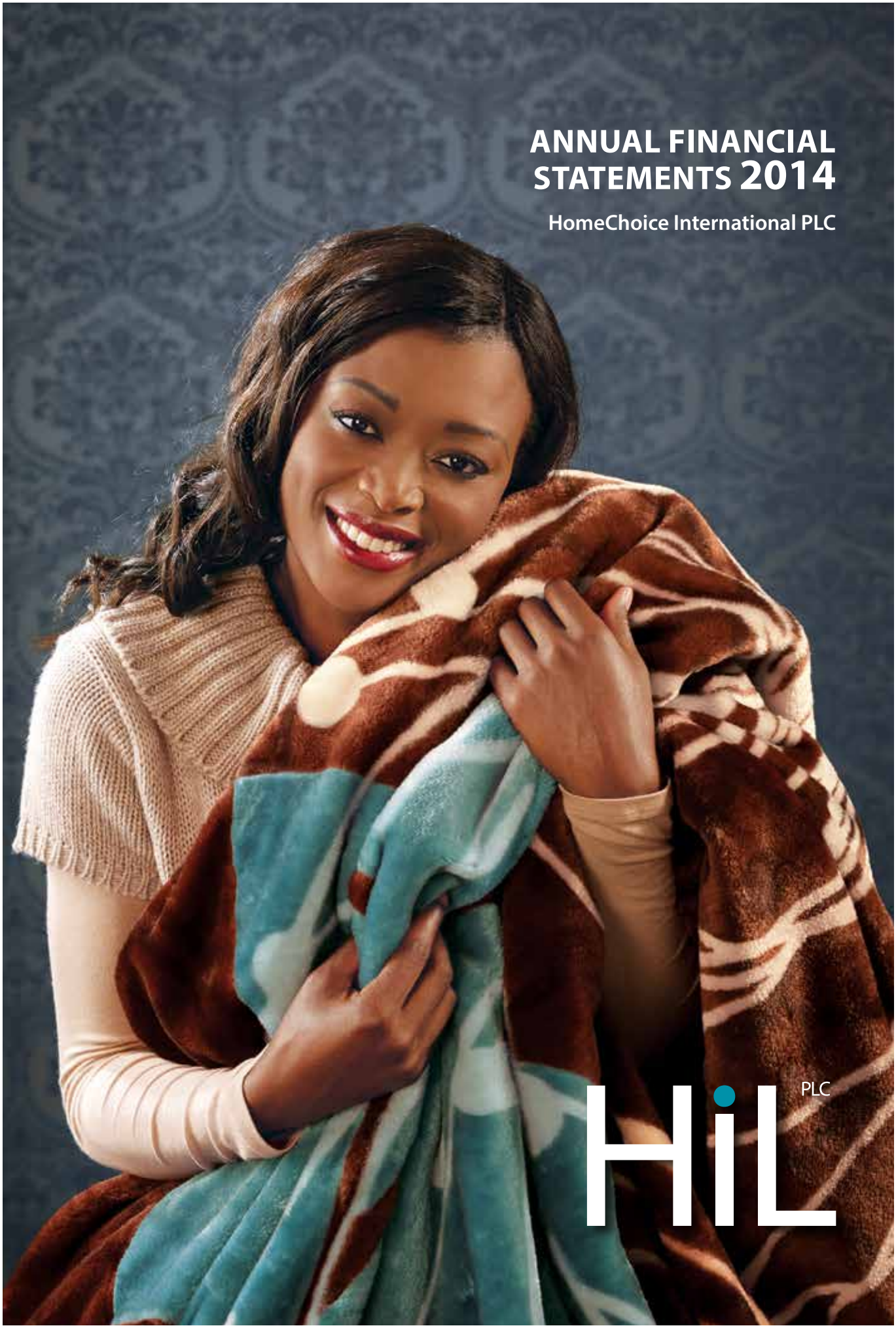
ANNUAL FINANCIAL STATEMENTS 2014

HomeChoice International PLC



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DIRECTORS' APPROVAL

Directors' responsibility for and approval of the group annual financial statements

The directors are required in terms of the Maltese Companies Act (Cap 386 of the laws of Malta) to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards which give a true and fair view of the state of affairs of the group and the parent company as at the end of the financial 12 months and the results of its operations and cash flows for the period then ended. In preparing the financial statements, the directors are also responsible for selecting and applying consistently suitable accounting policies; making accounting judgments and estimates that are reasonable in the circumstances; and ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business as a going concern.

The external auditors are engaged to express an independent opinion on the financial statements. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 7.

The financial statements of HomeChoice International PLC for the year ended 31 December 2014 are included in the Annual Report 2014, which is published in hard-copy printed form and may be made available on the company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the group and the parent company as at 31 December 2014, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- the annual report includes a fair review of the development and performance of the business and the position of the group and the parent company, together with a description of the principal risks and uncertainties that the group and the parent company face.

The financial statements set out on pages 8 to 65 which have been prepared on the going concern basis, were approved by the directors on 16 March 2015 and are signed on their behalf by:

S Portelli
Chairman

P Burnett
Finance Director

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee is pleased to present its report for the financial year ended 31 December 2014 to the shareholders of HomeChoice International PLC.

Role of the committee

The audit and risk committee is governed by a board-approved charter that guides the committee in terms of its authority and objectives. The responsibilities of the committee include the following:

- reviewing the annual financial statements and any other financial information presented to shareholders, ensuring compliance with International Financial Reporting Standards;
- overseeing integrated reporting and considering factors and risks that could impact on the integrity of the integrated report;
- nominating the external auditors for appointment, monitoring and reporting on their independence, approving the terms of engagement and scope of the audit, and fees paid;
- overseeing the group's risk management processes, identifying and reviewing the group's exposure to significant risks and its risk mitigation strategy;
- providing assurance on the adequacy and effectiveness of the group's systems of internal financial and operational control and compliance with laws and procedures;
- monitoring and supervising the effective functioning and performance of internal audit, ensuring that it operates independently of management and approving the annual audit plan; and
- considering the appropriateness of the expertise and experience of the finance director and group's finance function.

Committee composition and meetings

The committee comprises three independent non-executive directors, namely Charles Rapa (chairman), Amanda Chorn and Stanley Portelli. Biographical details of the committee members appear on pages 28 and 29 of the Integrated Report. Meetings are also attended by invitees including the finance director and heads of internal and external audit.

King III recommends that a chairman of a board of directors is not also a member of its audit committee. As outlined above, the group's chairman, Stanley Portelli, is a member of the audit and risk committee. Stanley is an experienced director with extensive legal, financial services and corporate experience in Malta. The board believes he can make a valuable contribution to the deliberations of the audit committee, which will not be compromised by his role as chairman of the board. This departure from King III is permitted under the listing rules of the JSE.

The committee typically meets four times during the year and has established an annual meeting plan agenda. The chairman of the committee reports to the board after each committee meeting and also attends the annual general meeting of shareholders to answer any questions that may arise concerning the activities of the committee.

The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

Activities of the committee

The main activities undertaken by the committee are summarised as follows:

Annual financial statements

The committee reviewed the group's annual financial statements and considered matters such as the selection of accounting policies and disclosure of financial information. The committee is satisfied that the annual financial statements comply with International Financial Reporting Standards and recommended their approval to the board.

Integrated annual report

The committee has reviewed the disclosures in the integrated annual report and is satisfied that it is reliable and does not conflict with the annual financial statements. The committee also gave due consideration to the need for assurance of the report and decided not to obtain independent assurance at this time.

External audit

The committee nominated for appointment the external auditor, reviewed the audit plan, the terms of engagement and the audit fee budget. The committee has appraised the independence, expertise and objectivity of PricewaterhouseCoopers as external auditor, as well as approved the terms of engagement and the fees paid. The committee is satisfied that both the external auditor and the engagement partner are independent of the group and management, and are able to express an independent opinion on the group's annual financial statements.

The committee determined the nature and extent of any non-audit services and preapproved any proposed contracts with the auditors for the provision of non-audit services. These fees were primarily incurred on the scheme of arrangement undertaken during the year and are non-recurring in nature, and the committee is satisfied that appropriate safeguards have been adopted to maintain the independence of the external auditor when providing non-audit services.

AUDIT AND RISK COMMITTEE REPORT (continued)

The committee reviewed the external auditors' opinion on the financial statements and considered any reports on risk exposure and weaknesses in internal controls. The committee also met with the external auditors separately without management being present.

The committee concludes that the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and hereby recommends for approval by the shareholders the reappointment of PricewaterhouseCoopers as external auditor, and Joseph Camilleri as the engagement partner for 2015.

Internal control and risk management

The committee has assisted the board in assessing the adequacy of the risk management process and has an oversight role regarding the management of risk. Having considered, analysed, reviewed and debated information provided by management and internal audit, the committee is satisfied that the internal controls of the group have been effective in all material aspects throughout the year under review.

Compliance with laws and regulations

The committee reviewed the processes in place to ensure compliance with legal and regulatory provisions, and believes that they are appropriate. The committee was not made aware of any material breach of laws or legislation during the year.

Internal audit

The internal audit function provides assurance to the board on the adequacy and effectiveness of the group's internal control and risk management processes. The committee has ensured that the internal audit department has functioned independently and has the authority to enable it to fulfil its duties.

The committee has approved the internal audit plan and has reviewed the activities and findings of the internal audit function. The committee has reviewed reports 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 was not made aware of any material breach of internal controls during the year.

Expertise of the finance director and finance function

The committee has considered the appropriateness of the expertise and experience of Paul Burnett, the finance director. The committee believes that he possesses the appropriate expertise and experience to meet his responsibilities. The committee has also considered the collective expertise, resources and experience of the group's finance function and concluded that it is appropriate.

Going concern

The committee has reviewed management's assessment of the going concern and has recommended to the board that the group will be a going concern for the foreseeable future.

Election of committee members

The following members have made themselves available for election to the committee and are hereby proposed to shareholders for consideration and approval at the annual general meeting:

- Charles Rapa
- Stanley Portelli
- Amanda Chorn

Approval of the audit and risk committee report

The committee confirms that it has functioned in accordance with its terms of reference and that its report to shareholders has been approved by the board.

Charles Rapa
Chairman of the audit and risk committee

Qormi, Republic of Malta
16 March 2015

REPORT OF THE DIRECTORS for the year ended 31 December 2014

Nature of business

HomeChoice International PLC is a leading credit-based home shopping retailer selling homeware merchandise and financial services products to the rapidly expanding urban middle-income mass market in Southern Africa.

Regulatory and supervisory structure

The Financial Services Board (FSB) is responsible for supervising the company's listing and regulates its ongoing compliance with JSE Listings Requirements. During the year under review the company complied with all its rules, Listings Requirements and procedures in a manner that warrants its continued listing and there were no conflicts of interest that were required to be referred to the FSB.

Audit and risk committee

The audit and risk committee is governed by a board-approved charter that guides the committee in terms of its authority and objectives. The directors confirm that the audit and risk committee has addressed the specific responsibilities required in terms of this charter. Further details are contained within the audit and risk committee report on pages 3 and 4.

Directors

The following directors held office during the year and offer themselves for election as directors at the annual general meeting of shareholders on 12 May 2015:

Gregoire Lartigue – Chief Executive Officer
Paul Burnett – Finance Director
Shirley Maltz – Executive Director
Stanley Portelli – Independent Non-executive Director (Chairman)
Amanda Chorn – Independent Non-executive Director
Richard Garratt – Non-executive Director
Eduardo Gutierrez-Garcia – Non-executive Director
Robert Hain – Independent Non-executive Director
Charles Rapa – Independent Non-executive Director

Company secretary

The company secretary is George Said and his business and postal addresses appear on the inside back cover of the integrated annual report.

Restructuring

During November 2014 the HomeChoice Holdings Limited group was restructured under an approved scheme of arrangement whereby shareholders of HomeChoice Holdings Limited became shareholders of HomeChoice International PLC, a newly incorporated entity and registered in Malta. This transaction was accounted for as a reorganisation of the existing group and did not change the substance of the reporting entity.

The consolidated financial statements of HomeChoice International PLC are therefore presented using the values from the consolidated financial statements of the previous holding company.

Subsidiary companies

Details of the company's investments in subsidiaries are set out on page 60 of this report. The interest of the company in the aggregate profits before taxation of the subsidiary companies is R526,3 million (2013: R407,8 million).

Review of financial performance

The group experienced strong revenue growth of 17,8% to R1 958,6 million (2013: R1 662,0 million) in the continued tough consumer environment. This was achieved despite the successful January 2014 move to the new distribution centre, and consequently planned lower revenue during this period, as well as postal strikes during the third quarter which had a negative impact on customers and on retail sales. Growth was accelerated by range extension, strong marketing offers and campaigns as well as an investment in marketing expenses to grow the customer database.

The gross profit margin improved by 70 basis points to 49,8% from the 49,1% in 2013. This was achieved through efficient supply chain management which limited the impact of the volatile Rand. The majority of the group's merchandise is imported and US Dollar denominated.

Debtor costs increased by 4,2% to R329,9 million (2013: R316,5 million), reflecting the tightening of credit policy during 2012 and 2013 in response to the deterioration in the credit market, resulting in an improved performance of the debtors' and loan books.

Other trading expenses increased by 29,5% during 2014 driven by the following factors:

- Marketing costs increased 19,8% due to tighter credit criteria and a strategic decision to invest in customer acquisition.
- Staff costs increased by 33,2% as no bonuses were paid in the prior financial year due to the group not meeting targets. An investment was made in additional merchandise and e-commerce staff. The group also invested in additional call centre and collection staff.
- Amortisation and depreciation increased by 66,6% due to the depreciation of the new distribution centre racking and equipment ,as well as the amortisation of phase 1 of the ERP which went live during October 2013.
- Other expenses increased by 31,2% due to once-off restructuring and listing costs.

Operating profit increased by 19,0% to R521,5 million (2013: R438,3 million). Operating margin at 26,6% (2013: 26,4%) remains within the 25% to 30% medium-term target.

EBITDA increased by 20,3% to R541,8 million (2013: R450,2 million), which is higher than operating profit growth due to higher depreciation in the Retail business negatively impacting operating profit.

Headline earnings increased by 14,9% to R355,6 million (2013: R309,3 million), which is lower than operating profit growth owing to the significantly higher interest charge due to the financing of the new distribution centre.

Financial position
Net asset value per share has increased by 22,2% to 1 559,8 cents (2013: 1 275,8 cents).

Return on equity reduced to 24,8% from 26,3% in 2013 and is marginally below the medium-term target range of 25% to 30%.

Property, plant and equipment
There were no significant changes in the nature of the group's property, plant and equipment during the period. Further details of the movements in the carrying value of property, plant and equipment are contained in note 4 to the group annual financial statements.

Capital management
The capital management strategy of the group continues to be focused on investing in organic growth through innovative Retail and Financial Services offers to our customers, expanding the group's customer base and identifying opportunities in new markets to optimise returns to shareholders.

Capital expenditure of R60,1 million was incurred during 2014, down from R161,6 million in 2013 when the new distribution centre was developed. R38,8 million (2013: R26,9 million) of the capital expenditure in 2014 relates to intangibles, which is mostly the investment in a new ERP system. This will continue into 2016, together with investment in the group's e-commerce capabilities. A new call centre will be developed on land adjacent to the group's head office building.

During 2014 a final dividend for the 2013 financial year of R66,5 million was paid to shareholders. The 2015 interim dividend, normally paid during November, will be paid together with the final dividend in May 2015.

Distributions to shareholders

Dividends of 66 (sixty-six) cents were declared and paid during the year (2013: 94 cents). The 2014 proposed final dividend of 161 cents per share will be presented for approval by the shareholders at the annual general meeting on 12 May 2015.

Stated and share capital

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

Treasury shares and share buy-back transactions

The company has 600 000 treasury shares which are held by the HomeChoice Development Trust. Further details are contained in note 13 to the group annual financial statements. The percentage of called up share capital held as treasury shares is 0,6%. Before the group's reorganisation (refer to Restructuring above) 2 490 087 treasury shares at a nominal value of R4,44 and a total consideration of R11,067 million were bought back. Prior to the share buy-back the treasury shares were held in the HomeChoice Share Trust for the purposes of the HomeChoice Holdings share scheme. The share scheme was terminated and replaced with a new scheme following the reorganisation.

As part of the reorganisation 72 900 000 HIL shares issued on incorporation were repurchased by the company at the subscription price paid at incorporation of R0,183 million.

Share incentive option scheme

The group has established a share option incentive scheme in which options to acquire shares in the company have been granted to employees of the group. The group has no legal or constructive obligation to repurchase or settle the options in cash. Further details are reflected in note 14 to the group annual financial statements.

Borrowing powers

The borrowing powers of the group are not limited in terms of the memorandum and articles of incorporation of the companies.

Future developments

The group will continue to offer homewares merchandise, personal electronics and loan products to the middle-income market in southern Africa. Expansion into the rest of Africa presents a growth opportunity for the business in the medium to long term.

Going concern

The annual financial statements have been prepared on the going concern basis. The directors have reviewed the group's cash flow forecast for the 12 months to 31 December 2015 and, in the light of this review and the current financial position, they are satisfied that the group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

Events subsequent to the reporting date

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

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution for their reappointment will be proposed at the annual general meeting.

By order of the board

Gregoire Lartigue
Chief Executive Officer

Paul Burnett
Finance Director

16 March 2015

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HOMECHOICE INTERNATIONAL PLC

Report on the financial statements for the year ended 31 December 2014

We have audited the consolidated and separate financial statements of HomeChoice International PLC (together the "financial statements") on pages 8 to 65, which comprise the consolidated and separate statements of financial position as at 31 December 2014, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards, as well as with the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of the group and the parent company as at 31 December 2014, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with International Financial Reporting Standards as issued by the International Accounting Standards Board and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on other legal and regulatory requirements for the year ended 31 December 2014

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- the information given in the Directors' Report is not consistent with the financial statements;
- adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
- we have not received all the information and explanations we require for our audit; and
- certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers
78 Mill Street
Qormi, Malta

Joseph Camilleri
Partner

16 March 2015

GROUP STATEMENT OF **FINANCIAL POSITION** at 31 December 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**299 387**	292 785
Intangible assets	5	**91 125**	61 237
Loans to employees	6	**1 302**	6 362
Investment in associates	7	**7 676**	6 536
Deferred taxation	8	**18 819**	18 133
		418 309	385 053
Current assets			
Inventories	9	**166 363**	144 964
Taxation receivable		**12 232**	77
Trade and other receivables	10	**1 504 773**	1 169 921
Trade receivables – Retail		**865 466**	686 375
Loans receivable – Financial Services		**621 804**	462 080
Other receivables		**17 503**	21 466
Cash and cash equivalents	11	**63 005**	67 981
		1 746 373	1 382 943
Total assets		**2 164 682**	1 767 996
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated and share capital	12.1	**1 018**	30 980
Share premium	12.2	**2 982 202**	–
Treasury shares	13	**(2 666)**	(13 733)
Reorganisation reserve	12	**(2 960 639)**	–
Other reserves	15	**3 030**	1 902
Retained earnings		**1 555 381**	1 266 575
Total equity		**1 578 326**	1 285 724
Non-current liabilities			
Interest-bearing liabilities	16	**266 234**	188 208
Deferred taxation	8	**92 721**	68 015
Other payables	17	**4 340**	3 510
		363 295	259 733
Current liabilities			
Interest-bearing liabilities	16	**30 203**	21 148
Taxation payable		**2 882**	8 953
Trade and other payables	18	**158 465**	134 552
Provisions	19	**31 078**	9 000
Bank overdraft		**433**	48 886
		223 061	222 539
Total liabilities		**586 356**	482 272
Total equity and liabilities		**2 164 682**	1 767 996
Additional information			
Rand/Euro exchange rate		**0,0707**	0,0691

These financial statements were approved by the board of directors, authorised for issue on 16 March 2015 and signed on its behalf by:

Stanley Portelli
Chairman

Paul Burnett
Financial Director

GROUP STATEMENT OF **COMPREHENSIVE INCOME** for the year ended 31 December 2014

	Notes	2014 R'000	2013 R'000
Revenue		**1 958 575**	1 661 952
Retail sales		**1 082 473**	929 730
Finance charges and initiation fees earned		**745 179**	619 848
Finance charges earned		**537 807**	452 912
Initiation fees earned		**207 372**	166 936
Fees from ancillary services		**130 923**	112 374
Cost of retail sales		**(543 108)**	(472 771)
Debtor costs	22	**(329 902)**	(316 463)
Other trading expenses	22	**(562 879)**	(434 739)
Other net gains and losses	20	**(3 787)**	(2 319)
Other income	21	**2 633**	2 661
Operating profit		**521 532**	438 321
Interest received		**1 948**	2 070
Interest paid	23	**(21 883)**	(7 554)
Share of loss of associates		**(2 556)**	(1 818)
Profit before taxation		**499 041**	431 019
Taxation	24	**(143 721)**	(121 696)
Profit and total comprehensive income for the year		**355 320**	309 323
Earnings per share (cents)			
Basic	31.1	**352,5**	306,9
Diluted	31.2	**349,0**	305,6
Additional information (%)			
Retail gross profit margin		**49,8**	49,1

The retail gross profit margin percentage has been calculated as retail sales less cost of retail sales, divided by retail sales.

GROUP STATEMENT OF **CHANGES IN EQUITY** for the year ended 31 December 2014

	Stated and share capital R'000	Share premium R'000	Treasury shares R'000	Reorganisation reserve R'000	Other reserves R'000	Retained earnings R'000	Equity attributable to owners of the parent R'000
Balance at 1 January 2013	30 980	–	(11 331)	–	1 084	1 049 589	1 070 322
Changes in equity							
Profit and total comprehensive income for the year	–	–	–	–	–	309 323	309 323
Purchases of treasury shares by share trust	–	–	(2 536)	–	–	–	(2 536)
Sale of treasury shares by share trust	–	–	134	–	–	2 396	2 530
Dividends paid	–	–	–	–	–	(94 733)	(94 733)
Share option scheme	–	–	–	–	818	–	818
Total changes	–	–	(2 402)	–	818	216 986	215 402
Balance at 1 January 2014	30 980	–	(13 733)	–	1 902	1 266 575	1 285 724
Changes in equity							
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**355 320**	**355 320**
Treasury shares cancelled	**(11 067)**	**–**	**11 067**	**–**	**–**	**–**	**–**
Shares issued on incorporation of HomeChoice International PLC	**183**	**–**	**–**	**–**	**–**	**–**	**183**
Shares repurchased	**(183)**	**–**	**–**	**–**	**–**	**–**	**(183)**
Shares issued in exchange for shareholding in HomeChoice Holdings Limited	**1 014**	**2 979 539**	**(2 666)**	**–**	**–**	**–**	**2 977 887**
Net assets acquired	**(19 913)**	**–**	**2 666**	**(2 960 639)**	**–**	**–**	**(2 977 886)**
Shares issued	**4**	**2 663**	**–**	**–**	**–**	**–**	**2 667**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(66 514)**	**(66 514)**
Share option scheme	**–**	**–**	**–**	**–**	**1 128**	**–**	**1 128**
Total changes	**(29 962)**	**2 982 202**	**11 067**	**(2 960 639)**	**1 128**	**288 806**	**292 602**
Balance at 31 December 2014	**1 018**	**2 982 202**	**(2 666)**	**(2 960 639)**	**3 030**	**1 555 381**	**1 578 326**

GROUP STATEMENT OF **CASH FLOWS** for the year ended 31 December 2014

	Notes	2014 R'000	2013 R'000
Cash flows from operating activities			
Operating cash flows before working capital changes	26	**546 177**	451 910
Movements in working capital	26	**(312 612)**	(173 900)
Cash generated from operations	26	**233 565**	278 010
Interest received		**1 948**	2 078
Interest paid		**(21 883)**	(5 883)
Taxation paid	27	**(137 927)**	(115 668)
Net cash inflow from operating activities		**75 703**	158 537
Cash flows from investing activities			
Purchase of property, plant and equipment		**(18 004)**	(134 700)
Proceeds on disposal of property, plant and equipment		**492**	9
Purchase of intangible assets	5	**(38 906)**	(26 883)
Loans repaid by employees		**6 830**	4 115
Loans granted to employees		**(1 302)**	–
Investment in associates		**(3 696)**	(4 403)
Net cash outflow from investing activities		**(54 586)**	(161 862)
Cash flows from financing activities			
Proceeds from the issuance of shares		**2 667**	–
Proceeds on the sale of treasury shares		**–**	2 530
Purchase of treasury shares		**–**	(707)
Proceeds from interest-bearing liabilities		**111 671**	229 950
Repayments of interest-bearing liabilities		**(24 964)**	(120 357)
Finance-raising costs paid		**(500)**	(1 937)
Dividends paid		**(66 514)**	(94 733)
Net cash inflow from financing activities		**22 360**	14 746
Net increase in cash and cash equivalents and bank overdrafts		**43 477**	11 421
Cash, cash equivalents and bank overdrafts at the beginning of the year		**19 095**	7 674
Cash, cash equivalents and bank overdrafts at the end of the year	11	**62 572**	19 095

GROUP **SEGMENTAL ANALYSIS** for the year ended 31 December 2014

	Retail			Financial Services		
	2014 R'000	% change	2013 R'000	**2014 R'000**	% change	2013 R'000
Segmental revenue	**1 571 846**		1 344 840	**385 988**		315 923
Retail sales	**1 082 473**	16,4	929 730	**–**		–
Finance charges and initiation fees earned	**430 496**	19,0	361 808	**314 683**	22,0	258 040
Fees from ancillary services	**58 877**	10,5	53 302	**71 305**	23,2	57 883
Dividends received	**–**		–	**–**		–
Intersegment revenue	**–**		–	**–**		–
Revenue from external customers	**1 571 846**	16,9	1 344 840	**385 988**	22,2	315 923
EBITDA	**337 946**	16,6	289 834	**189 064**	29,8	145 693
Depreciation and amortisation	**(20 889)**		(11 950)	**(616)**		(490)
Interest received	**–**		–	**209**		159
Interest paid	**–**		–	**(28 348)**		(28 993)
Segmental results*	**317 057**		277 884	**160 309**		116 368
Interest received	**1 595**		1 609	**–**		–
Interest paid	**(5 070)**		(1 721)	**–**		–
Profit before taxation	**313 582**	12,9	277 772	**160 309**	37,8	116 368
Taxation	**(89 074)**		(77 376)	**(43 614)**		(33 162)
Profit for the year	**224 508**	12,0	200 396	**116 695**	40,2	83 206
Segmental assets**	**1 244 768**		1 038 561	**671 802**		502 783
Segmental liabilities**	**285 109**		305 290	**31 951**		12 127
Operating cash flows before working capital changes	**339 252**	16,7	290 596	**189 223**	29,8	145 788
Movements in working capital	**(174 643)**		(129 877)	**(140 920)**		(47 441)
Cash generated/(utilised) by operations	**164 609**	2,4	160 719	**48 303**	(50,9)	98 347
Gross profit margin (%)	**49,8**		49,1			
Segmental results margin (%)	**20,2**		20,7	**41,5**		36,8
Capital expenditure						
Property, plant and equipment	**14 519**		55 286	**825**		610
Intangible assets	**38 463**		26 649	**307**		234
Items included in segmental results:						
Interest received – Other and Financial Services	**–**		–	**209**		159
Interest paid – Other and Financial Services	**–**		–	**(28 348)**		(28 993)
Share of loss of associates						
Marketing costs	**148 906**	18,4	125 754	**17 338**	32,8	13 054
Staff costs	**185 315**	31,2	141 211	**44 567**	44,8	30 781
Depreciation and amortisation	**20 889**	74,2	11 992	**616**	25,6	490
Other costs	**126 339**	20,6	104 733	**25 892**	15,1	22 495
Other trading expenses	**481 449**	25,5	383 690	**88 413**	32,3	66 820
Debtor costs	**220 725**	4,1	212 002	**109 177**	4,5	104 461
Total trading expenses (refer note 22)	**702 174**	17,9	595 692	**197 590**	15,4	171 281

* *Refer to note 1.28 for further details on segments and segmental results*
** *Excluding group loans, including loans to share trust*

Property			Other			Eliminations			Total		
2014 R'000	% change	2013 R'000	**2014 R'000**	% change	2013 R'000	**2014 R'000**	% change	2013 R'000	**2014 R'000**	% change	2013 R'000
28 556		18 689	**–**		2 905	**–**		–	**1 986 390**		1 682 357
–		–	**–**		–	**–**		–	**1 082 473**	16,4	929 730
–		–	**–**		–	**–**		–	**745 179**	20,2	619 848
28 556		18 689	**–**		–	**–**		–	**158 738**	22,2	129 874
–		–	**–**		2 905	**–**		–	**–**		2 905
(27 815)		(17 500)	**–**		(2 905)	**–**		–	**(27 815)**		(20 405)
741	(37,7)	1 189	**–**		–	**–**		–	**1 958 575**	17,8	1 661 952
27 681	56,6	17 681	**2 032**	(56,3)	4 651	**(14 973)**	94,8	(7 685)	**541 750**	20,3	450 174
(1 269)		(1 189)	**–**		–	**–**		–	**(22 774)**		(13 629)
–		–	**35 622**		29 232	**(35 504)**		(23 222)	**327**		6 169
–		–	**(9 553)**		(1 545)	**28 344**		23 222	**(9 557)**		(7 316)
26 412		16 492	**28 101**		32 338	**(22 133)**		(7 685)	**509 746**		435 398
26		17	**–**		–	**–**		(5 767)	**1 621**	(139,1)	(4 141)
(14 415)		(4 284)	**–**		–	**7 159**		5 767	**(12 326)**	5 070,1	(238)
12 023	(1,7)	12 225	**28 101**	(13,1)	32 338	**(14 974)**	94,8	(7 685)	**499 041**	15,8	431 019
(3 366)		(3 420)	**(7 667)**		(8 366)	**–**		–	**(143 721)**		(122 324)
8 657	(1,7)	8 805	**20 434**	(14,8)	23 972	**(14 974)**	94,8	(7 685)	**355 320**	15,1	308 695
233 779		228 649	**17 833**		6 470	**(3 500)**		(8 467)	**2 164 682**		1 767 996
162 629		62 360	**110 167**		110 962	**(3 500)**		(8 467)	**586 356**		482 272
27 681	56,6	17 681	**(9 966)**	(4 235,3)	241	**(13)**	(99,5)	(2 396)	**546 177**	20,9	451 910
(313)		3 105	**3 261**		313	**3**		–	**(312 612)**		(173 900)
27 368	31,7	20 786	**(6 705)**	(1 310,3)	554	**(10)**	(99,6)	(2 396)	**233 565**	(16,0)	278 010
									49,8		49,1
92,5		88,2	**–**		1 113,2	**–**		–	**26,0**		26,2
5 845		78 804	**–**		–	**–**		–	**21 188**		134 700
–		–	**136**		–	**–**		–	**38 906**		26 883
–		–	**35 622**		29 232	**(35 504)**		(23 222)	**327**		6 169
–		–	**(9 553)**		(1 545)	**28 344**		23 222	**(9 557)**		(7 315)
			(2 556)		(1 818)				**(2 556)**		(1 818)
–		–	**–**		–	**–**		–	**166 244**	19,8	138 808
–		–	**1 718**	(7,6)	1 858	**–**		–	**231 600**	33,2	173 850
1 269	6,7	1 189	**–**		–	**–**		–	**22 774**	66,6	13 671
900	(12,6)	1 030	**12 636**	(638,2)	(2 348)	**(23 506)**	34,3	(17 500)	**142 261**	31,2	108 410
2 169	(2,3)	2 219	**14 354**	(3 029,3)	(490)	**(23 506)**	34,3	(17 500)	**562 879**	29,5	434 739
–		–	**–**		–	**–**		–	**329 902**	4,2	316 463
2 169	(2,3)	2 219	**14 354**	(3 029,3)	(490)	**(23 506)**	34,3	(17 500)	**892 781**	18,8	751 202

NOTES TO THE **GROUP ANNUAL FINANCIAL STATEMENTS** for the year ended 31 December 2014

1. Accounting policies

1.1 Presentation of annual financial statements

The significant accounting policies applied in the preparation of the separate and consolidated financial statements are set out below. The consolidated financial statements of HomeChoice International PLC and its subsidiaries and the separate financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Maltese Companies Act.

All IFRS issued by the IASB and effective at the beginning of the financial period covered by these consolidated and separate financial statements have been adopted by the EU through the endorsement procedures established by the European Commission, with the exception of *IFRIC Interpretation 21, Levies.*

Since the group and the parent company are not affected by the provisions of this interpretation, the consolidated and separate financial statements comply with both International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards issued by IASB.

Note 2.2 sets out standards and interpretations that are not yet effective in terms of IFRS issued by IASB but are relevant to the group. IFRS 9 and IFRS 15 have not yet been endorsed by the EU while the amendment to IFRS 2 applicable for periods starting on or after 1 July 2014 has a different implementation date under IFRS as adopted by the EU.

1.2 Basis of consolidation

The consolidated annual financial statements include those of the company and its subsidiaries, including any special purpose entities such as the employee share trust. The capital reorganisation of HomeChoice Holdings Limited to HomeChoice International PLC has been accounted for in accordance with the principles of reorganisation accounting as applicable to group reorganisations. The consolidated financial statements are therefore presented as if HomeChoice International PLC had been the parent company of the Group throughout the periods presented.

1.3 Basis of preparation

These annual financial statements have been prepared on the historical cost basis. The consolidated and separate annual financial statements are expressed in South African Rand (ZAR or R). The principal accounting policies applied in the preparation of these annual financial statements are set out below and are consistent with those adopted in the prior year, except for new and amended standards and interpretations, as set out in note 2. The application of these new and amended standards and interpretations had no impact on the comparative results.

1.4 Investment in subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. All intergroup transactions, balances, income and expenses are eliminated on consolidation. In the company's financial statements, investments in subsidiaries are carried at cost less any impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised in equity, separately from the group's interest in subsidiaries. Losses of subsidiaries attributable to non-controlling interest holders are allocated to the non-controlling interest even if this results in a debit balance being recognised. Transactions where ownership changes but control is retained are regarded as equity transactions and are recognised directly in the statement of changes in equity. Where a subsidiary is disposed of and a non-controlling shareholding is retained the remaining investment is measured to fair value, with the adjustment to fair value recognised in profit and loss as part of the gain or loss on disposal of the controlling interest. Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

1.5 Investment in associate

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor 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. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. Refer to note 1.8 for the impairment of non-financial assets, including goodwill. The group's share of its associates' post-acquisition profits or losses is recognised in profit and loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

1.6 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 profit and loss 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:

Buildings*	10,0%
Furniture and fittings	4,0% – 33,3%
Office equipment	7,7% – 33,3%
Computer equipment	11,1% – 50,0%
Motor vehicles	14,3% – 25,0%
Plant and machinery	14,3% – 33,3%

* Main building components are not depreciated as their residual value exceeds cost

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 profit and loss in the year the asset is derecognised. An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

1.7 Intangible assets

Intangible assets are initially recognised at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. If assessed as having a finite useful life, it is amortised over its useful economic life 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 profit or loss. Intangible assets include licences and computer software (including development costs). All of the group's intangible assets are assessed as having finite useful lives. The annual amortisation rates applied are as follows:

Licences	10,0% – 33,3%
Computer software	14,3% – 33,3%

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly

attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use it.
- There is an ability to use the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. 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 profit and loss when the asset is derecognised.

1.8 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 profit and loss. 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 or amortisation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit and loss.

1.9 Inventory

Inventory is valued at the lower of cost, determined on the first-in-first-out basis, and net realisable value. Cost consists of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition, net of insurance; freight; and customs duties attributable to inventories. 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.

1.10 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 profit and loss on a straight-line basis over the lease term. The resulting difference arising between the 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. Where the group leases assets and substantially assumes all the risks and rewards of ownership, the lease is classified as a finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

1.11 Financial instruments

Financial instruments recognised on the statement of financial position include trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings. 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. A financial asset is derecognised when 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. A financial liability is derecognised when the relevant obligation has either been discharged or cancelled or has expired. Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a current legally enforceable right to set off recognised amounts and there is an intention to realise the assets and settle the liabilities on a net basis. 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.

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.

1.12 Financial guarantee contracts

Financial guarantee contracts are recognised as financial liabilities at the date the guarantee is issued at fair value less cumulative amortisation. The fair value of the guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

1.13 Derivative financial instruments

The group uses derivative financial instruments such as forward currency contracts to economically hedge its risks associated with 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. Derivatives are categorised as held for trading at fair value through profit and loss, unless they are designated as hedges.

1.14 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 and loss when liabilities are derecognised, as well as through the amortisation process.

1.15 Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1.16 Loans to employees

Loans to employees 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.

1.17 Impairment of financial assets

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

Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and a provision for impairment of receivables is established and impairment losses incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. For trade and loans receivable, 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. Trade and loans receivable are written off, and, if previously impaired, the doubtful debt allowance utilised, when there is no realistic prospect of future recovery and all collateral (where applicable) has been realised or transferred to the group. 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 reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

1.18 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Stated and share capital

Share capital represented the par value of ordinary shares issued, being classified as equity. During the year the ordinary shares were converted to no par value shares, resulting in the existing share capital and premium being transferred to stated capital. If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs, are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Share premium

Share premium represents the excess consideration received by the company over

the par value of ordinary shares issued and was classified as equity. Incremental costs directly attributable to the issue of new shares or options were shown in equity as a deduction from share premium, net of any taxation effect.

Treasury shares
Shares in the company 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. No gain or loss is recognised in profit and loss on the purchase, sale, issue or cancellation of the group's own equity instruments. The sales consideration from any subsequent resale of the shares, net of any directly attributable transaction costs, are credited to retained earnings.

1.19 Dividend distribution
Dividend distributions to the company's shareholders are recognised as a liability in the group's financial statements in the period in which dividends are approved by the company's shareholders.

1.20 Share-based payments
The group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share options) of the group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period the entity revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity. When the share options are exercised, the company issues new shares or settles through releasing existing treasury shares. If issuing new shares, the proceeds received net of any directly attributable transaction costs are credited to stated capital when the options are exercised. If settling through the release of existing treasury shares, the proceeds received net of any directly attributable transaction costs are credited to retained earnings, with the resulting decrease in treasury shares being debited to same. The grant by the company of share options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent standalone accounts.

1.21 Provisions and contingencies
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 current market assessments of the time value of money and 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. For further details on the nature of provisions raised within the group refer to note 20. Contingent liabilities arise when an obligation has resulted, but is either not probable or not able to be reliably estimated. Contingent liabilities are not recognised.

1.22 Revenue recognition
Revenue is recognised at the fair value of the consideration received, net of discounts and related taxes, and consists primarily of the retail sales, finance charges earned, fees from ancillary services and dividends received. 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:

Retail sales
Retail sales comprises revenue from the sale of goods and income earned from the delivery of such goods and is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. It is the group's policy to sell its products to the retail customer with a right to return within 14 days. The group records a provision for estimated returns based on our sales returns policy and historical rates. The group does not operate any loyalty programmes.

Finance charges earned and initiation fees earned
Finance charges earned includes finance charges and delinquent interest earned on trade and

other receivable balances. Finance charges and delinquent interest 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. Initiation fees are charged upfront and are capitalised on initiation of a loan or credit sale. In accordance with IAS 18, *Revenue* these initiation fees are considered an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale, using the effective interest rate. Trade receivables are reduced by the deferred portion of these fees. The group does not defer any related operating costs as these are all internal costs which are not directly attributable to individual transactions and, as such, are primarily absorbed infrastructure costs.

Fees from ancillary services
Fees from ancillary services include revenue earned for administration of transactions with customers, as well as insurance distributions received on our credit life products and group schemes. Monthly administration fees are recognised in profit and loss as they are charged to the customer. Insurance distributions are recognised as income when the right to receive payment is established.

Dividends received
Dividends received on equity instruments are recognised when the right to receive payment is established.

1.23 Cost of retail sales
When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. Cost of sales includes costs of purchase and subsequent distribution. Costs of purchase include the purchase price, import duties, non-recoverable taxes and transport costs. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Costs directly related to the provision of services recognised as revenue in the current period are included in cost of sales.

1.24 Borrowing costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.25 Employee benefits
Retirement obligations
The group operates a defined contribution retirement provident fund scheme which is funded through payments to insurance companies, determined by periodic actuarial calculations. A defined contribution plan is a retirement plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus scheme
The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the group's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.26 Taxation
The income tax expense is determined based on taxable income for the year and includes deferred tax, secondary tax on companies (STC) (which has been replaced effective 1 April 2012 by withholding tax on dividends) and capital gains tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current taxation
Management periodically evaluates positions taken in tax returns with respect to situations in which tax regulation is subject to interpretation.

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 reporting date.

Deferred taxation
Deferred taxation is recognised using the liability method on temporary differences at the reporting date between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities. However, the deferred income taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 reporting 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 reporting 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are off-set 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.

Withholding tax on dividends
STC was abolished with effect from 1 April 2012 and replaced by a dividends tax, which is not levied on the company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. Dividends tax withheld by the company on dividends paid to its shareholders (who do not qualify for an exemption from dividends tax) and payable at the reporting date to the South African Revenue Service (where applicable) is included in trade and other payables in the statement of financial position.

1.27 Foreign currency transactions
Items included in the annual 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). The consolidated annual financial statements are presented in South African Rand, which is the company's functional and the group's presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 profit and loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

1.28 Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of HomeChoice International PLC Limited. The group is primarily a retailer of household goods and provider of loans and other financial services. The group's reportable segments have been identified as follows:

- **Retail:** The Retail segment reflects the results of HomeChoice and FoneChoice. HomeChoice is a multi-channel home shopping retailer providing an exclusive range of household products whilst FoneChoice retails technology-related products to HomeChoice customers.
- **Financial Services:** The Financial Services segment reflects the results of FinChoice. FinChoice provides personal loans with terms ranging between 1 and 36 months.
- **Property:** This segment holds land and buildings which are primarily used by HomeChoice, FoneChoice and FinChoice.
- **Other:** Aggregated under Other is the holding company's results and the results of the group's associates.

Eliminations include all intergroup transactions, balances, income and expenses, as eliminated on consolidation.

The group has a large, wide-spread customer base and no individual customer contributes a significant portion of revenue. Sales outside of South Africa are less than 10% of total sales.

The chief operating decision-maker monitors the results of the business segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. They assess the performance of the Retail and Property segments based upon a measure of operating profit and Financial Services and Other segments based on a measure of operating profit after interest received and interest paid. Intersegment pricing is determined 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 notes 3 and 4 to the company annual financial statements.

1.29 Significant accounting judgements, estimates and assumptions

The preparation of the group's annual 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 value of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

Trade and loan receivables

A provision for impairment of trade and loan 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current period

In the current year the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 32, Off-setting Financial Assets and Financial Liabilities

The new standard clarifies that the right of off-set should not be contingent on a future event. The impact of this amendment does not have a material impact on the group.

The following new standards, amendments or interpretations to existing standards became effective during the year, but are not relevant to the group's operations:

- *Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities* (effective 1 January 2014)
- *Amendments to IAS 36, Recoverable Amount Disclosures for Non-financial Assets* (effective 1 January 2014)
- *Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting* (effective 1 January 2014)
- *IFRIC 21 – Levies* (effective 1 January 2014)

2.2 Standards and interpretations not yet effective but relevant

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2015 or later periods:

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9, Financial instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, Revenue from Contracts with Customers

The new standard covers the recognition and disclosure of revenue from contracts with customers. The requirements for recognising revenue have become more specific and have changed significantly. The company will assess the impact of the changes proposed, which could be significant. *IFRS 15, Revenue from Contracts with Customers* deals with revenue recognition and establishes principles

for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS *18, Revenue* and *IAS 11, Construction Contracts* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

2.3 Standards and interpretations not yet effective or relevant

The group has not applied the following new and amended standards and interpretations that have been issued but are not yet effective, nor relevant to the group's operations:

- *Amendments to IFRS 11, Joint Arrangements* (effective 1 January 2016)
- *IFRS 14, Regulatory Deferral Accounts* (effective 1 January 2016)
- *Amendments to IAS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective 1 January 2016)
- *Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation* (effective 1 January 2016)
- *Amendments to IAS 27, Equity Method in Separate Financial Statements* (effective 1 January 2016
- *Amendments to IAS 16 and IAS 41, Agriculture: Bearer Plants* (effective 1 January 2016
- *Annual improvements 2012 – 14 cycle* (effective 1 January 2016)
- *Amendment to IAS 19, Employee Benefits* (effective 1 July 2014)
- *Annual improvements 2010 – 12 cycle* (effective 1 July 2014)
- *Annual improvements 2011 – 13 cycle* (effective 1 July 2014)

3. Risk management and financial instrument disclosure

The board is accountable for the process of risk management, establishing appropriate risk and control policies, and communicating these throughout the group. The group's risk management policies are designed to identify risks faced by the group and establish appropriate controls and limits to mitigate the risk to acceptable levels. The audit and risk committee oversees how management monitors compliance with these risk and control policies.

The group's risk management process is more fully described in the governance section of the integrated annual report. This note discloses information about the group's capital risk management and exposure to risks from its use of financial instruments.

3.1 Capital risk management

The group's objectives in managing capital is to sustain its ability to continue as a going concern while enhancing returns to shareholders. The group primarily makes use of equity for capital management purposes. Equity consists of ordinary share capital and reserves as disclosed in the statement of changes in equity. The capital structure of the group also consists of debt, which includes the borrowings disclosed in note 16, and cash and cash equivalents disclosed in note 11.

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. The board monitors the return on equity and seeks to maintain a balance between the higher returns that may be possible with higher levels of borrowings and the security and other benefits afforded by a sound capital position. The directors have determined a medium-term target of 27% to 32%. The group's return on equity was 24,8% (2013: 26,3%).

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or increase or reduce debt. From time to time the group repurchases its own shares or reduces share premium. The timing of these repurchases or share premium reductions depend on the availability of shares to be repurchased and available funding. 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. During the current and prior years there were no defaults or breaches of any of the group's agreements with its lenders.

3.2 Financial risk management

The group's activities expose it to a variety of financial risks arising from the use of financial instruments, including credit risk, liquidity risk and market risk.

The group's financial assets and liabilities, as well as non-financial assets and liabilities, can be summarised as follows:

3. Risk management and financial instrument disclosure (continued)

3.2 Financial risk management (continued)

	Note	Loans and receivables R'000	Non-financial assets R'000	Total R'000
ASSETS				
2014				
Non-current assets				
Loans to employees	6	**1 302**	**–**	**1 302**
Current assets				
Trade receivables – Retail	10	**865 466**	**–**	**865 466**
Loans receivable – Financial Services	10	**621 804**	**–**	**621 804**
Other receivables	10	**8 579**	**8 924**	**17 503**
Cash at bank	11	**63 005**	**–**	**63 005**
Total		**1 560 156**	**8 924**	**1 569 080**
Guarantees		**15 000**		
Maximum exposure to credit risk		**1 575 156**		
2013				
Non-current assets				
Loans to employees	6	6 362	–	6 362
Current assets				
Trade receivables – Retail	10	686 375	–	686 375
Loans receivable – Financial Services	10	462 080	–	462 080
Other receivables	10	7 672	13 794	21 466
Cash at bank	11	67 981	–	67 981
Money market investments	11	–	–	–
Total		1 230 470	13 794	1 244 264
Guarantees		15 000		
Maximum exposure to credit risk		1 245 470		

3. Risk management and financial instrument disclosure (continued)

3.2 Financial risk management (continued)

	Note	At amortised cost R'000	Non-financial liabilities R'000	Total R'000
LIABILITIES				
2014				
Non-current liabilities				
Listed bonds	16	**98 890**	**–**	**98 890**
Borrowings from bank	16	**137 248**	**–**	**137 248**
Suspensive sale agreements	16	**30 096**	**–**	**30 096**
Non-current other payables	17	**4 340**	**–**	**4 340**
Current liabilities				
Trade payables	18	**120 375**	**–**	**120 375**
Other payables	18	**35 981**	**2 109**	**38 090**
Listed bonds	16	**1 545**	**–**	**1 545**
Borrowings from bank	16	**11 812**	**–**	**11 812**
Bank overdraft		**433**	**–**	**433**
Suspensive sale agreements	16	**16 846**	**–**	**16 846**
Total		**457 566**	**2 109**	**459 675**
2013				
Non-current liabilities				
Listed bonds	16	98 063	–	98 063
Borrowings from bank	16	49 382	–	49 382
Suspensive sale agreements	16	40 764	–	40 764
Non-current other payables	17	3 510	–	3 510
Current liabilities				
Trade payables	18	99 897	–	99 897
Other payables	18	31 445	3 210	34 655
Listed bonds	16	1 545	–	1 545
Borrowings from bank	16	5 252	–	5 252
Bank overdraft		48 886	–	48 886
Suspensive sale agreements	16	14 351	–	14 351
Total		393 095	3 210	396 305

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management

The group uses credit to facilitate merchandise sales which enables customers in the mass middle-income market to purchase higher-value products on instalment credit. Credit is offered for HomeChoice purchases in South Africa, Botswana, Namibia, Lesotho and Swaziland, while FinChoice loans are currently only available to customers in South Africa.

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the group. The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The average group customer is female and falls within LSM groups four to eight. There is no further concentration of credit risk as the group has a large, widespread customer base. Credit risk consists principally of trade and loan receivables 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 3.2.

Credit risk is managed through a process of continued multiple level risk filtering. New customers are acquired through HomeChoice and the group customer base has a strong female bias. Females, particularly those buying homeware products, have proven better credit risk than their male counterparts.

In assessing applications for credit, strict affordability criteria are applied together with in-house developed scorecards based on credit bureau data. Industry-wide fraud databases are used to identify potentially fraudulent applications. Customer acquisition takes into account the risk level, repurchase propensity and profitability of new customers. New customers are granted a low credit exposure relative to their affordability. This allows the group to monitor payment behaviour with low exposure risk. As a customer demonstrates good payment performance and the behaviour scorecards identify her as a better risk, the purchase limit is raised closer to the maximum affordability level.

Behaviour scorecards are used to determine credit extension to good-paying customers, to drive repurchase rates and repeat loans, and reduce average bad debt. These scorecards are regularly reviewed and upgraded to ensure the group's credit policy remains in line with an acceptable level of risk for repeat business. As a direct marketer the group has the ability to manage credit risk by restricting potential customers to receive marketing offers.

FinChoice initial loans are only granted to HomeChoice customers who have demonstrated good payment behaviour. This ensures that FinChoice offers are marketed to relatively low-risk prospects. The selection criteria have enabled the business to select a profitable group of loan customers, with a stable and acceptable risk of bad debt.

All group data is taken into account when a customer is considered for credit extension. In this way a customer in arrears with any group product will not be granted further credit for HomeChoice or FinChoice. The quality of the customer base is closely monitored and early default models are maintained to detect any signs of early customer default.

The group operates dedicated collections call centres with predictive dialling technology to optimise customer contact. Customers with overdue accounts are contacted and "promise to pay" arrangements agreed and diarised for follow-up. External collection agents are used to supplement collections activities to recover outstanding balances. The group does not hold any collateral against receivable balances.

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 past due is provided for. The group establishes an allowance for impairment that represents its estimate of incurred losses using delinquency roll rate models.

No security is obtained for trade and loans receivables, and accordingly the entire balance as per the statement of financial position is exposed to credit risk.

Trade receivables

Trade receivables have repayment terms of 6 to 36 months and attract interest based on rates determined by the National Credit Act. Methods used to grant credit to customers comply with the requirements of the Act.

The group manages the ageing of trade receivables on a contractual basis. Trade receivables classified as "satisfactory paid" includes current receivables and amounts past due less than 30 days. Past experience has shown that a significant portion of amounts past due less than 30 days carry credit risk similar to that of current receivables and accordingly these balances are reviewed together. The ageing of customers, as presented below, are expressed as a percentage of the value of outstanding balances, based on both the gross trade receivables book before provisions and the net trade receivables book after provisions.

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

	% of gross trade receivables		% of net trade receivables	
	2014	2013	**2014**	2013
Contractual				
Retail				
Satisfactory paid	**73,1**	70,9	**79,8**	77,4
Current	**50,4**	49,6	**56,8**	55,5
Past due less than 30 days	**22,7**	21,3	**23,0**	21,9
Past due 31 – 60 days	**9,0**	9,3	**8,1**	8,5
Past due 61 – 90 days	**5,3**	5,5	**4,0**	4,2
Past due more than 91 days	**12,6**	14,3	**8,1**	9,9
	100,0	100,0	**100,0**	100,0
Trade receivables gross, net (R'000)	**1 063 645**	845 730	**865 466**	686 375

Loans receivable

Debt review customers that were previously written-off were reversed and moved back into the active book. The debt review book balance represented R68,9 million of loans receivable at year-end (2013: Rnil). Refer to change in estimate note 34.2 for further details. The inclusion of debt review in loans receivable has resulted in the deterioration of the recency ageing analysis.

The loans receivable book is derived from HomeChoice customers who have demonstrated good payment behaviour. Loans receivable have repayment terms of between 1 and 36 months. The group manages the ageing of loans receivable on a recency basis. Recency refers to the number of payment cycles that have elapsed since the last qualifying payment was received.

The aging of customers as presented below, are expressed as a percentage of the value of outstanding balances, based on both the gross loans receivable book before provisions and the net loans receivable book after provisions.

Recency analysis for current to 30 day customers comprised 94,0% of gross loans receivable. For the accounts unaffected by the debt review change this comprised 95,0% of gross loans receivable (2013: 94,5%). Similarly, the balances of non-performing loans comprised 4,2% of the book at year end. For accounts unaffected by the debt review change, the non-performing loan balances comprise 3,5% of the book (2013: 4,0%).

The loan product weighting relating to Other loans reflects 11,4% which includes the debt review book accounted only in 2014.

	% of gross loans receivable		% of net loans receivable	
	2014	2013	**2014**	2013
Recency				
Financial Services				
Current	**87,3**	88,3	**93,8**	93,9
Not paid 1 – 30 days	**6,7**	6,2	**4,4**	4,6
Not paid 31 – 60 days	**2,7**	2,5	**1,1**	1,1
Not paid more than 61 days	**3,3**	3,0	**0,7**	0,4
	100,0	100,0	**100,0**	100,0
Loans receivable gross, net (R'000)	**748 907**	525 116	**621 804**	462 080

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

	2014 %	2013 %
Loan product weighting		
Financial Services		
1-month loan	**1,5**	1,9
6-month loan	**14,3**	18,4
12-month loan	**17,8**	20,0
24-month loan	**47,8**	51,4
36-month loan	**7,2**	5,0
Other	**11,4**	3,3
	100,0	100,0

Non-performing trade and loan receivables, being accounts 120 days or more in arrears, as a percentage of the trade and loan receivable books, were as follows at the reporting dates:

	2014 %	2013 %
Retail	**8,7**	10,6
Financial Services	**4,2**	4,0

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

Cash and cash equivalents
The group invests surplus cash only with F1+ and approved F1 national short-term rated financial institutions.

Loans to employees
In terms of the group's employee share incentive scheme, loans have been provided to certain directors and managers of the group to enable them to acquire shares in HomeChoice International PLC Limited at market value. These shares are pledged to and held by the trustees of the HomeChoice Share Trust.

Financial guarantees
Credit risk arises in relation to financial guarantees given to certain parties. A subsidiary of the group has provided security on behalf of the group's associate, as discussed in note 7.

3. Risk management and financial instrument disclosure (continued)

3.4 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 risk is managed through optimisation of daily cash management and regular reviews of cash flow projections to ensure that appropriate borrowing facilities are in place.

The following table details the group's undiscounted contractual maturities for its financial liabilities.

	Weighted average interest rate %	On demand R'000	1 year R'000	2 years R'000	3 years R'000	4 years R'000	Over 4 years R'000	Total R'000	Carrying value R'000
2014									
Non-interest-bearing liabilities									
Non-current other payables	–	–	–	870	770	700	2 000	4 340	4 340
Trade and other payables	–	97 004	60 375	–	–	–	–	157 379	157 379
Financial guarantees	–	14 175	–	–	–	–	–	14 175	–
Interest-bearing liabilities									
Listed bonds	9,24	–	9 311	106 983	–	–	–	116 294	100 435
Borrowings from the bank	8,60	–	24 224	25 389	26 931	89 835	27 471	193 850	149 060
Bank overdraft	9,25	–	433	–	–	–	–	433	433
Suspensive sale agreements	8,07	–	19 497	19 047	6 157	5 264	1 481	51 446	46 942
		111 179	113 840	152 289	33 858	95 799	30 952	537 917	472 764
2013									
Non-interest-bearing liabilities									
Non-current other payables	–	–	–	770	670	570	1 500	3 510	3 510
Trade and other payables	–	81 464	50 281	–	–	–	–	131 745	131 745
Financial guarantees	–	15 000	–	–	–	–	–	15 000	–
Interest-bearing liabilities									
Listed bonds	8,29	–	8 725	9 311	106 983	–	–	125 020	99 608
Borrowings from the bank	9,70	–	9 170	9 160	9 170	9 171	35 947	72 617	54 634
Bank overdraft	8,50		48 886	–	–	–	–	48 886	48 886
Suspensive sale agreements	8,50	–	20 083	13 106	20 964	3 724	4 222	62 099	55 115
		96 464	137 145	32 346	137 788	13 465	41 669	458 877	408 498

3. Risk management and financial instrument disclosure (continued)

3.4 Liquidity risk management (continued)

The group has the following borrowing facilities available:

	2014 R'000	2013 R'000
General banking facilities available	**206 365**	165 000
Guarantees	**14 175**	9 300
Suspensive sale agreements facility available	**80 315**	139 155
	300 855	313 455
Amounts drawn against these facilities	**(153 598)**	(177 473)
Unutilised borrowing facilities at 31 December	**147 257**	135 982

3.5 Market risk management

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: equity price risk, foreign currency risk and interest rate risk. Financial instruments affected by market risk include trade and other receivables, interest-bearing liabilities and cash and cash equivalents.

Equity price risk management

The group is not exposed to equity price risk.

Foreign currency risk management

The group undertakes transactions in foreign currencies, hence exposure to exchange rate fluctuations arise. The majority of these transactions are purchases of inventory from Asia and are denominated in US Dollar. When deemed appropriate by the directors, the group enters into forward exchange contracts to assist in managing its foreign currency exposure and economically hedge the exchange risk.

The group had uncovered foreign liabilities (including foreign bank overdrafts) at 31 December 2014 amounting to R23,735 million (2013: R66,518 million). There were no outstanding forward exchange contracts at the reporting dates.

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

The sensitivity of the group's profit after taxation due to a reasonably possible change in exchange rates, with all other variables held constant, through the impact on uncovered foreign liabilities at year-end is as follows:

	Effect on profit after taxation	
	2014 R'000	2013 R'000
15% appreciation in ZAR/USD exchange rates	**2 563**	7 184
15% depreciation in ZAR/USD exchange rates	**(2 563)**	(7 184)

3. Risk management and financial instrument disclosure (continued)

3.5 Market risk management (continued)

The following line items on the group's statement of financial position includes balances denominated in US dollar:

	2014 R'000	2013 R'000
Trade and other payables	**23 302**	17 632
Bank overdraft	**433**	48 886
	23 735	66 518

Interest rate risk management

At year-end the group's interest-bearing assets and liabilities comprised trade and loan receivables, cash and cash equivalents, money market investments, listed bonds, borrowings from the bank and suspensive sale agreements. All interest-bearing assets and liabilities are sensitive to fluctuations in interest rates, except for trade and loan receivables, where the interest rate is fixed at the time of entering into an agreement with the customer.

The group measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on the profit after taxation based on the group's exposure at 31 December. The group regards a 100 basis point (2013: 100 basis point) change in the Reserve Bank repo rate as being reasonably possible at the reporting dates.

	Movement in basis points	Effect on profit after taxation 2014 R'000	Effect on profit after taxation 2013 R'000
Cash and cash equivalents	+100	**454**	489
	-100	**(454)**	(489)
Listed bonds	+100	**(723)**	(717)
	-100	**723**	717
Bank overdraft	+100	**(3)**	(352)
	-100	**3**	352
Borrowings from the bank	+100	**(1 073)**	(393)
	-100	**1 073**	393
Suspensive sale agreement	+100	**(338)**	(397)
	-100	**338**	397

3.6 Fair value of financial instruments

The fair values of financial instruments are measured in accordance to the following fair value measurement hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The fair value of financial assets and liabilities are determined as follows:

- Cash and cash equivalents, trade and other payables: The carrying amounts reported in the statement of financial position approximate fair values because of the short-term maturities of these assets and liabilities.
- Borrowings: The carrying amounts reported in the statement of financial position approximate fair values. Fair values of debt instruments issued by the group and other borrowings are estimated using discounted cash flow models based on the group's current incremental borrowing rates for similar types of borrowings, with maturities consistent with those remaining for the debt instruments being valued.
- Trade and loan receivables: The carrying amounts reported in the statement of financial position approximate fair values. Discounted cash flow models are used for trade and loan receivables. The discount yields in these models use calculated rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, credit risk, collateral and interest rates.

4. Property, plant and equipment

	2014			2013		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Land and buildings	**239 815**	**(7 051)**	**232 764**	233 970	(5 781)	228 189
Motor vehicles	**2 043**	**(1 405)**	**638**	1 834	(1 148)	686
Computer equipment	**38 716**	**(18 393)**	**20 323**	38 553	(15 604)	22 949
Equipment, furniture, fittings and plant	**65 137**	**(19 475)**	**45 662**	55 287	(14 326)	40 961
Total	**345 711**	**(46 324)**	**299 387**	329 644	(36 859)	292 785

Analysis of movements

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
2014					
Land and buildings	**228 189**	**5 844**	**–**	**(1 269)**	**232 764**
Motor vehicles	**686**	**209**	**–**	**(257)**	**638**
Computer equipment	**22 949**	**3 366**	**(25)**	**(5 967)**	**20 323**
Equipment, furniture, fittings and plant	**40 961**	**11 769**	**(805)**	**(6 263)**	**45 662**
Total	**292 785**	**21 188**	**(830)**	**(13 756)**	**299 387**
2013					
Land and buildings	150 574	78 804	–	(1 189)	228 189
Motor vehicles	842	3	–	(159)	686
Computer equipment	6 296	19 972	–	(3 319)	22 949
Equipment, furniture, fittings and plant	7 726	35 921	(6)	(2 680)	40 961
Total	165 438	134 700	(6)	(7 347)	292 785

Land and buildings comprise:

- 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, being remainder erf 91380 Cape Town at Wynberg situated in the City of Cape Town, in extent of 4 936 square metres (acquired in 2011); and
- industrial-site land and building, being remainder of portion 240 of the farm Wimbledon Number 454 situated in the City of Cape Town and measuring 3,314 hectares (acquired in 2005).

The carrying value of property, plant and equipment subject to suspensive sale agreements (refer to note 16) as at 31 December 2014 was R42,495 million (2013: R49,074 million).

Included in property, plant and equipment are assets with a cost of R17,828 million (2013: R15,143 million) that are in use but fully depreciated.

Land and buildings include a carrying value of R208,188 million (2013: R209,047 million) currently encumbered as shown in note 16. Included in additions are borrowing costs of Rnil million which have been capitalised to the cost of a warehouse development during the 2014 year (2013: R4,637 million). Included in disposals are equipment, furniture and fittings and plant with a cost of R1,918 million (2013: R0,010 million) and accumulated depreciation of R1,113 million (2013: R0,010 million) and computer equipment with a cost of R3,203 million (2013: Rnil) and accumulated depreciation of R3,178 million (2013: Rnil), which had no further economic value and have been removed from the register.

5. Intangible assets

	2014 Cost R'000	2014 Accumulated amortisation R'000	2014 Carrying value R'000	2013 Cost R'000	2013 Accumulated amortisation R'000	2013 Carrying value R'000
Licences	**31 481**	**(13 132)**	**18 349**	27 620	(11 320)	16 300
Computer software	**88 006**	**(15 230)**	**72 776**	54 276	(9 339)	44 937
Total	**119 487**	**(28 362)**	**91 125**	81 896	(20 659)	61 237

Analysis of movements

	Opening balance R'000	Additions R'000	Disposals R'000	Amortisation R'000	Closing balance R'000
2014					
Licences	**16 300**	**4 998**	**–**	**(2 949)**	**18 349**
Computer software	**44 937**	**33 908**	**–**	**(6 069)**	**72 776**
Total	**61 237**	**38 906**	**–**	**(9 018)**	**91 125**
2013					
Licences	16 094	3 263	–	(3 057)	16 300
Computer software	24 584	23 620	–	(3 267)	44 937
Total	40 678	26 883	–	(6 324)	61 237

The net carrying value of intangible assets subject to suspensive sale agreements at 31 December 2014 was R9,580 million (2013: R8,874 million). Included in intangibles are internally generated intangible assets with a carrying value of R73,244 million (2013: R42,115 million). Included in intangible assets are assets with a cost of R10,667 million (2013: R4,630 million) that are in use but fully amortised, and development costs of R62,359 million (2013: R31,347 million) incurred on assets which have not yet been brought into use by the group and have not been amortised.

Included in disposals are intangible assets with a cost of R1,315 million (2013: Rnil) and accumulated depreciation of R1,315 million (2013: Rnil), which had no further economic value and have been removed from the register.

6. Loans to employees

	2014 R'000	2013 R'000
Opening balance	**6 362**	9 580
Loans repaid	**(6 830)**	(4 115)
Loans granted	**1 302**	–
Amortised cost adjustment	**147**	260
Notional interest recognised	**321**	637
Loans to employees	**1 302**	6 362

In terms of the group's employee share incentive scheme loans were provided to certain directors and employees of the group to enable them to acquire shares in HomeChoice Holdings Limited at market value. These full recourse loans were interest-free for the first five years after acquisition date, after which the loans were repayable on demand and bore interest charged at the prime interest rate. The shares were pledged to and held by the trustees of the HomeChoice Share Trust. The amortised cost adjustment was based on an effective interest rate of prime less 2% at date of issue. These loans were fully paid off during 2014.

Two new loans were made to employees during the 2014 financial year. These loans are repayable on demand and bear interest at prime.

Refer to note 29 for details of loans provided to directors and key management personnel.

	Date advanced	2014 R'000	2013 R'000
Willem Jungschläger	19 April 2010	**–**	746
Annalize Kirsten	19 April 2010	**–**	1 642
Directors of HomeChoice Holdings Limited		**–**	2 388
Directors of subsidiaries	19 April 2010	**–**	3 283
	24 October 2014	**548**	
Employees	19 April 2010	**–**	1 327
	24 October 2014	**754**	
Unearned notional interest		**–**	(636)
		1 302	6 362

	2014 R'000	2013 R'000
7. Investment in associates		
Carrying amount of investments	**7 676**	6 536
En-commandite partnership (founded in 2011)		
During 2011 the group entered into a new en-commandite partnership, formed for the transportation of passengers by air for fare. The group holds a 25% interest in the partnership and accounts for this minority interest as an associate. The principal place of business for the associate is Cape Town.		
Movements in the carrying value of the associate were as follows:		
Opening balance	**6 536**	3 951
Contributions made	**3 696**	4 403
Share of loss of associate	**(2 556)**	(1 818)
Closing balance	**7 676**	6 536
The summarised financial information of the associate is presented below:		
Summarised statement of comprehensive income:		
Revenue	**2 828**	2 390
Depreciation	**(1 371)**	(1 346)
Other operating expenses	**(6 210)**	(4 894)
Net interest paid	**(652)**	(847)
Loss for the year	**(5 405)**	(4 697)
Summarised statement of financial position:		
Current		
Trade and receivables	**428**	1 207
Cash and cash equivalents	**14**	377
Total current assets	**442**	1 584
Trade and other payables	**(236)**	(1 036)
Interest-bearing liabilities	**(3 191)**	(2 980)
Total current liabilities	**(3 427)**	(4 016)
Non-current		
Property, plant and equipment	**62 162**	63 533
Total non-current assets	**62 162**	63 533
Interest bearing liabilities	**(3 841)**	(7 034)
Total non-current liabilities	**(3 841)**	(7 034)
Net asset value of associate	**55 336**	54 067
Reconciliation of summarised financial information		
Opening net assets, as at 1 January	**54 067**	52 169
Additional owner contributions	**6 674**	6 595
Loss for the year	**(5 405)**	(4 697)
Closing net assets, as at 31 December	**55 336**	54 067
Share of assets	**15 651**	16 279
Share of liabilities	**(7 091)**	(10 272)
Other contributions	**(884)**	529
	7 676	6 536

A subsidiary of the group has provided surety limited to R15 million to The Standard Bank of South Africa Limited in connection with the group's share of the associate's liability to the bank. The outstanding balance on the associate's liability to the bank at December 2014 is R7,032 million. The liability is payable over five years in monthly instalments of R0,305 million (2013: R0,305 million) including interest and capital. The fair value of this financial guarantee has been determined to be immaterial as the bank has a mortgage over the associate's assets and the likelihood of the surety being called is negligible.

	2014 R'000	2013 R'000
8. Deferred taxation		
The analysis of deferred tax assets and liabilities is as follows:		
Deferred tax assets	**18 819**	18 133
Deferred tax liabilities	**(92 721)**	(68 015)
Net deferred tax liabilities	**(73 902)**	(49 882)
The gross movements on the deferred income tax account are as follows:		
At 1 January	**(49 882)**	(46 891)
Charged to profit and loss	**(24 020)**	(2 991)
At 31 December	**(73 902)**	(49 882)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provisions R'000	Total R'000
Deferred tax assets		
At 1 January 2013	8 477	8 477
Charged to profit and loss	(2 453)	(2 453)
At 31 December 2013	6 024	6 024
Charged to profit and loss	**6 438**	**6 438**
At 31 December 2014	**12 462**	**12 462**

	Accelerated tax wear and tear allowances R'000	Debtors' provisions and allowances R'000	Other allowances R'000	Total R'000
Deferred tax liabilities				
At 1 January 2013	(9 404)	(45 511)	(453)	(55 368)
Charged to profit and loss	(1 080)	93	450	(537)
At 31 December 2013	(10 484)	(45 418)	(3)	(55 905)
Charged to profit and loss	**(2 994)**	**(28 448)**	**984**	**(30 458)**
At 31 December 2014	**(13 478)**	**(73 866)**	**981**	**(86 363)**

Deferred tax liabilities include amounts of R13,478 million (2013: R10,484 million) that are non-current.

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through future taxable profits are probable. Deferred tax assets includes no amounts that are non-current.

	2014 R'000	2013 R'000
9. Inventories		
Merchandise for resale	**124 966**	118 492
Provision for inventory obsolescence	**(11 500)**	(10 484)
Goods in transit	**52 897**	36 956
	166 363	144 964

Inventory sold at less than cost during the current year amounted to R15,558 million (2013: R12,402 million).

10. Trade and other receivables		
Trade receivables – Retail	**1 063 645**	845 730
Provision for impairment	**(198 179)**	(159 355)
	865 466	686 375
Loans receivable – Financial Services	**748 907**	525 116
Provision for impairment	**(127 103)**	(63 036)
	621 804	462 080
Other receivables	**17 503**	21 466
Total trade and other receivables	**1 504 773**	1 169 921
Total trade and loan receivables	**1 812 552**	1 370 846
Provision for impairment	**(325 282)**	(222 391)
Other receivables	**17 503**	21 466

A percentage of all trade and loan receivable balances past due has been provided for. Refer to significant accounting judgements, estimates and assumptions for further details regarding the calculation of impairment of debtors and note 3.3 for further details of credit risk management.

Movements in the provision for impairment of trade receivables – Retail were as follows:

Opening balance	**(159 355)**	(132 478)
Movement in provision	**(38 824)**	(26 877)
Debtor costs charged to profit and loss	**(220 725)**	(212 002)
Debts written off during the year, net of recoveries	**181 901**	185 125
Closing balance	**(198 179)**	(159 355)

Movements in the provision for impairment of loans receivable – FinChoice were as follows:

Opening balance	**(63 036)**	(52 792)
Movement in provision	**(64 067)**	(10 244)
Debtor costs charged to profit and loss	**(109 177)**	(104 461)
Debts written off during the year, net of recoveries	**45 110**	94 217
Closing balance	**(127 103)**	(63 036)

Trade and loan receivables have repayment terms of between 6 and 36 months and attract interest based on rates as determined by the National Credit Act.

Included in trade and loan receivables are amounts approximating R421,657 million (2013: R286,323 million) expected to be recovered in excess of one year. These amounts are reflected as current as they form part of the normal operating cycle.

	2014 R'000	2013 R'000
11. Cash and cash equivalents		
Cash at bank	**63 005**	67 981
	63 005	67 981
Bank overdraft	**433**	48 886
Cash at bank earns interest based on daily bank deposit rates.		
Cash and cash equivalents include the following for the purposes of the statement of cash flows:		
Cash and cash equivalents	**63 005**	67 981
Bank overdraft	**(433)**	(48 886)
	62 572	19 095

The group is not entitled to set off the bank overdraft with cash and cash equivalents.

12. Stated capital, share capital and share premium

On 28 November 2014 a new entity, HomeChoice International PLC, was placed on top of the existing group, HomeChoice Holdings Limited, by issuing shares to the existing group shareholders. This transaction was not a business combination and has been accounted for as a reorganisation of an existing group that has not changed the substance of the reporting entity. No capital was raised as part of the reorganisation. At the time of the reorganisation the shareholders of HomeChoice Holdings became the new shareholders in HomeChoice International PLC.

At the time of the reorganisation the consolidated financial statements of the new entity, HomeChoice International PLC, were presented using the values from the consolidated financial statements of the previous group holding company. The equity structure – that is, the issued share capital, share premium and treasury shares – reflected that of the new company, with other amounts in equity (such as retained earnings and other reserves) being those from the consolidated financial statements of the previous group holding company. The resulting difference that arose has been recognised as a component of equity, called reorganisation reserve.

Share capital, share premium and treasury shares have been adjusted to include the effects of:

- the issue of 101 379 351 shares to the HomeChoice Holdings shareholders in terms of the reorganisation, issued at a price of R29,40 and a par value of R0,01; and
- the HomeChoice Development Trust held 600 000 shares before and after the reorganisation. The movement in treasury shares represents the adjustments from applying the accounting for capital reorganisations. Treasury shares are reflected at R2,666 million, being 600 000 shares at R4,44 per share.

The effect of the transaction is to reflect the share capital, share premium and treasury shares of the new holding company, HIL, and to eliminate HomeChoice Holdings, share capital and treasury shares and to create a reorganisation reserve with a debit balance of R2 960,639 million.

	2014 R'000	2013 R'000
12. Stated capital, share capital and share premium (continued)		
12.1 Stated and share capital		
Authorised		
200 000 000 (2013: 200 000 000 at no par value) ordinary shares at one cent par value	**2 000**	2 000
Issued		
101 790 952 (2013: 103 869 438 at no par value) ordinary shares at one cent par value	**1 018**	30 980
72 900 000 ordinary shares at one cent par value	**183**	–
Total	**1 201**	30 980
72 900 000 ordinary shares repurchased	**(183)**	–
Stated and share capital	**1 018**	30 980

	'000	'000
Reconciliation of movement in issued shares:		
Number of issued shares at the beginning of the year	**103 869**	103 869
Shares issued on incorporation of HomeChoice International PLC*	**72,900**	–
Treasury shares cancelled	**(2 490)**	–
Shares issued 17 December 2014	**412**	–
Sub-total	**174 691**	103 869
Shares repurchased*	**(72 900)**	–
Treasury shares held within the group	**(600)**	(3 090)
Number of issued shares, net of treasury shares	**101 191**	100 779
Treasury shares as a % of issued shares	**0,3**	3,0

* Upon HIL's incorporation on 22 July 2014, 72 900 000 HIL shares were issued at a subscription price equal to 25% of the par value thereof , i.e. R0,183 million. Pursuant to the implementation of the above reorganisation:

- 101 379 351 HIL shares were issued to the scheme participants in the ratio of 1 (one) HIL share for every 1 (one) HomeChoice Holdings share held; and
- The 72 900 000 HIL shares issued on incorporation were repurchased by HIL at the subscription price paid for such HIL shares at incorporation. Under the Malta Companies Act the repurchased HIL shares must be retained by HIL for a three-month notice period after which they will be cancelled. In terms of the Maltese Companies Act these shares carried no voting or distribution rights during the three-month notice period. By the time of reporting the 72 900 000 shares (R0,183 million) had been duly cancelled.

The unissued shares are under the control of the directors until the next annual general meeting.

	R'000	R'000
12.2 Share premium		
Balance at the beginning of the year	**–**	–
Share premium on reorganisation (101 379 351 shares at R29,39)	**2 979 539**	–
Share issue	**2 663**	–
Balance at the end of the year	**2 982 202**	–

13. Treasury shares

	2014 R'000	2013 R'000
Reconciliation of movement of treasury shares:		
Balance at the beginning of the year	**(13 733)**	(11 331)
Shares sold during the year	**–**	134
Shares cancelled during the year	**11 067**	–
Shares purchased during the year	**–**	(2 536)
Balance at the end of the year	**(2 666)**	(13 733)

	'000	'000
Number of shares:		
Balance at the beginning of the year	**3 090**	3 090
Shares purchased during the year	**–**	230
Shares sold during the year	**–**	(230)
Shares cancelled during the year	**(2 490)**	–
Balance at the end of the year	**600**	3 090

14. Share-based payment

The group has established a share option incentive scheme in which options to acquire shares in HomeChoice International PLC Limited have been granted to employees of subsidiaries of HomeChoice International PLC Limited. All options are conditional on the participant remaining in service with the group. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related average exercise prices are as follows:

	2014		2013	
	Average exercise price per share (cents)	**Number of options**	Average exercise price per share (cents)	Number of options
At 1 January	**966**	**3 595 400**	938	3 173 400
Options granted during the year	**1 451**	**858 500**	1 116	669 500
Options forfeited during the year	**1 091**	**(256 650)**	1 007	(247 500)
Options vested during the year	**651**	**(411 550)**	–	–
At 31 December	**1 102**	**3 785 700**	966	3 595 400

Share options outstanding at the end of the year have the following vesting dates and exercise prices:

	2014		2013	
	Average exercise price per share (cents)	**Number of options**	Average exercise price per share (cents)	Number of options
2014	**–**	**–**	652	430 250
2015	**803**	**731 600**	800	771 600
2016	**1 057**	**1 594 100**	1 064	1 746 050
2017	**1 098**	**625 500**	1 108	647 500
2018	**1 451**	**834 500**	–	–
	1 102	**3 785 700**	966	3 595 400

14. Share-based payment (continued)

Analysis of options outstanding:

Grant date	20 May 2011	1 Oct 2011	31 Mar 2012	15 Apr 2012	29 Jun 2012	Sub-total
Number of share options outstanding	416 600	315 000	487 000	100 000	977 100	2 295 700
Grant price (cents)	747	876	1 064	876	1 064	
Fair value of option (cents)	94	101	82	94	76	

Grant date	Sub-total	1 Oct 2012	20 Mar 2013	20 Mar 2013	1 Aug 2013	Sub-total
Number of share options outstanding	2 295 700	30 000	400 000	125 500	10 000	2 861 200
Grant price (cents)		1 329	1 000	1 388	1 388	
Fair value of option (cents)		188	160	121	134	

Grant date	Sub-total	27 Aug 2013	1 Jan 2014	31 Mar 2014	1 Jun 2014	Sub-total
Number of share options outstanding	2 861 200	90 000	10 000	711 500	5 000	3 677 700
Grant price (cents)		1 100	1 100	1 444	1 444	
Fair value of option (cents)		83	81	92	90	

Grant date	Sub-total	30 Sep 2014	Total
Number of share options outstanding	3 677 700	108 000	3 785 700
Grant price (cents)		1 528	
Fair value of option (cents)		105	

The fair values of options granted during the current and prior year were determined using a binomial option-pricing model. The assumptions used in determining the fair value were as follows:

Grant date	20 May 2011	1 Oct 2011	31 Mar 2012	15 Apr 2012	29 Jun 2012	1 Oct 2012
Grant price (cents)	747	876	1 064	876	1 064	1 329
Expected option life (years)	4	4	4	4	4	4
Expected volatility (%)	35,00	35,00	27,13	27,13	26,63	26,37
Expected dividend yield (%)	8,43	8,56	9,59	9,59	9,59	3,35
Expected employee attrition (%)	10,00	10,00	10,00	10,00	10,00	10,00
Risk-free interest rate (%)	7,87	6,80	6,89	6,89	6,18	5,66

Grant date	20 Mar 2013	20 Mar 2013	1 Aug 2013	27 Aug 2013	1 Jan 2014	31 Mar 2014
Grant price (cents)	1 000	1 388	1 388	1 100	1 100	1 444
Expected option life (years)	4	4	4	4	4	4
Expected volatility (%)	25,55	25,55	25,09	25,09	25,33	25,33
Expected dividend yield (%)	10,40	7,49	7,49	9,45	10,00	11,08
Expected employee attrition (%)	10,00	10,00	10,00	10,00	10,00	10,00
Risk-free interest rate (%)	6,02	6,02	7,55	7,55	7,88	7,88

Grant date	1 Jun 2014	30 Sep 2014
Grant price (cents)	1 444	1 528
Expected option life (years)	4	4
Expected volatility (%)	25,35	25,45
Expected dividend yield (%)	11,08	10,47
Expected employee attrition (%)	10,00	10,00
Risk-free interest rate (%)	7,61	7,76

The volatility, measured at the standard deviation of continuously compounded share returns, was based on statistical analysis of monthly share prices of listed peers over the last three years.

Total expenses of R1,128 million (2013: R0,818 million) relating to equity-settled share-based payments were recognised during the year. Refer to note 15 for disclosure of the share-based payment reserve.

15. Other reserves

	Share-based payment reserve R'000	Total R'000
Balance at 1 January 2013	1 084	1 084
Share-based payment	818	818
Total changes	818	818
Balance at 1 January 2014	1 902	1 902
Share-based payment	**1 128**	**1 128**
Total changes	**1 128**	**1 128**
Balance at 31 December 2014	**3 030**	**3 030**

16. Interest-bearing liabilities

	2014 R'000	2013 R'000
Long-term portion		
Listed bonds	**98 890**	98 063
Mortgage bonds	**137 248**	49 382
Suspensive sale agreements	**30 096**	40 764
Total non-current interest-bearing liabilities	**266 234**	188 208
Short-term portion payable within one year		
Listed bonds	**1 545**	1 545
Mortgage bonds	**11 812**	5 252
Suspensive sale agreements	**16 846**	14 351
Total current interest-bearing liabilities	**30 203**	21 148
Total interest-bearing liabilities	**296 437**	209 356

Listed bonds

Listed bonds consist of Domestic Medium-term Notes. The group issued R100 million floating rate notes under a R500 million Domestic Term Note Programme approved by the JSE on 16 October 2013. The bonds carry interest at the three-month Jibar rate plus 3,15% and has a term of three years with quarterly interest payments.

Movements in listed bonds were as follows:

Opening balance	**99 608**	–
Borrowings raised	**–**	100 000
Interest and administration fees	**8 726**	1 545
Payments made	**(8 725)**	–
Finance-raising costs paid	**–**	(1 937)
Finance-raising costs amortised	**826**	–
Closing balance	**100 435**	99 608

	2014 R'000	2013 R'000

16. Interest-bearing liabilities (continued)

Mortgage bonds

Mortage bonds includes a Standard Bank of South Africa Limited facility, secured by a general covering bond over the remaining extent of erf 66592 Cape Town and a FirstRand Bank facility, secured by a general covering bond over portion 240 of the farm Wimbledon Number 454.

The Standard Bank of South Africa Limited bond carries interest at prime less 1% and has a remaining repayment term of seven years (2013: eight years). The FirstRand Bank bond carries interest at the one-month Jibar rate plus 2,85% and has a term of four years.

Movements in mortgage bonds were as follows:		
Opening balance	**54 634**	59 519
Borrowings raised	**101 000**	–
Interest and administration fees	**7 254**	4 284
Payments made	**(13 374)**	(9 169)
Finance-raising costs paid	**(500)**	–
Finance-raising costs amortised	**46**	–
Closing balance	**149 060**	54 634

Suspensive sale agreements

Suspensive sale agreements are instalment sale agreements which the group has entered into in respect of certain property, plant and equipment where the assets purchased are encumbered as security for the outstanding liability until such time that the liability is discharged. The suspensive sale agreements are repayable in monthly instalments of R1,556 million (2013: R1,113 million) including interest and capital.

Interest rates are linked to the prime overdraft rate and varied between 7,45% and 9,25% (2013: 7,25% and 8,5%) during the year. There were no breaches in payments during the current or prior year. The suspensive sale agreements are secured over various items of property, plant and equipment as indicated in note 4, and intangible assets as indicated in note 5.

Movements in suspensive sale agreements were as follows:		
Opening balance	**55 115**	8 881
Borrowings raised	**10 679**	48 440
Interest and administration fees	**3 631**	1 434
Payments made	**(22 483)**	(3 640)
Closing balance	**46 942**	55 115

	2014 R'000	2013 R'000
17. Other payables		
Non-current other payables		
Amounts owed to prize winners payable in excess of 12 months	**4 340**	3 510
18. Trade and other payables		
Trade payables	**120 375**	99 897
Annual leave pay accrual	**4 700**	5 151
Value-added taxation	**1 792**	2 632
Other payables	**31 597**	26 872
	158 465	134 552

Refer to note 25 for disclosure on commitments regarding lease liabilities.

	Opening balance R'000	Utilised during the year R'000	Raised R'000	Closing balance R'000
19. Provisions				
Analysis of movements				
2014				
Bonus	**–**	**–**	**31 078**	**31 078**
Ex-gratia payments	**9 000**	**(9 000)**	**–**	**–**
	9 000	**(9 000)**	**31 078**	**31 078**
2013				
Bonus	18 934	(18 934)	–	–
Ex-gratia payments	–	–	9 000	9 000
	18 934	(18 934)	9 000	9 000

Provisions relate to amounts payable to employees in accordance with the group's annual incentive scheme. Annual incentives are discretionary and payable in March. The bonus and ex-gratia payments provision is based on a financial model that takes into account whether the company achieved its targets, individual staff performance during the year and the remuneration committee's final discretion.

	2014 R'000	2013 R'000
20. Other net gains and losses		
Foreign exchange gains/(losses)	**(3 601)**	(2 321)
Losses on disposal of property, plant and equipment and intangible assets	**(338)**	2
Other	**152**	–
	(3 787)	(2 319)

	2014 R'000	2013 R'000
21. Other income		
Interest on loans to employees	**321**	637
Prescription of amounts owing	**1 679**	1 072
Other	**633**	952
	2 633	2 661

22. Total trading expenses		
Expenses by nature		
Debtor costs		
Trade receivables – Retail	**220 725**	212 002
Loans receivable – FinChoice	**109 177**	104 461
Total debtor costs	**329 902**	316 463
Amortisation of intangible assets	**9 018**	6 324
Depreciation of property, plant and equipment	**13 756**	7 347
Restructuring and listing costs	**10 225**	–
Legal fees	**2 924**	–
Consulting fees	**5 729**	–
Audit fees	**606**	–
Listing	**507**	–
Advertising	**116**	–
Other	**343**	–
Operating lease charges for immovable property	**920**	27
Total operating lease charges	**4 247**	12 415
Less: disclosed under cost of retail sales	**(3 327)**	(12 388)
Marketing costs	**166 244**	138 809
Staff costs – short-term employee benefits	**231 600**	173 850
Total staff costs	**268 077**	203 171
Less: disclosed under cost of retail sales	**(19 630)**	(18 585)
Less: staff costs capitalised to intangibles	**(16 847)**	(10 736)
Other costs	**131 116**	108 382
Total other trading expenses	**562 879**	434 739
	892 781	751 202
Average number of employees during the year	**1 216**	936
Salaries	**246 312**	185 440
Unemployment insurance fund contributions	**2 272**	1 841
Provident fund and disability insurance contributions	**19 493**	15 889
Total staff costs	**268 077**	203 171

	2014 R'000	2013 R'000
23. Interest paid		
Bank borrowings	**2 272**	291
Listed bonds	**8 726**	1 545
Mortgage bonds	**7 254**	4 284
Building loan	**–**	4 637
Suspensive sale agreements	**3 631**	1 434
Total interest paid	**21 883**	12 191
Less: Amounts capitalised on qualifying assets	**–**	(4 637)
	21 883	7 554

24. Taxation		
South African normal income taxation		
Current year	**(109 253)**	(117 625)
Prior year under provision	**(10 448)**	(1 080)
Deferred taxation		
Current year	**(34 488)**	(4 049)
Prior year under provision	**10 468**	1 058
	(143 721)	(121 696)

	%	%
Reconciliation of effective taxation rate:		
Standard taxation rate	**28,0**	28,0
Non-deductible expenditure	**2,0**	0,4
Exempt income	**(1,2)**	(0,3)
Dividends withholding tax	**–**	0,1
Effective taxation rate	**28,8**	28,2

The 2014 prior year adjustment to taxation relates to a SARS ruling received in October 2014 regarding the doubtful debt allowance, effective for the financial year ending 2013.

Other comprehensive income items carried no taxation charge.

25. Commitments

Leases are contracted for periods not exceeding five years and contain escalation clauses of between 8% and 9% and renewal options. The lease expenditure charged to profit and loss during the year is disclosed in note 22.

At 31 December the future minimum operating lease commitments amounted to the following:

	2014 R'000	2013 R'000
Properties		
Payable within one year	**2 272**	1 960
Payable between two and five years	**2 659**	2 116
	4 931	4 076
Suspensive sale agreements		
Payable within one year	**19 497**	20 083
Payable between two and five years	**31 949**	41 734
	51 446	61 817
Future finance charges on suspensive sale agreements	**(4 504)**	(6 702)
	46 942	55 115
The present value of suspensive sale agreement payments is as follows:		
Payable within one year	**16 846**	14 351
Payable between two and five years	**30 096**	40 764
	46 942	55 116
Capital commitments for property, plant and equipment and intangible assets:		
Approved by the directors	**83 876**	68 457
Approved by the directors and contracted for	**84 846**	–
	168 722	68 457

	2014 R'000	2013 R'000
26. Reconciliation of cash generated from operations		
Profit before taxation	**499 041**	431 019
Share of loss of associates	**2 556**	1 818
(Gains)/losses on disposal of property, plant and equipment and intangible assets	**338**	(3)
Loans to employees – amortised cost adjustment	**(147)**	(260)
Notional interest on loans to employees	**(321)**	(637)
Depreciation and amortisation	**22 774**	13 671
Share-based employee service expense	**1 128**	818
Interest paid	**21 883**	7 554
Interest received	**(1 948)**	(2 070)
Capitalised bond costs – amortised cost adjustment	**873**	–
Operating cash flows before working capital changes	**546 177**	451 910
Movements in working capital	**(312 612)**	(173 900)
Increase in inventories	**(21 399)**	(34 723)
Increase in trade receivables – Retail	**(179 091)**	(102 847)
Increase in loans receivable – Financial Services	**(159 724)**	(50 434)
Decrease in other receivables	**3 963**	4 129
Increase in trade and other payables	**21 561**	19 909
Increase/(decrease) in provisions	**22 078**	(9 934)
	233 565	278 010

27. Taxation paid		
Amounts owing at the beginning of the year	**(8 876)**	(5 839)
Amounts charged to profit and loss	**(143 721)**	(121 696)
South African normal taxation	**(119 701)**	(118 705)
Deferred taxation	**(24 020)**	(2 991)
Deferred taxation movement	**24 020**	2 991
Amounts owing at the end of the year	**(9 350)**	8 876
	(137 927)	(115 668)

28. Events after the reporting date

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

29. Related party transactions

Holding company
At the reporting date, the parent of the group was GFM Limited and the ultimate parent of the group was Stockdale Investment Holdings Limited, a company incorporated in British Virgin Islands. The group's ultimate controlling party is the Maynard Trust. Further details regarding significant shareholders are set out in the shareholder analysis in note 30.

Subsidiaries, associates and related trusts
In the ordinary course of business, certain companies within the group entered into certain intra-group transactions which have been eliminated on consolidation. For a list of group's subsidiaries, associates and related trusts, refer to page 60.

Other related parties
The HomeChoice Provident Fund
The group provides retirement benefits for its permanent employees through the HomeChoice Provident Fund (the provident fund), a defined contribution plan. The fund is registered under and governed by the Pension Funds Act, 1956, as amended. The latest valuation received from the fund administrators confirmed that the provident fund was in a sound financial position.

Associates
Details regarding the group's associates are set out in note 7. Transactions with the associates are entered into at the prevailing partnership rates.

	2014 R'000	2013 R'000
Contributions to the provident fund	**19 493**	15 889
Fees paid to associates for transportation services	**2 828**	2 390
Contributions to associate	**3 695**	4 403

Remuneration
Details regarding executive and non-executive directors' remuneration are disclosed in note 35.

Interest of directors in contracts
As disclosed in note 7, the group holds a 25% interest in an en-commandite partnership formed for the transportation of passengers by air for fare. Mr Garratt, a director, has a controlling interest in another entity with significant influence in the partnership.

Other than the transactions noted 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.

Loans to directors
Loans have been provided to directors and key management personnel as part of the Employee Share Incentive Scheme as disclosed in note 6.

	2014 R'000	2013 R'000
Loans to employees as reported in the annual financial statements	**1 302**	6 362
Unearned notional interest	**–**	468
Total loans receivable	**1 302**	6 830
Made up as follows:		
Non-executive directors	**–**	746
Operational directors of the group	**548**	4 776
Other employees	**754**	1 308
	1 302	6 830

Share options
Share options have been granted to certain executive directors of HomeChoice International PLC Limited and employees of its subsidiaries (refer to note 35).

29. Related party transactions (continued)

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. Key management of the company's main subsidiaries, HomeChoice Proprietary Limited and FinChoice Proprietary Limited, have been classified as key management personnel. Emoluments paid are summarised below:

	2014 R'000	2013 R'000
Remuneration	**23 018**	22 529
Bonuses	**4 360**	8 849
Share-based payment cost	**642**	424
Retirement	**2 335**	1 977
	30 355	33 779

30. Shareholder analysis

	Shareholders Number	Shareholders %	Shares held Number	Shares held %
Range of shareholding				
1 – 500	**17**	**18,5**	**1 447**	**–**
501 – 5 000	**34**	**37,0**	**68 344**	**0,1**
5 001 – 50 000	**18**	**19,6**	**357 993**	**0,4**
50 001 – 500 000	**17**	**18,5**	**3 322 973**	**3,3**
Over 500 000	**6**	**6,4**	**97 440 194**	**96,2**
	92	**100,0**	**101 190 951**	**100,0**
Development trust	**1**		**600 000**	
	93		**101 790 951**	
Public and non-public shareholding				
Non-public				
GFM Limited	**1**	**1,1**	**73 449 531**	**72,2**
ADP II Holdings 3 Limited	**1**	**1,1**	**16 771 775**	**16,5**
Non-public (related party)	**1**	**1,1**	**416 203**	**0,4**
HomeChoice Development Trust (treasury shares)	**1**	**1,1**	**600 000**	**0,6**
Directors of HomeChoice International PLC	**2**	**2,2**	**101 044**	**0,1**
Directors of subsidiaries	**3**	**3,2**	**1 253 005**	**1,2**
Public	**84**	**90**	**9 199 393**	**9,0**
	93	**100,0**	**101 790 951**	**100,0**

Disclosed non-public shareholding includes the aggregate of the direct and indirect beneficial interest of the directors.

Individual shareholders holding 5% or more of shares in issue (net of treasury shares)

2014		
GFM Limited	**73 449 531**	**72,2**
ADP II Holdings 3 Limited	**16 771 775**	**16,5**
	90 221 306	**88,7**
2013		
GFM Limited	83 449 531	82,8
RMB Securities (a division of FirstRand Bank Limited)	9 487 033	9,4
	92 936 564	92,2

Directors' interest in the share capital of the company

GFM is an associate (as contemplated in the Listings Requirements) of Rick Garratt (a non-executive director of HIL) and Shirley Maltz (an executive director of HIL), because each of them is a potential discretionary beneficiary of the Maynard Trust, which is the indirect holder of 100% of the shares in GFM. The sole trustee of the Maynard Trust is Guardian Trust Company Limited, a professional trusty company.

Shirley Maltz, an executive director of HIL, has an indirect beneficial interest in 51 044 HIL shares.

Amanda Chorn, an independent non-executive director of HIL, has an indirect beneficial interest in 50 000 HIL shares.

Gregoire Lartigue held 1 (one) share in HomeChoice International PLC upon its incorporation in July 2014. Upon implementation of the group reorganization, the 1 (one) share held by Gregoire Lartigue was repurchased at the original subscription price paid for the share at incorporation. As at 31 December 2014, Gregoire Lartigue does not hold any direct or indirect interest in the share capital of HomeChoice International PLC.

Gregoire is a director and authorised representative of Guardian Trust Company Limited and is one of three directors of GFM. Any two directors and/or authorised representatives of Guardian Trust Company Limited acting jointly may make decisions in respect of the Maynard Trust.

31. Earnings per share

31.1 Basic and headline earnings per share

The calculation of basic and headline earnings per share is based upon profit for the year attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue as follows:

	2014		2013	
	Gross R'000	**Net R'000**	Gross R'000	Net R'000
Profit for the year		**355 320**		309 323
Adjusted for the after-tax effect of:				
Gains/(losses) on disposal of property, plant and equipment and intangible assets	**338**	**243**	(2)	(2)
Headline earnings		**355 563**		309 321
Weighted average number of ordinary shares in issue ('000)		**100 795**		100 779
Earnings per share (cents)				
Basic		**352,5**		306,9
Headline		**352,8**		306,9

31.2 Diluted and diluted headline earnings per share

The calculation of diluted and diluted headline earnings per share is based upon profit for the year attributable to owners of the parent divided by the fully diluted weighted average number of ordinary shares in issue as follows:

	2014 '000	2013 '000
Weighted average number of ordinary shares in issue	**100 795**	100 779
Number of shares issuable under the share option scheme for no consideration	**1 017**	448
Diluted weighted average number of ordinary shares in issue	**101 812**	101 227
Earnings per share (cents)		
Diluted	**349,0**	305,6
Diluted headline	**349,2**	305,6

	2014 '000	2013 '000
32. Distributions per share		
Distributions proposed/paid (cents per share)	**161,00**	110,0
Interim	**–**	44,0
Final	**161,00**	66,0
Nature of distributions (cents per share)	**161,00**	110,0
Dividend proposed/paid	**161,00**	110,0

The 2014 proposed final dividend of 161 cents per share will be presented by the shareholders at the annual general meeting on 12 May 2015.

33. Net asset value per share		
The calculation of net asset value per share is based upon net assets divided by the total number of shares in issue, net of treasury shares (refer to note 13).		
Net asset value per share (cents)	**1 559,8**	1 275,8
Net tangible asset value per share (cents)	**1 469,7**	1 215,0

NOTES TO THE **GROUP ANNUAL FINANCIAL STATEMENTS** for the year ended 31 December 2014 (continued)

34. Reclassifications and restatements

To enhance disclosure, certain reclassifications and restatements have been made. These changes have no impact on overall equity, assets or liabilities.

34.1 Group statement of cash flows

The group has amended the disclosure of dividends paid in the group statement of cash flows. Dividends paid are now disclosed as a cash flow from financing activities rather than from operating activities as dividends paid to the shareholders are payments to the providers of capital.

The impact of the disclosure changes on the statement of cash flows reported for the year ended 31 December 2013 is as follows:

	Now disclosed R'000	Previously disclosed R'000	Difference R'000
Net cash inflow from operating activities	158 537	63 804	94 733
Net cash inflow from financing activities	14 746	109 479	(94 733)

34.2 Change in accounting estimate

FinChoice and FoneChoice have previously adopted a conservative approach and wrote off customers who entered the debt review process regulated by the NCA. The recovery rates on these debt review accounts have proven to be better than initially expected. In addition, to align FinChoice and FoneChoice with the treatment adopted in HomeChoice, it was decided to bring the debt review book back onto the balance sheet with a provision of 80%. This change was accounted for as a change in an accounting estimate and prior year numbers have not been restated. This resulted in a once-off benefit to debtor costs and profits of R10,8 million. It is impracticable to estimate the amount of the impact on future years.

35 Remuneration

	Short-term benefits				
R'000	**Months paid**	**Director's fees**	**Salary**	**Other benefits**	**Performance bonus**
2014					
Executive directors					
Shirley Maltz	**12**	**–**	**2 531**	**–**	**900**
Greg Lartigue	**12**	**100**	**–**	**–**	**–**
Paul Burnett	**12**	**–**	**1 100**	**–**	**–**
		100	**3 631**	**–**	**900**
Non-executive directors					
Richard Garratt	**12**	**–**	**3 738**	**1 108**	**280**
Amanda Chorn	**12**	**278**	**–**	**–**	**–**
Stanley Portelli		**100**	**–**	**–**	**–**
Charles Rapa		**100**	**–**	**–**	**–**
		478	**3 738**	**1 108**	**280**
Total remuneration		**578**	**7 369**	**1 108**	**1 180**
2013					
Executive directors					
Richard Garratt	12	–	3 583	1 749	1 000
Shirley Maltz	12	–	2 304		1 729
Annalize Kirsten	12	–	1 645		1 347
		–	7 532	1 749	4 076
Non-executive directors					
John Bester	12	287	–	–	–
Willem Jungschläger	12	519	–	–	–
Amanda Chorn	12	227	–	–	–
		1 033	–	–	–
Total remuneration		1 033	7 532	1 749	4 076

* The value of equity-settled share options granted is the annual expense determined in accordance with IFRS 2, Share-based Payment, and is presented for information purposes only as it is not regarded as constituting remuneration, given that the value was neither received nor accrued to the directors during the year. Gains made on the exercise of such share options are disclosed in the year when vesting occurs.

Share options outstanding at the end of the year have the following vesting date and exercise prices:

	Vesting date	Number of share options '000	Exercise price per share R
Director			
Shirley Maltz	20 May 2015	25	7,47
	31 March 2016	25	10,64
	23 June 2016	450	10,64
	27 Aug 2017	50	11,00
	31 March 2018	100	14,44
		650	
Paul Burnett	27 Aug 2017	40	11,00
		40	
		690	

Post-retirement benefits	Long-term benefits			
Provident fund contributions	Interest benefit on financial assistance	Total remuneration	Value of equity-settled share options granted*	Financial assistance granted pursuant to share scheme
304	**–**	**3 735**	**205**	**–**
–	**–**	**100**	**–**	**–**
132	**–**	**1 232**	**25**	**–**
436	**–**	**5 067**	**230**	**–**
–	**–**	**5 126**	**–**	**–**
–	**–**	**278**	**–**	**–**
–	**–**	**100**	**–**	**–**
–	**–**	**100**	**–**	**–**
–	**–**	**5 604**	**–**	**–**
436	**–**	**10 671**	**230**	**–**
–	–	6 332	–	–
277	–	4 310	144	–
197	138	3 327	29	1 642
474	138	13 969	173	1 642
–	–	287	–	–
–	52	571	–	746
–	–	227	–	–
–	52	1 085	–	746
474	190	15 054	173	2 388

CONTENTS

COMPANY STATEMENT OF **FINANCIAL POSITION** at 31 December 2014

	Notes	2014 R'000
ASSETS		
Non-current assets		
Investment in subsidiary	1	**143 294**
Intangible assets		**136**
Total non-current assets		**143 430**
Current assets		
Cash and cash equivalents	3	**3 256**
Intercompany loans	2	**179 000**
Total current assets		**182 256**
Total assets		**325 686**
EQUITY AND LIABILITIES		
Share capital	4	**1 018**
Share premium	5	**2 982 202**
Reorganisation reserve	4	**(2 837 259)**
Retained earnings		**168 775**
Total equity		**314 736**
Current liabilities		
Intercompany loans	2	**5 587**
Payables	6	**5 363**
Total liabilities		**10 950**
Total equity and liabilities		**325 686**
Additional information		
Rand/Euro exchange rate		**0,0707**

These financial statements were approved by the board of directors, authorised for issue on 16 March 2015 and signed on its behalf by:

Stanley Portelli
Chairman

Paul Burnett
Financial Director

COMPANY STATEMENT OF **COMPREHENSIVE INCOME** for the period ended 31 December 2014

	Notes	Period from 22 July to 31 December 2014 R'000
Dividends received		**179 000**
Operating expenses	7	**(10 228)**
Interest received		**3**
Profit/(loss) before taxation		**168 775**
Taxation	8	**–**
Total comprehensive income for the period		**168 775**

COMPANY STATEMENT OF **CHANGES IN EQUITY** for the period ended 31 December 2014

	Share capital R'000	Share premium R'000	Reorganisation reserve R'000	Retained earnings R'000	Total equity R'000
Changes in equity	**1 018**	**2 982 202**	**(2 837 259)**	**168 775**	**314 736**
Shares issued in exchange for shareholding in HomeChoice Holdings Limited	**1 014**	**2 979 539**	**–**	**–**	**2 980 553**
Shares issued on incorporation of HomeChoice International PLC	**183**	**–**	**–**	**–**	**183**
Shares repurchased	**(183)**	**–**	**–**	**–**	**(183)**
Issue of shares	**4**	**2 663**	**–**	**–**	**2 667**
Net assets acquired	**–**	**–**	**(2 837 259)**		**(2 837 259)**
Comprehensive income	**–**	**–**	**–**	**168 775**	**168 775**
Balance at 31 December 2014	**1 018**	**2 982 202**	**(2 837 259)**	**168 775**	**314 736**
Note	4	5	4		

COMPANY STATEMENT OF **CASH FLOWS** for the period ended 31 December 2014

	Note	2014 R'000
Cash flows from operating activities		
Operating cash flows before working capital changes	15	**(10 228)**
Increase in payables		**10 950**
Cash generated from operations		**722**
Interest received		**3**
Net cash inflow from operating activities		**725**
Cash flows from investing activities		
Purchase of intangible assets		**(136)**
Net cash outflow from investing activities		**(136)**
Cash flows from financing activities		
Proceeds from the issuance of shares		**2 667**
Net cash generated from financing activities		**2 667**
Net increase in cash and cash equivalents		**3 256**
Cash and cash equivalents at the beginning of the year		**–**
Cash and cash equivalents at the end of the year	3	**3 256**

NOTES TO THE **COMPANY ANNUAL FINANCIAL STATEMENTS** for the period ended 31 December 2014

	2014 R'000
1. Investment in subsidiaries	
Wholly-owned subsidiaries' shares at cost	
HomeChoice South Africa Limited (incorporated in Malta)	**143 294**

The company has measured the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

	% interest held	Number of company shares issued and held 2014
HomeChoice South Africa Limited operating subsidiary companies		
HomeChoice Holdings (Pty) Limited	100%	**1**
HomeChoice (Pty) Limited	100%	**1**
HomeChoice Property Company (Pty) Limited	100%	**60**
FinChoice (Pty) Limited	100%	**1 700**
Odvest 189 (Pty) Limited	100%	**120**
Related entities		
The HomeChoice Share Trust	100%	**–**
The HomeChoice Development Trust	100%	**–**
HomeChoice South Africa Limited dormant companies		
HC Direct (Pty) Limited	100%	**60**
HomeChoice Nominees (Pty) Limited	100%	**120**
FoneChoice (Pty) Limited	100%	**60**
HomeChoice Investments (Pty) Limited	100%	**120**
Matyana van der Merwe (Pty) Limited	100%	**1 700**
HomeChoice (Pty) Limited (incorporated in Namibia)	100%	**1**
HomeChoice (Pty) Limited (incorporated in Botswana)	100%	**100**

Unless otherwise specified, all companies have been incorporated in South Africa.

	2014 R'000
2. Intercompany loans	
Wholly-owned subsidiaries' loans	
HomeChoice Holdings Proprietary Limited	**(5 587)**
HomeChoice South Africa Limited (incorporated in Malta)	**179 000**
	173 413

The loans are unsecured, interest-free and repayable on demand.

3. Cash and cash equivalents	
Cash at bank	**3 256**
	3 256

4. Share capital

On 28 November 2014 a new entity, HomeChoice International PLC, was placed on top of the existing group, HomeChoice Holdings Limited, by issuing shares to the existing group shareholders. This transaction was not a business combination and has been accounted for as a reorganisation of an existing group that has not changed the substance of the reporting entity. No capital was raised as part of the reorganisation. At the time of the reorganisation the shareholders of HomeChoice Holdings became the new shareholders in HomeChoice International PLC.

Share capital, share premium and treasury shares have been adjusted to include the effects of:

- the issue of 101 379 351 shares to the HomeChoice Holdings shareholders in terms of the reorganisation, issued at a price of R29,40 and a par value of R0,01.

The effect of the transaction is to reflect the share capital, share premium and treasury shares of the new holding company, HIL, and to eliminate HomeChoice Holdings' share capital and treasury shares and to create a reorganisation reserve with a debit balance of R2 837 259 million.

	2014 R'000
Authorised	
200 000 000 ordinary shares with a par value of one cent each	**2 000**
Issued	
101 790 952 ordinary shares at one cent par value	**1 018**
72 900 000 ordinary shares at one cent par value	**183**
Total	**1 201**
72 900 000 ordinary shares repurchased	**(183)**
Share capital	**1 018**
Reconciliation of movement in issued shares:	
Number of issued shares at the beginning of the year	**–**
Shares issued on incorporation of HomeChoice International PLC*	**72 900**
Share capital on reorganisation (101 379 351 shares)	**101 379**
Shares issued 17 December 2014	**412**
Sub-total	**174 691**
Shares repurchased*	**(72 900)**
Number of issued shares, net of treasury shares	**101 791**

* Upon HIL's incorporation on 22 July 2014, 72 900 000 HIL shares were issued at a subscription price equal to 25% of the par value thereof , i.e. R0,183 million. Pursuant to the implementation of the above reorganisation:

- 101 379 351 HIL shares were issued to the scheme participants in the ratio of 1 (one) HIL share for every 1 (one) HomeChoice Holdings share held; and
- The 72 900 000 HIL shares issued on incorporation were repurchased by HIL at the subscription price paid for such HIL shares at incorporation. Under the Maltese Companies Act, the repurchased HIL shares must be retained by HIL for a three-month notice period after which they will be cancelled. In terms of the Maltese Companies Act these shares carried no voting or distribution rights during the three-month notice period. By the time of reporting the 72 900 000 HIL shares (R0,183 million) had been duly cancelled.

The unissued shares are under the control of the directors until the next annual general meeting.

NOTES TO THE **COMPANY ANNUAL FINANCIAL STATEMENTS** for the period ended 31 December 2014 (continued)

	2014 R'000
5. Share premium	
Balance at the beginning of the year	–
Share premium on reorganisation (101 379 351 at R29,39)	**2 979 539**
Share issue	**2 663**
Balance at the end of the year	**2 982 202**
6. Payables	
Stockdale Investments Holding Limited	**324**
Other payables	**5 039**
	5 363
Amounts owed to shareholders are unsecured, interest-free and repayable on demand.	
7. Operating expenses	
Directors' emoluments	**301**
Restructuring and listing costs	**9 924**
Legal fees	**2 924**
Consulting fees	**5 729**
Audit fees	**606**
Listing	**507**
Advertising	**116**
Other	**42**
Other	**3**
	10 228
Average number of employees during the year	**2**
8. Taxation	
Current tax expense	–
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:	
Profit before tax	**168 775**
Tax at 35%	**59 071**
Tax effect of:	
Income not subject to tax	**(62 650)**
Expenses not deductible for tax purposes	**3 579**
Tax charge	–

9. Risk management and financial instrument disclosure

The board is accountable for the process of risk management, establishing appropriate risk and control policies, and communicating these throughout the company.

The company's risk management policies are designed to identify risks faced by the company and to establish appropriate controls and limits to mitigate the risk to acceptable levels. The audit and risk committee oversees how management monitors compliance with these risk and control policies.

This note discloses information about the company's capital risk management and exposure to risks from its use of financial instruments.

9.1 Capital risk management

The company's objectives when managing capital is to sustain the company's ability to continue as a going concern while enhancing returns to shareholders. The company primarily makes use of equity for capital management purposes. Equity consists of ordinary share capital, share premium and reserves 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 company to fund the company's capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or increase or reduce debt. From time to time the company repurchases its own shares. The timing of these repurchases depend on the availability of shares to be repurchased and available funding. The decision to repurchase shares is made on a specific transaction basis. The company does not have a defined share buy-back plan.

There were no changes in the company's approach to capital management during the year. During the current year there were no defaults or breaches of any of the company's agreements with its lenders.

9.2 Financial risk management

The company's activities expose it to a variety of financial risks arising from the use of financial instruments, including credit risk, liquidity risk and market risk.

9.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. Potential concentrations of credit risk consist principally of loans to subsidiaries, cash and cash equivalents and credit guarantees.

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

Loans to subsidiaries

These related party loans are unsecured and repayable on demand.

Cash and cash equivalents

The company only deposits short-term cash surpluses with F1+ and F1 national short-term rated financial institutions.

9.4 Liquidity risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company'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 company's reputation. The risk is managed through optimisation of daily cash management and regular reviews of cash flow projections to ensure that appropriate borrowing facilities are in place.

The trade and other payables balance is interest-free and repayable on demand.

9. Risk management and financial instrument disclosure (continued)

9.5 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of market prices. The only market risk to which the company is exposed is interest rate risk in respect of interest-bearing loans to certain subsidiaries and cash and cash equivalents.

The company measures sensitivity in interest rates as the effect of a change in the Reserve Bank repo rate on the profit after taxation based on the company's exposure at the reporting date. The company regards a 100 basis points change in the Reserve Bank repo rate as being reasonably possible at the reporting dates.

	Movement in basis points	Effect on profit after taxation 2014 R'000
Cash and cash equivalents	+100	**23**
	-100	**(23)**

10. Related parties

At the reporting date, the parent of the group was GFM Limited and the ultimate parent of the group was Stockdale Investment Holdings Limited, a company incorporated in British Virgin Islands. The group's ultimate controlling party is the Maynard Trust. Transactions with this company would typically include loan funding, interest and management charges.

The following significant operating transactions have a material effect on the operating results and financial position of the company:

	2014 R'000
Directors' emoluments	
Executive director's fees	
Greg Lartigue	**100,31**
Non-executive director's fees	
Stanley Portelli	**100,31**
Charles Rapa	**100,31**
Dividends received	
Dividend received from HomeChoice South Africa Limited	**179 000**
Intercompany loans	
Refer to note 2 for details of intercompany loans.	

11. Dividends per share

Dividend per share (cents)	**–**

No dividends have been declared or paid since incorporation.

The 2014 proposed final dividend of 161 cents per share will be presented by the shareholders at the annual general meeting on 12 May 2015.

	2014 R'000
12. Net asset value per share	
The calculation of net asset value per share is based upon net assets divided by the total number of shares in issue.	
Net asset value per share (cents)	**320,21**
Net tangible asset value per share (cents)	**320,21**

13. Comparatives

No comparatives have been presented as the company was incorporated during the current period.

14. Events after the reporting period

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

15. Operating cash flows before working capital changes

Profit before taxation	**168 775**
Adjustment – dividends received and interest received	**179 003**
	(10 228)

ADMINISTRATION

Country of incorporation
Republic of Malta

Date of incorporation
22 July 2014

Company registration number
C66099

Company secretary
George Said

Registered office
93 Mill Street
Qormi
QRM3012
Republic of Malta

Auditors
PricewaterhouseCoopers
Republic of Malta

Corporate bank
Deutsche Bank International Limited
Channel Islands

JSE listing details
Share code: HIL
ISIN: MT0000850108

Sponsor
Rand Merchant Bank, a division of FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services (Proprietary) Limited

SHAREHOLDERS' DIARY

Financial year-end
31 December

Annual general meeting
12 May 2015

Distributions to shareholders
May and November

Reports and profit statements
Publication of annual report: March
Interim report: August

HiL PLC

HOMECHOICE INTERNATIONAL