Annual Financial Statements for the year ended 31 December 2016 and Notice of Annual General Meeting

HomeChoice International PLC

HiL PLC

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 as issued by the IASB 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 judgements 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 issued by the IASB 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 judgements 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 financial statements of HomeChoice International PLC for the year ended 31 December 2016 are included in the Annual Report 2016, 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 2016, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the IASB; 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 12 to 75 which have been prepared on the going concern basis, were approved by the directors on 13 March 2017 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 2016 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. 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 is satisfied that appropriate safeguards have been adopted to maintain the independence of the external auditor when providing non-audit services.

The committee reviewed the external auditor's opinion on the financial statements and considered any reports on risk exposure and weaknesses in internal controls. The committee also met with the external auditor separately without management being present. The committee concludes that the skills, independence, audit plan, reporting and overall performance of the external auditor 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 2017.

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.

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.

C Rapa
Chairman of the audit and risk committee

Qormi, Republic of Malta
13 March 2017

Report of the directors

for the year ended 31 December 2016

Nature of business

HomeChoice International PLC (HIL) is an investment holding company incorporated in Malta and listed in the General Retailers sector on the JSE Limited. Through its Retail (HomeChoice) and Financial Services (FinChoice) businesses, the group sells innovative homewares merchandise, personal technology, and loan and insurance products to the rapidly expanding mass middle-income market in southern Africa. As a leading home-shopping retailer, products are offered through online channels, call centres, sales agent networks and mail order catalogues.

The omni-channel model and digital Financial Services business provide a strong platform for realising the group's ambitions of becoming a pan-African retailer.

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 2 and 3.

Directors

The following directors held office during the year and offer themselves for election as directors at the annual general meeting of shareholders on 4 May 2017:

- 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. His business and postal addresses appear on the inside back cover of this report.

Subsidiary companies

Details of the company's investments in subsidiaries are set out in note 1 to the company annual financial statements. The interest of the company in the aggregate profits before taxation of the subsidiary companies is R604.2 million (2015: R553.5 million).

Trading and financial performance

Group revenue increased by 19.3% to R2 664.2 million, with stronger growth in the second half driven by good Retail sales and an improved performance in Financial Services loan disbursements.

Retail sales growth was driven by the positive response to the strategic introduction of the Retail credit facility product at reduced interest rates, innovation in our heritage homeware and bedding ranges, and the introduction of an extended range of well-known branded home appliances and electronic products.

The impact of the reduction in the prescribed maximum interest rate was evident in the second half, resulting in a slowdown in finance charges earned by the group. The credit facility product in Retail, which attracts a lower interest rate than the previous instalment credit product, further reduced finance income.

Full-year debtor costs were 20.3% up on the previous year, with a slight deterioration in the second half reflecting the challenges of collection activities in the market.

A strong focus on cost management across the group managed the increase in other trading expenses below revenue growth. The group had an increase in compliance costs due to affordability regulations and continued its investment in technology and people to support its growth.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 11.0% to R701.4 million as finance charges earned increased by 3.1% due to the lower interest rates charges. Operating profit increased by 11.7%, reflecting a more normalised depreciation charge compared to 2015.

Cash generated from operations at R277.1 million was 22.7% down on 2015. The generation of cash was negatively impacted by the strong growth in the last quarter in both Retail sales and Financial Services loan disbursements. This growth required additional working capital funding with a delay in the revenue earnings into 2017.

Headline earnings for the year increased by 7.5% to R424.7 million, with headline earnings per share (HEPS) up 6.6% to 414.6 cents due to higher interest paid on the property bond.

Customer engagement through digital platforms has increased, with Retail sales via digital channels up 40.3% for the year and now represents 12% sales contribution. The Financial Services business is primarily a digital business, with 64% of all loan transactions concluded by our customers via her mobile phone. Strong growth has been experienced from the Financial Services mobi site, with registered customers increasing from 15% to 35% of the active loans base. Digital credit extended by both businesses now represents 28% of total group credit extended.

Sales to customers in neighbouring African countries represent 10% of business with good demand from customers in Namibia and Botswana. The Financial Services business in Mauritius commenced the pilot of loan disbursements into the South African market.

Capital and financial risk 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.

The financial risk management of the group is disclosed in note 3.2 to the group annual financial statements.

Distributions to shareholders

Interim

The directors declared an interim dividend of 71.0 (2015: 64.0) cents per share, which was paid on Monday, 28 November 2016, to shareholders recorded in the books of the company at the close of business on Friday, 25 November 2016.

Final

The directors declared a final dividend of 87.0 (2015: 84.0) cents per share, which will be paid on Monday, 10 April 2017, to shareholders recorded in the books of the company at the close of business on Friday, 7 April 2017.

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%.

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 company.

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 2017 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

G Lartigue
Chief Executive Officer

P Burnett
Finance Director

13 March 2017

pwc

Independent auditor's report

to the shareholders of HomeChoice International PLC

Report on the audit of the financial statements

Our opinion

In our opinion:

- HomeChoice International PLC's consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the group's and the parent company's financial position as at 31 December 2016, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap 386).

What we have audited

HomeChoice International PLC's financial statements, set out on pages 12 to 75, comprise:

- the consolidated and parent company statements of financial position as at 31 December 2016;
- the consolidated and parent company statements of comprehensive income for the year then ended;
- the consolidated and parent company statements of changes in equity for the year then ended;
- the consolidated and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

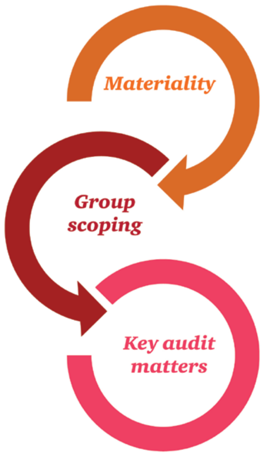
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company and the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



- Overall group materiality: R28.5 million, which represents 5% of profit before tax.

- The group consists of three reporting components, being the Retail and Financial Services operations, as well as the property holding company. We performed full scope audits at two reporting components in South Africa, HomeChoice Proprietary Limited (Retail operations) and FinChoice Proprietary Limited (Financial Services operations) and we performed specified audit procedures over HomeChoice Property Company Proprietary Limited.
- In addition we performed analytical procedures over the remaining business operations.

- Key audit matter: Impairment provisioning of the retail and loan book.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R28.5 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit oriented companies in this sector.

We agreed with the audit committee that we would report to them misstatements identified during our audit above R1.425 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report

to the shareholders of HomeChoice International PLC (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment provisioning of the Retail and Financial Services loan book of the group The group has recognised trade and other receivables on the statement of financial position to the amount of R2 215 million, see note 3.3 and note 10 to the consolidated financial statements. Included in this balance is a provision for impairment to the amount of R463 million which relates to the retail and loan book of HomeChoice Proprietary Limited (Retail operations) and FinChoice Proprietary Limited (Financial Services operations). For both HomeChoice and FinChoice the impairment is calculated on a modelled basis (using delinquency roll rate models) for portfolios of receivables and loans. Statistical techniques are used to determine the inputs into the discounted cash flow models used in order to calculate impairment allowances based on historical default and recovery rates. The estimation of the provision for impairment was considered a matter of most significance to our audit as it is subject to various estimates that requires significant management judgement regarding the interpretation of historical data.	We have obtained an understanding of and tested the relevant controls that included the process over customer approval, the control over accuracy of fees and interest, and the control over the review of the models and model parameters. Our internal actuarial expert assisted us in testing the model and assumptions through use of sensitivities, comparing the model used to what was utilised in the past for consistency and benchmarking against industry knowledge, in particular the roll rates, recovery curves and discount rates which are key to the outcome of the impairment test. In relation to testing the basis and operation of those models, data and assumptions used by management to determine the provisions, our work included amongst other the following: • The roll rates and recovery curves (principal assumptions) used in management models were estimated from historical payment history. We compared the principal assumptions made by management with those we would have used given the client's data and our expert judgement, independently generated benchmarks and based on experience. The discount rates were compared to market information obtained independently. The assumptions and discount rates used by management were within a reasonable range compared to our independent expectation. • We tested the basis and operation of the models used by management to calculate the impairment by rebuilding those models independently and comparing the results with those of management. • For a sample of transaction data we agreed the information to supporting evidence, such as summaries of customer transaction data including bank records of amounts collected and invoice data for sales transactions and other charges. • We considered the potential for impairment to be affected by events which were not captured by management's models (for example recoveries of legal transfers, buy now pay later programs, etc.) and tested how management responded to these events (for example by making further provisions where necessary). This did not result in any material variances compared to our testing of the assumptions and estimates involved in calculating these additional provisions. • We also focused on how impairment events that have not yet resulted in a payment default are identified and measured (i.e. incurred but not reported provisions) utilising actual transaction data from prior year balance.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group has three principal business operations, being Retail, Financial Services and Property. The group sells its products and provides financial services predominantly in South Africa. The consolidated financial statements are a consolidation of the three reporting components.

We performed an audit of the complete financial information on two principal operating businesses. Specific audit procedures on certain balances and transactions were performed over the property holding company. In addition we performed analytical procedures over the remaining business operations. This together with additional procedures performed at the group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

In establishing the overall audit approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the report of the directors, as required by the Maltese Companies Act (Cap 386) and the audit and risk committee's report and the directors' responsibility statement, which we obtained prior to the date of this auditor's report and the integrated annual report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap 386).

In addition, in light of the knowledge and understanding of the company and the group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, International Financial Reporting Standards as issued by the IASB and the requirements of the Maltese Companies Act (Cap 386), 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.

In preparing the financial statements, the directors are responsible for assessing the company's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Independent auditor's report

to the shareholders of HomeChoice International PLC (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company and group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance[1] regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap 386) to report to you if, in our opinion:

- 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.
- 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

13 March 2017

Group statement of financial position

at 31 December 2016

	Notes	2016 R'000	2015 R'000
Assets			
Non-current assets			
Property, plant and equipment	4	**425 926**	422 243
Intangible assets	5	**89 654**	101 928
Loans to employees	6	**–**	207
Investment in associates and other	7	**24 259**	13 248
Deferred taxation	8	**38 217**	25 708
		578 056	563 334
Current assets			
Inventories	9	**213 750**	170 391
Taxation receivable		**4 756**	4 271
Trade and other receivables	10	**2 214 754**	1 787 273
Trade receivables – Retail		**1 221 729**	982 061
Loans receivable – Financial Services		**969 544**	790 575
Other receivables		**23 481**	14 637
Cash and cash equivalents	11	**187 277**	88 300
		2 620 537	2 050 235
Total assets		**3 198 593**	2 613 569
Equity and liabilities			
Equity attributable to equity holders of the parent			
Stated and share capital	12.1	**1 035**	1 025
Share premium	12.2	**2 998 429**	2 987 580
Reorganisation reserve		**(2 960 639)**	(2 960 639)
		38 825	27 966
Treasury shares	13	**(2 666)**	(2 666)
Other reserves	15	**6 377**	4 502
Retained earnings		**1 987 648**	1 721 626
Total equity		**2 030 184**	1 751 428
Non-current liabilities			
Interest-bearing liabilities	16	**579 140**	164 324
Deferred taxation	8	**134 844**	112 282
Other payables	17	**4 900**	5 070
		718 884	281 676
Current liabilities			
Interest-bearing liabilities	16	**31 453**	221 102
Taxation payable		**11 801**	18
Trade and other payables	18	**214 464**	184 550
Provisions	19	**31 713**	12 357
Bank overdraft	11	**–**	1 780
Shareholder loan	20	**160 094**	160 658
		449 525	580 465
Total liabilities		**1 168 409**	862 141
Total equity and liabilities		**3 198 593**	2 613 569
Additional information			
Rand/Euro exchange rate at 31 December		**0.0689**	0.0590

These financial statements were approved by the board of directors, authorised for issue on 13 March 2017 and signed on its behalf by:

S Portelli
Chairman

P Burnett
Finance Director

Group statement of comprehensive income

for the year ended 31 December 2016

	Notes	2016 R'000	2015 R'000
Revenue		**2 664 230**	2 232 967
Retail sales		**1 497 610**	1 197 131
Finance charges and initiation fees earned		**940 585**	893 722
Finance charges earned		**672 083**	652 083
Initiation fees earned		**268 502**	241 639
Fees from ancillary services	21	**226 035**	142 114
Cost of Retail sales		**(759 288)**	(590 010)
Debtor costs	22	**(478 114)**	(397 469)
Other trading expenses	22	**(789 705)**	(666 913)
Other net gains and losses	23	**7 505**	(1 873)
Other income	24	**3 532**	3 692
Operating profit		**648 160**	580 394
Interest received		**3 393**	3 375
Interest paid		**(64 854)**	(32 809)
Share of loss of associates		**(1 564)**	(1 137)
Profit before taxation		**585 135**	549 823
Taxation	26	**(160 281)**	(155 264)
Profit and total comprehensive income for the year		**424 854**	394 559
Earnings per share (cents)			
Basic	32.1	**414.8**	388.9
Headline		**414.6**	389.1
Diluted	32.2	**410.5**	382.1
Diluted headline	32.2	**410.3**	382.4
Additional information (%)			
Retail gross profit margin		**49.3**	50.7

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 2016

	Stated and share capital R'000	Share premium R'000	Treasury shares R'000	Reorgan-isation reserve R'000	Other reserves R'000	Retained earnings R'000	Equity attributable to owners of the parent R'000
Balance at 1 January 2015	1 018	2 982 202	(2 666)	(2 960 639)	3 030	1 555 381	1 578 326
Changes in equity							
Profit and total comprehensive income for the year	–	–	–	–	–	394 559	394 559
Shares issued	7	5 378	–	–	–	–	5 385
Dividends paid	–	–	–	–	–	(228 314)	(228 314)
Share option scheme	–	–	–	–	1 472	–	1 472
Total changes	7	5 378	–	–	1 472	166 245	173 102
Balance at 1 January 2016	**1 025**	**2 987 580**	**(2 666)**	**(2 960 639)**	**4 502**	**1 721 626**	**1 751 428**
Changes in equity							
Profit and total comprehensive income for the year	–	–	–	–	–	**424 854**	**424 854**
Shares issued for share option scheme	**10**	**10 849**	–	–	–	–	**10 859**
Dividends paid	–	–	–	–	–	**(158 832)**	**(158 832)**
Share option scheme	–	–	–	–	**1 875**	–	**1 875**
Total changes	**10**	**10 849**	–	–	**1 875**	**266 022**	**278 756**
Balance at 31 December 2016	**1 035**	**2 998 429**	**(2 666)**	**(2 960 639)**	**6 377**	**1 987 648**	**2 030 184**

Group statement of cash flows

for the year ended 31 December 2016

	Notes	**2016 R'000**	2015 R'000
Cash flows from operating activities			
Operating cash flows before working capital changes	28	**698 784**	636 923
Movements in working capital	28	**(421 740)**	(278 434)
Cash generated from operations	28	**277 044**	358 489
Interest received		**3 286**	3 375
Interest paid	25	**(60 512)**	(31 483)
Taxation paid	29	**(140 574)**	(137 495)
Net cash inflow from operating activities		**79 244**	192 886
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(26 282)**	(140 434)
Proceeds on disposal of property, plant and equipment		**425**	377
Purchase of intangible assets	5	**(20 124)**	(46 819)
Loans repaid by employees		**207**	1 095
Investment in associates and other		**(6 753)**	(6 709)
Net cash outflow from investing activities		**(52 527)**	(192 490)
Cash flows from financing activities			
Proceeds from the issuance of shares		**10 860**	5 385
Proceeds from interest-bearing liabilities		**369 574**	279 464
Repayments of interest-bearing liabilities		**(140 371)**	(30 342)
Finance-raising costs paid		**(7 191)**	(2 641)
Dividends paid		**(158 832)**	(228 314)
Net cash inflow from financing activities		**74 040**	23 552
Net increase in cash and cash equivalents and bank overdrafts		**100 757**	23 948
Cash, cash equivalents and bank overdrafts at the beginning of the year		**86 520**	62 572
Cash, cash equivalents and bank overdrafts at the end of the year	11	**187 277**	86 520

Group segmental information

for the year ended 31 December 2016

	2016					
	Total R'000	Retail R'000	Financial Services R'000	Property R'000	Other R'000	Intragroup R'000
Segmental revenue	2 716 561	2 082 731	581 499	52 331		
Retail sales	1 497 610	1 497 610	–			
Finance charges and initiation fees earned	940 585	491 716	448 869			
Fees from ancillary services	278 366	93 405	132 630	52 331		
Intersegment revenue	(52 331)	–	–	(52 331)		
Revenue from external customers	2 664 230	2 082 731	581 499	–	–	–
Total trading expenses (refer to note 22)	1 267 819	953 485	325 143	22 252	9 612	(42 673)
EBITDA	701 422	420 203	260 750	31 330	(10 742)	(119)
Depreciation and amortisation	(54 825)	(49 500)	(3 648)	(1 272)	(434)	29
Interest received	1 470	–	563	–	36 088	(35 181)
Interest paid	(31 584)	–	(31 702)	–	(34 300)	34 418
Segmental operating profit*	616 483	370 703	225 963	30 058	(9 388)	(853)
Interest received	1 923	1 889	–	34	–	–
Interest paid	(33 270)	(7 490)	–	(25 780)	–	–
Profit before taxation	585 135	365 102	225 963	4 312	(9 388)	(853)
Taxation	(160 281)	(97 460)	(54 104)	(4 203)	(4 514)	–
Profit after taxation	424 854	267 642	171 859	109	(13 902)	(853)
Segmental assets**	3 198 594	1 759 458	1 095 512	340 116	22 406	(18 898)
Segmental liabilities**	1 168 409	368 495	55 050	251 406	511 388	(17 930)
Operating cash flows before working capital changes	698 784	421 481	255 770	31 330	(9 178)	(619)
Movements in working capital	(421 740)	(265 056)	(161 359)	2 475	1 705	495
Cash generated/(utilised) by operations	277 044	156 425	94 411	33 805	(7 473)	(124)
Capital expenditure						
Property, plant and equipment	26 282	21 806	764	4 409	67	(764)
Intangible assets	20 124	15 039	285	–	4 920	(120)
Change in Retail sales (%)	25.1	25.1				
Change in EBITDA (%)	11.0	11.3	11.7	3.5	(10.7)	
Change in debtor costs (%)	20.3	23.9	14.0			
Change in other trading expenses (%)	18.4	11.2	57.9	>100.0	(39.4)	
Gross profit margin (%)	49.3	49.3				
Segmental results margin (%)	22.7	17.8	38.9	57.4		

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

	2015					
	Total R'000	Retail R'000	Financial Services R'000	Property R'000	Other R'000	Intragroup R'000
	2 264 042	1 754 999	477 968	31 075		
	1 197 131	1 197 131				
	893 722	492 296	401 426			
	173 189	65 572	76 542	31 075		
	(31 075)			(31 075)		
	2 232 967	1 754 999	477 968	–	–	–
	1 064 382	828 712	245 720	2 365	15 865	(28 280)
	632 187	377 702	233 358	30 259	(12 032)	2 900
	(52 930)	(50 467)	(974)	(1 272)	(224)	7
	1 065	–	553	–	39 016	(38 504)
	(14 907)	–	(32 034)	–	(20 105)	37 232
	565 415	327 235	200 903	28 987	6 655	1 635
	2 310	2 255	–	55	–	–
	(17 902)	(5 198)	–	(13 975)	–	1 271
	549 823	324 292	200 903	15 067	6 655	2 906
	(155 264)	(90 762)	(55 478)	(4 218)	(4 806)	–
	394 559	233 530	145 425	10 849	1 849	2 906
	2 613 569	1 412 344	848 456	337 355	27 445	(12 031)
	862 141	317 029	35 217	253 479	268 493	(12 077)
	636 923	376 886	233 736	30 505	(7 104)	2 900
	(278 434)	(100 351)	(169 147)	(1 012)	(4 894)	(3 030)
	358 489	276 535	64 589	29 493	(11 998)	(130)
	140 434	33 834	955	105 067	578	–
	46 819	44 505	13	–	2 423	(122)
	10.6	10.6				
	16.7	11.8	23.4	9.6	(7.0)	
	20.5	15.2	31.1			
	18.5	19.3	16.1	9.0	10.5	
	50.7	50.7				
	25.3	18.6	42.0	93.3		

Notes to the group annual financial statements

for the year ended 31 December 2016

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. The standards and amendments endorsed by the EU have a different implementation date to that of the IASB.

The standards and amendments endorsed by the EU which have a different implementation date to that of the IASB have no impact on the consolidated and separate financial statements and therefore these statements comply with both International Financial Reporting Standards as adopted by the EU and the International Financial Reporting Standards issued by the IASB.

Note 2.2 sets out standards and interpretations that are not yet effective in terms of IFRS issued by the IASB but relevant to the group. IFRS 9, IFRS 15, IFRS 16 and IAS 7 (Amendment) have not yet been endorsed 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.

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 (R or ZAR). 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.

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 1.9 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 losses 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 Cell captive insurance contracts

The group has entered into an insurance cell arrangement with Guardrisk, a licensed insurance company. The company purchased shares in insurance cells within South Africa and Mauritius. These "cells" issue contracts that transfer insurance risk. The risks and rewards associated with these contracts are transferred to the company through a cell agreement.

Mauritian insurance cell

The group entered into a shareholders' agreement for an insurance cell domiciled in Mauritius. The insurance cell meets the definition of a "deemed separate entity" per IFRS 10 and considered that control has been established. The group will consolidate the insurance cell as per accounting policy 1.4, Investment in subsidiaries.

South African insurance cell

The group has an economic interest in an insurance cell domiciled in South Africa. The group accounts for the insurance cell as an investment in insurance contract. The net profit or loss after tax from the cells is accounted for by the group in "Fees from ancillary services" in the income statement. The net investment in the cells is shown under "Investment in associates and other" in the statement of financial position.

In determining the profit from the cell captive contracts the following insurance accounting policies are applied:

- Insurance contracts are those contracts that transfer significant insurance risk. Such contract may also transfer financial risk. As a general guideline, the cell defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are more than the benefits payable if the insured event did not occur. Insurance business is transacted in respect of credit life, funeral and product protection.
- The net result from insurance cell operations is the net insurance result of the investment in insurance contract. The net result takes into account insurance premium revenue, insurance claims, salvage and recoveries, acquisition costs, reinsurance and taxes as accounted for by the insurance cell. The amounts are payable to the group in terms of the contract subject to certain liquidity and solvency requirements of the insurance cell.

1.7 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.

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

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 asset's carrying amount is greater than its estimated recoverable amount.

1.8 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	10.0% – 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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 drawdown 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 prepayment 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

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

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 the primary objective evidence that a receivable might be impaired. Other objective evidence includes historical loss experience of groups of financial assets with similar repayment terms, or data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. The latter would include adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group. 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. 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 stand-alone 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 19. A contingent liability is a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. 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 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, income earned from the delivery of such goods and related product protection insurance, 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

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

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 profits 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 premiums and income from insurance contracts 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 an omni-channel home-shopping retailer providing a range of homewares and selected apparels and footwear 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, and insurance products.
- **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, widespread 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

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

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 2 and 3 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

The IASB has issued the following new standards, amendments or interpretations to existing standards. These are effective during the year, but are not relevant to the group's operations:

Standard/interpretation (effective years beginning on or after 1 January 2016)

- Amendments to *IFRS 10* and *IAS 28 – Consolidation exception for investment entities and their subsidiaries*
- Amendments to *IFRS 10* and *IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture*
- Amendments to *IFRS 11, Joint Arrangements*
- Amendments to *IAS 1, Presentation of Financial Statements: Disclosure Initiative*
- Amendments to *IAS 16* and *IAS 38 – Clarification of acceptable methods of depreciation and amortisation*
- Amendments to *IAS 16* and *IAS 41, Agriculture: Bearer Plants*
- Amendments to *IAS 27 – Equity method in separate financial statements*
- *Annual improvements 2012 – 2014 cycle*

The above new standards and amendments have an implementation date of 1 January 2016 as per EU endorsement.

2.2 Standards and interpretations not yet effective but relevant

The group 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 2016 or later periods:

IFRS 2 – Classification and measurement of share-based payment transactions

An amendment has been made addressing three classification and measurement issues.

The amendment addresses the accounting for cash-settled, share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

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 other comprehensive income (OCI) and fair value through profit and loss (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 OCI, 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.

IFRS 16, Leases

The new standard provides that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the statement of financial position. Lessor accounting has not substantially changed in the new standard.

IFRS 16 supersedes *IAS 17, Leases, IFRIC 4, Determining Whether an Arrangement Contains a Lease, SIC 15, Operating Leases: Incentives* and *SIC 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The group is yet to assess IFRS 16's full impact.

IAS 7, Cash Flow Statements

An amendment has been made introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

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 *IAS 12 – Clarification of accounting for deferred tax where asset measures at fair value.*

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

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 its 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 25% to 30%. This target will be reviewed at the next strategy cycle with regard to the increased dividend cover and interest expense for group funding requirements.

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				
2016				
Non-current assets				
Loans to employees	6	–	–	–
Current assets				
Trade receivables – Retail	10	1 221 729	–	1 221 729
Loans receivable – Financial Services	10	969 544	–	969 544
Other receivables	10	17 108	6 373	23 481
Cash at bank	11	187 277	–	187 277
Total		2 395 658	6 373	2 402 031
Guarantees		15 000		
Maximum exposure to credit risk		2 410 658		
2015				
Non-current assets				
Loans to employees	6	207	–	207
Current assets				
Trade receivables – Retail	10	982 061	–	982 061
Loans receivable – Financial Services	10	790 575	–	790 575
Other receivables	10	7 665	6 972	14 637
Cash at bank	11	88 300	–	88 300
Total		1 868 808	6 972	1 875 780
Guarantees		15 000		
Maximum exposure to credit risk		1 883 808		

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

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				
2016				
Non-current liabilities				
Mortgage bonds	16	209 927	–	209 927
Suspensive sale agreements	16	23 070	–	23 070
Commercial term loan facilities	16	346 143	–	346 143
Non-current other payables	17	4 900	–	4 900
Current liabilities				
Trade payables	18	127 463	–	127 463
Other payables	18	82 352	4 649	87 001
Listed bonds	16	–	–	–
Mortgage bonds	16	18 734	–	18 734
Bank overdraft	11	–	–	–
Suspensive sale agreements	16	12 719	–	12 719
Shareholder loan	20	160 094	–	160 094
Total		985 402	4 649	990 051
2015				
Non-current liabilities				
Mortgage bonds	16	139 073	–	139 073
Suspensive sale agreements	16	25 251	–	25 251
Commercial term loan facilities	16	–	–	–
Non-current other payables	17	5 070	–	5 070
Current liabilities				
Trade payables	18	124 694	–	124 694
Other payables	18	58 404	1 452	59 856
Listed bonds	16	101 262	–	101 262
Mortgage bonds	16	97 883	–	97 883
Bank overdraft	11	1 780	–	1 780
Suspensive sale agreements	16	21 957	–	21 957
Shareholder loan	20	160 658	–	160 658
Total		736 031	1 452	737 483

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 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 4 to 8. 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 Retail 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.

Financial Services' initial loans are only granted to Retail customers who have demonstrated good payment behaviour. This ensures that Financial Services 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 Retail or Financial Services. 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 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 1 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.

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

	% of gross trade receivables		% of net trade receivables	
	2016	2015	**2016**	2015
Contractual				
Retail				
Satisfactory paid	**71.6**	71.5	**80.3**	80.2
Current	**51.0**	50.6	**59.3**	58.7
Past due less than 30 days	**20.6**	20.9	**21.0**	21.5
Past due 31 – 60 days	**9.9**	9.1	**8.8**	8.2
Past due 61 – 90 days	**5.9**	5.6	**4.5**	4.3
Past due more than 91 days	**12.6**	13.8	**6.4**	7.3
	100.0	100.0	**100.0**	100.0
Trade receivables gross, net (R'000)	**1 507 312**	1 208 631	**1 221 729**	982 061

Loans receivable

The loans receivable book is derived from Retail 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 ageing 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.

	% of gross loans receivable		% of net loans receivable	
	2016	2015	**2016**	2015
Recency				
Financial Services				
Current	**87.3**	87.4	**93.7**	93.8
Not paid 1 – 30 days	**5.8**	6.8	**4.0**	4.4
Not paid 31 – 60 days	**3.3**	2.5	**1.3**	1.1
Not paid more than 61 days	**3.6**	3.3	**1.0**	0.7
	100.0	100.0	**100.0**	100.0
Loans receivable gross, net (R'000)	**1 147 250**	947 586	**969 544**	790 575

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

	2016 %	2015 %
Loan product weighting		
Financial Services		
1-month loan	**1.3**	1.3
6-month loan	**7.8**	12.3
12-month loan	**21.7**	15.6
24-month loan	**43.2**	47.9
36-month loan	**13.6**	10.1
Other	**12.5**	12.8
	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:

	2016 %	2015 %
Retail	**8.7**	9.5
Financial Services	**4.7**	4.6

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.

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.

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

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
2016									
Non-interest-bearing liabilities									
Non-current other payables	–	–	–	1 000	900	800	2 200	4 900	4 900
Trade and other payables	–	90 044	124 420	–	–	–	–	214 464	214 464
Financial guarantees	–	14 175	–	–	–	–	–	14 175	14 175
Interest-bearing liabilities									
Borrowings from the bank	9.83	–	41 733	106 213	23 370	23 370	122 543	317 229	228 661
Suspensive sale agreements	9.46	–	15 243	14 301	8 379	2 391	600	40 914	35 789
Shareholder loan	10.50	–	167 710	–	–	–	–	167 710	160 094
Commercial term loan facilities	10.10	–	35 243	91 650	85 624	79 874	188 430	480 821	346 143
		104 219	384 349	213 164	118 273	106 435	313 773	1 240 213	1 004 226
2015									
Non-interest-bearing liabilities									
Non-current other payables	–	–	–	970	900	800	2 400	5 070	5 070
Trade and other payables	–	136 214	48 336	–	–	–	–	184 550	184 550
Financial guarantees	–	14 175	–	–	–	–	–	14 175	14 175
Interest-bearing liabilities									
Listed bonds	9.34	–	109 592	–	–	–	–	109 592	101 262
Borrowings from the bank	9.26	–	118 485	29 946	94 547	12 171	32 715	287 864	236 956
Bank overdraft	9.38	–	1 780	–	–	–	–	1 780	1 780
Suspensive sale agreements	8.58	–	24 594	11 861	10 923	5 068	171	52 617	47 208
Shareholder loan	9.48	–	167 693	–	–	–	–	167 693	160 658
Commercial term loan facilities	–	–	–	–	–	–	–	–	–
		150 389	470 480	42 777	106 370	18 039	35 286	823 341	751 659

3. Risk management and financial instrument disclosure (continued)

3.4 Liquidity risk management (continued)

The group has the following borrowing facilities available:

	2016 R'000	2015 R'000
General banking facilities available	**216 390**	310 390
Guarantees	**14 175**	14 175
Suspensive sale agreements facility available	**80 038**	88 674
	310 603	413 239
Amounts drawn against these facilities	**(140 282)**	(90 001)
Unutilised borrowing facilities at 31 December	**170 321**	323 238

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 2016 amounting to R23.150 million (2015: R20.590 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 and EUR exchange rates 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, at year-end is as follows:

	Effect on profit after taxation	
	2016 R'000	2015 R'000
15% appreciation in ZAR/USD exchange rates	**2 353**	2 224
15% depreciation in ZAR/USD exchange rates	**(2 353)**	(2 224)
15% appreciation in ZAR/EUR exchange rates	**(3)**	(463)
15% depreciation in ZAR/EUR exchange rates	**3**	463

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

	2016 R'000	2015 R'000
Cash and cash equivalents	**1 362**	120
Trade and other payables	**23 151**	18 817
Bank overdraft	**–**	1 773
	23 151	20 590

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

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 include balances denominated in EUR:

	2016 R'000	2015 R'000
Cash and cash equivalents	**29**	4 291

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 (2015: 100 basis point) change in the Reserve Bank repo rate as being reasonably possible at the reporting dates.

		Effect on profit after taxation	
	Movement in basis points	2016 R'000	2015 R'000
Cash and cash equivalents	+100	**1 348**	636
	-100	**(1 348)**	(636)
Listed bonds	+100	**–**	(729)
	-100	**–**	729
Bank overdraft	+100	**–**	(13)
	-100	**–**	13
Borrowings from the bank	+100	**(4 138)**	(1 706)
	-100	**4 138**	1 706
Suspensive sale agreement	+100	**(258)**	(340)
	-100	**258**	340
Shareholder loan	+100	**(1 153)**	(1 157)
	-100	**1 153**	1 157

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.

3.7 Insurance risk

Insurance risk is the possibility that the insured event occurs and that benefit payments and expenses exceed the carrying amount of insurance liabilities. The group manages this risk through its arrangement with Guardrisk. The group sells both credit life, funeral and product protection insurance.

4. Property, plant and equipment

	2016 Cost R'000	2016 Accumulated depreciation R'000	2016 Carrying value R'000	2015 Cost R'000	2015 Accumulated depreciation R'000	2015 Carrying value R'000
Land and buildings	**348 528**	**(9 595)**	**338 933**	344 882	(8 323)	336 559
Motor vehicles	**3 463**	**(2 154)**	**1 309**	3 280	(1 745)	1 535
Computer equipment	**70 736**	**(33 305)**	**37 431**	59 909	(22 288)	37 621
Equipment, furniture, fittings and plant	**80 008**	**(31 755)**	**48 253**	70 703	(24 175)	46 528
Total	**502 735**	**(76 809)**	**425 926**	478 774	(56 531)	422 243

Analysis of movements

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Reclassification R'000	Closing balance R'000
2016						
Land and buildings	**336 559**	**3 646**	**–**	**(1 272)**	**–**	**338 933**
Motor vehicles	**1 535**	**280**	**–**	**(506)**	**–**	**1 309**
Computer equipment	**37 621**	**10 927**	**–**	**(11 017)**	**(100)**	**37 431**
Equipment, furniture, fittings and plant	**46 528**	**11 428**	**(90)**	**(9 613)**	**–**	**48 253**
Total	**422 243**	**26 281**	**(90)**	**(22 408)**	**(100)**	**425 926**
2015						
Land and buildings	232 764	105 067	–	(1 272)	–	336 559
Motor vehicles	638	1 370	–	(473)	–	1 535
Computer equipment	20 323	20 506	(7)	(8 591)	5 390	37 621
Equipment, furniture, fittings and plant	45 662	13 491	(657)	(8 011)	(3 957)	46 528
Total	299 387	140 434	(664)	(18 347)	1 433	422 243

Land and buildings comprise:

- land and buildings, being remainder erf 66592 Cape Town at Wynberg situated in the City of Cape Town, South Africa 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, South Africa in extent of 4 936 square metres (acquired in 2011);
- erf 66592 and erf 91380 were consolidated on 6 November 2015 to form erf 160341, Wynberg, City of Cape Town, South Africa; and
- industrial-site land and building, being remainder of portion 240 of the farm Wimbledon Number 454 situated in the City of Cape Town, South Africa and measuring 33 140 square metres (acquired in 2005).

The carrying value of property, plant and equipment subject to suspensive sale agreements (refer to note 16) as at 31 December 2016 was R51.039 million (2015: R52.732 million).

Included in property, plant and equipment are assets with a cost of R22.243 million (2015: R22.676 million) that are in use but fully depreciated.

Land and buildings include a carrying value of R339.695 million (2015: R336.559 million) currently encumbered as shown in note 16. Included in additions are specific borrowing costs of R0.763 million which have been capitalised to the cost of the new call centre building during the 2016 year (2015: R6.287 million) at a capitalisation rate of 9.62% (2015: 9.62%).

The following, which had no further economic value, are included in disposals and have been removed from the register:

- motor vehicles with a cost of R0.096 million (2015: R0.133 million) and accumulated depreciation of R0.096 million (2015: R0.133 million);
- equipment, furniture and fittings and plant with a cost of R2.121 million (2015: R3.968 million) and accumulated depreciation of R1.950 million (2015: R3.311 million); and
- computer equipment with a cost of Rnil (2015: R4.704 million) and accumulated depreciation of Rnil (2015: R4.696 million).

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

5. Intangible assets

	2016			2015		
	Cost R'000	**Accumulated amortisation R'000**	**Carrying value R'000**	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Licences	**35 592**	**(28 548)**	**7 044**	34 818	(23 834)	10 984
Computer software	**149 502**	**(66 892)**	**82 610**	130 052	(39 108)	90 944
Total	**185 094**	**(95 440)**	**89 654**	164 870	(62 942)	101 928

Analysis of movements

	Opening balance R'000	Additions R'000	Disposals R'000	Amortisation R'000	Reclassification R'000	Closing balance R'000
2016						
Licences	**10 984**	**736**	**–**	**(4 714)**	**38**	**7 044**
Computer software	**90 944**	**19 388**	**–**	**(27 784)**	**62**	**82 610**
Total	**101 928**	**20 124**	**–**	**(32 498)**	**100**	**89 654**
2015						
Licences	18 349	3 343	–	(10 702)	(6)	10 984
Computer software	72 776	43 476	–	(23 881)	(1 427)	90 944
Total	91 125	46 819	–	(34 583)	(1 433)	101 928

The net carrying value of intangible assets subject to suspensive sale agreements at 31 December 2016 was R3.495 million (2015: R5.590 million). Included in intangibles are internally generated intangible assets with a carrying value of R69.918 million (2015: R82.623 million). Included in intangible assets are assets with a cost of R33.054 million (2015: R24.138 million) that are in use but fully amortised, and development costs of R10.136 million (2015: R37.271 million) incurred on assets which have not yet been brought into use by the group and have not been amortised.

6. Loans to employees

	2016 R'000	2015 R'000
Opening balance	**207**	1 302
Loans repaid	**(207)**	(1 095)
Loans to employees	**–**	207

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. All loans were fully paid off during 2016.

7. Investment in associates and other

	2016 R'000	2015 R'000
Investment in en-commandite partnership	**15 369**	13 248
Cell captive insurance contracts	**8 890**	–
Carrying amount of investments	**24 259**	13 248

7.1 En-commandite partnership (founded in 2011)

A provision for impairment is raised when there is objective evidence that the business will not be able to collect all amounts due according to the original terms of the receivable. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. Accordingly a percentage of all trade and loans receivable is provided for. The group establishes an allowance for impairment that represents its estimate of incurred losses using delinquency roll rate models.

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, South Africa.

Movements in the carrying value of the associate were as follows:

	2016 R'000	2015 R'000
Opening balance	**13 248**	7 676
Contributions made	**3 685**	6 709
Share of loss of associate	**(1 564)**	(1 137)
Closing balance	**15 369**	13 248

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

7. Investment in associates and other (continued)

	2016 R'000	2015 R'000
7.1 En-commandite partnership (founded in 2011) (continued)		
The summarised financial information of the associate is presented below:		
Summarised statement of comprehensive income:		
Revenue	**4 654**	6 378
Depreciation	**(1 401)**	(1 477)
Other operating expenses	**(8 698)**	(7 840)
Net interest paid	**(193)**	(390)
Loss for the year	**(5 638)**	(3 329)
Summarised statement of financial position:		
Current		
Trade and receivables	**70**	1 109
Cash and cash equivalents	**517**	290
Total current assets	**587**	1 399
Trade and other payables	**(1 870)**	(150)
Interest-bearing liabilities	**(305)**	(3 481)
Total current liabilities	**(2 175)**	(3 631)
Non-current		
Property, plant and equipment	**59 285**	60 686
Total non-current assets	**59 285**	60 686
Interest-bearing liabilities	**–**	(304)
Total non-current liabilities	**–**	(304)
Net asset value of associate	**57 697**	58 150
Reconciliation of summarised financial information		
Opening net assets, as at 1 January	**58 150**	55 336
Additional owner contributions	**5 185**	6 143
Loss for the year	**(5 638)**	(3 329)
Closing net assets, as at 31 December	**57 697**	58 150
Share of assets	**14 968**	15 521
Share of liabilities	**(773)**	(3 822)
Other contributions	**1 174**	1 549
	15 369	13 248

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 2016 is R0.304 million (2015: R3.785 million). The liability is payable over five years in monthly instalments of R0.304 million (2015: R0.304 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.

7. Investment in associates and other (continued)

7.2 Investment in insurance contract

	2016 R'000	2015 R'000
	8 890	–

The group has an economic interest in insurance cells. The interest in the insurance cells is represented by investments in A class ordinary shares in Guardrisk Insurance Company Limited and L class ordinary shares in Guardrisk Life Limited, entitling the group to the profits of the cells.

The group is required to ensure that the insurance cells at all times remain in a financially sound condition and maintain capital adequacy requirements (CAR) as determined by regulatory bodies and Guardrisk. If the group fails to maintain CAR it will be required to subscribe to further shares at such premium sufficient to restore the insurance cells to a financially sound condition. The insurance cells have been valued at their net asset value at the reporting date.

	2016 R'000	2015 R'000
Opening balance	–	–
Purchased contracts	**3 067**	–
Movement in insurance cell assets	**61 652**	–
Movement in insurance cell liabilities	**(55 829)**	–
Closing balance	**8 890**	–

8. Deferred taxation

	2016 R'000	2015 R'000
The analysis of deferred tax assets and liabilities is as follows:		
Deferred tax assets	**38 217**	25 708
Deferred tax liabilities	**(134 844)**	(112 282)
Net deferred tax liabilities	**(96 627)**	(86 574)
The gross movements on the deferred income tax account are as follows:		
At 1 January	**(86 574)**	(73 902)
Charged to profit and loss	**(10 053)**	(12 672)
At 31 December	**(96 627)**	(86 574)

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 2015	12 462	12 462
Charged to profit and loss	(4 561)	(4 561)
At 31 December 2015	7 901	7 901
Charged to profit and loss	**8 603**	**8 603**
At 31 December 2016	**16 504**	**16 504**

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

8. Deferred taxation (continued)

	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 2015	(13 478)	(73 866)	981	(86 363)
Charged to profit and loss	(20 540)	10 330	2 098	(8 112)
At 31 December 2015	(34 018)	(63 536)	3 079	(94 475)
Charged to profit and loss	**(9 011)**	**(9 852)**	**207**	**(18 656)**
At 31 December 2016	**(43 029)**	**(73 388)**	**3 286**	**(113 131)**

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.

9. Inventories

	2016 R'000	2015 R'000
Merchandise for resale	**198 333**	129 362
Provision for inventory obsolescence	**(22 344)**	(11 456)
Goods in transit	**37 761**	52 485
	213 750	170 391

Inventory sold at less than cost during the current year amounted to R14.274 million (2015: R11.966 million).

10. Trade and other receivables

	2016 R'000	2015 R'000
Trade receivables – Retail	**1 507 312**	1 208 631
Provision for impairment	**(285 583)**	(226 570)
	1 221 729	982 061
Loans receivable – Financial Services	**1 147 250**	947 586
Provision for impairment	**(177 706)**	(157 011)
	969 544	790 575
Other receivables	**23 481**	14 637
Total trade and other receivables	**2 214 754**	1 787 273
Total trade and loan receivables	**2 654 562**	2 156 217
Provision for impairment	**(463 289)**	(383 581)
Other receivables	**23 481**	14 637

A percentage of all trade and loan receivable balances past due has been provided for – refer to note 1.29 and note 3.3 for further details of credit risk management.

	2016 R'000	2015 R'000
Movements in the provision for impairment of trade receivables – Retail were as follows:		
Opening balance	**(226 570)**	(198 179)
Movement in provision	**(59 013)**	(28 391)
Debtor costs charged to profit and loss	**(315 052)**	(254 374)
Debts written off during the year, net of recoveries	**256 039**	225 983
Closing balance	**(285 583)**	(226 570)
Movements in the provision for impairment of loans receivable – Financial Services were as follows:		
Opening balance	**(157 011)**	(127 103)
Movement in provision	**(20 695)**	(29 908)
Debtor costs charged to profit and loss	**(163 062)**	(143 095)
Debts written off during the year, net of recoveries	**142 367**	113 187
Closing balance	**(177 706)**	(157 011)

Trade and loan receivables have repayment terms of between one 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 R644.672 million (2015: R527.326 million) that contractually fall due in excess of one year. These amounts are reflected as current as they form part of the normal operating cycle.

Loans receivable – Financial Services are secured under the commercial term loan facilities as described in note 16.

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

11. Cash and cash equivalents

	2016 R'000	2015 R'000
Cash at bank	187 277	88 300
	187 277	88 300
Bank overdraft	–	1 780
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	187 277	88 300
Bank overdraft	–	(1 780)
	187 277	86 520

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

Group cash and cash equivalents are secured under the commercial term loan facilities as described in note 16.

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.

12. Stated capital, share capital and share premium (continued)

12.1 Stated and share capital

	2016 R'000	2015 R'000
Authorised		
200 000 000 (2015: 200 000 000 at one cent par value) ordinary shares at one cent par value	**2 000**	2 000
Issued		
103 510 901 (2015: 102 466 101 at one cent par value) ordinary shares at one cent par value	**1 035**	1 025
Total	**1 035**	1 025
Stated and share capital	**1 035**	1 025

	'000	'000
Reconciliation of movement in issued shares:		
Number of issued shares at the beginning of the year	**102 466**	101 791
Shares issued	**1 045**	675
Sub-total	**103 511**	102 466
Treasury shares held within the group	**(600)**	(600)
Number of issued shares, net of treasury shares	**102 911**	101 866
Treasury shares as a % of issued shares	**0.6**	0.6

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

12.2 Share premium

	R'000	R'000
Balance at the beginning of the year	**2 987 580**	2 982 202
Share issue	**10 849**	5 378
Balance at the end of the year	**2 998 429**	2 987 580

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

13. Treasury shares

	2016 R'000	2015 R'000
Reconciliation of movement of treasury shares:		
Balance at the beginning of the year	**(2 666)**	(2 666)
Balance at the end of the year	**(2 666)**	(2 666)

	'000	'000
Number of shares:		
Balance at the beginning of the year	**600**	600
Balance at the end of the year	**600**	600

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:

	2016		2015	
	Average exercise price per share (cents)	Number of options	Average exercise price per share (cents)	Number of options
At 1 January	**1 420**	**3 140 350**	1 102	3 785 700
Options granted during the year	**2 885**	**813 950**	3 362	407 000
Options forfeited during the year	**2 314**	**(173 800)**	1 437	(377 150)
Options vested during the year	**1 039**	**(1 044 800)**	798	(675 200)
At 31 December	**1 944**	**2 735 700**	1 420	3 140 350

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

	2016		2015	
	Average exercise price per share (cents)	Number of options	Average exercise price per share (cents)	Number of options
2015	–	–	876	50 000
2016	**1 064**	**427 000**	1 053	1 424 100
2017	**1 069**	**568 000**	1 070	569 000
2018	**1 451**	**641 000**	1 448	722 000
2019	**3 361**	**318 000**	3 361	375 250
2020	**2 888**	**781 700**	–	–
	1 944	**2 735 700**	1 420	3 140 350

14. Share-based payment (continued)

Analysis of options outstanding:

Date of offer	Grant price (cents)	Fair value at grant date (cents)	Number of options 2016	2015
1 October 2011	876	101	–	50 000
31 March 2012	1 064	82	**22 000**	437 000
15 April 2012	876	94	–	100 000
29 June 2012	1 064	76	**405 000**	877 100
1 October 2012	1 329	188	–	10 000
20 March 2013	1 000	160	**400 000**	400 000
20 March 2013	1 388	121	**78 000**	79 000
27 August 2013	1 100	83	**90 000**	90 000
1 January 2014	1 100	81	–	10 000
31 March 2014	1 444	92	**585 000**	635 000
1 June 2014	1 444	90	**5 000**	5 000
30 September 2014	1 528	105	**51 000**	72 000
20 March 2015	3 370	663	**268 000**	317 250
1 June 2015	3 311	668	**50 000**	58 000
1 May 2016	2 800	598	**551 700**	–
30 June 2016	3 100	673	**230 000**	–
Balance at the end of the year			**2 735 700**	3 140 350

The options were valued using a binomial model and assume an option life of four years. Other valuation assumptions include expected volatility between 25.09% and 32.18%, a dividend yield of between 3.35% and 11.08% and a risk-free interest rate of between 5.66% and 8.74%.

Total expenses of R1.875 million (2015: R1.472 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.

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

15. Other reserves

	Share-based payment reserve R'000
Balance at 1 January 2015	3 030
Share-based payment	1 472
Balance at 1 January 2016	**4 502**
Share-based payment	**1 875**
Balance at 31 December 2016	**6 377**

16. Interest-bearing liabilities

	2016 R'000	2015 R'000
Long-term portion		
Mortgage bonds	**209 927**	139 073
Suspensive sale agreements	**23 070**	25 251
Commercial term loan facilities	**346 143**	–
Total non-current interest-bearing liabilities	**579 140**	164 324
Short-term portion payable within one year		
Mortgage bonds	**18 734**	97 883
Suspensive sale agreements	**12 719**	21 957
Listed bonds	**–**	101 262
Total current interest-bearing liabilities	**31 453**	221 102
Total interest-bearing liabilities	**610 593**	385 426

Mortgage bonds
Mortage bonds includes Standard Bank of South Africa Limited facilities, secured by general covering bonds over the remaining extent of erf 66592 and erf 91380 Cape Town, South Africa and a FirstRand Bank facility secured by a general covering bond over portion 240 of the farm Wimbledon Number 454, Cape Town, South Africa.

The Standard Bank of South Africa Limited bonds carry interest at prime less 0.75% and have a remaining repayment term of 10 years (2015: between six and 10 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:

	2016 R'000	2015 R'000
Opening balance	**236 956**	149 060
Borrowings raised	**8 482**	100 290
Interest and administration fees	**22 011**	14 298
Payments made	**(38 965)**	(25 897)
Finance-raising costs paid	**–**	(1 041)
Finance-raising costs amortised	**177**	246
Closing balance	**228 661**	236 956

16. Interest-bearing liabilities (continued)

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 R1.450 million (2015: R1.931 million) including interest and capital.

Interest rates are linked to the prime overdraft rate and varied between 8.95% and 11.00% (2015: 8.20% and 9.75%) 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:

	2016 R'000	2015 R'000
Opening balance	47 208	46 942
Borrowings raised	11 092	19 007
Interest and administration fees	3 873	3 520
Payments made	(26 384)	(22 261)
Closing balance	35 789	47 208

Commercial term loan facilities

Facilities consist of a bullet term loan facility and an amortising term loan facility entered into for the purpose of refinancing the listed bonds and general corporate purposes, and are secured by the cession of Financial Services loans receivable and group cash and cash equivalents.

The bullet term loan facility carries interest at the three-month Jibar rate plus 3.10% and has a term of five years with quarterly interest payments.

The amortising term loan facility carries interest at the three-month Jibar rate plus 2.80% and has a term of five years with quarterly interest payments.

Movements in commercial term loan facilities were as follows:

	2016 R'000	2015 R'000
Opening balance		
Borrowings raised	350 000	–
Interest and administration fees	3 271	–
Payments made	(3 271)	–
Finance-raising costs paid	(3 990)	–
Finance-raising costs amortised	133	–
Closing balance	346 143	–

Listed bonds

Listed bonds consisted 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 had a term of three years with quarterly interest payments.

The bonds were fully repaid during 2016.

Movements in listed bonds were as follows:

	2016 R'000	2015 R'000
Opening balance	101 262	100 435
Interest and administration fees	8 215	9 437
Payments made	(110 053)	(9 272)
Finance-raising costs amortised	576	662
Closing balance	–	101 262

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

17. Other payables

	2016 R'000	2015 R'000
Non-current other payables		
Amounts owed to customer prize winners payable in excess of 12 months	**4 900**	5 070

18. Trade and other payables

	2016 R'000	2015 R'000
Trade payables	**127 463**	124 694
Annual leave pay accrual	**6 167**	5 273
Value-added taxation and employee-related accruals	**12 456**	5 738
Other payables	**68 378**	48 845
	214 464	184 550

19. Provisions

	Opening balance R'000	Utilised during the year R'000	Raised R'000	Closing balance R'000
Analysis of movements				
2016				
Bonus	**12 357**	**(12 357)**	**31 713**	**31 713**
	12 357	**(12 357)**	**31 713**	**31 713**
2015				
Bonus	31 078	(31 078)	12 357	12 357
	31 078	(31 078)	12 357	12 357

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 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.

20. Shareholder loan

	2016 R'000	2015 R'000
GFM Limited	**160 094**	160 658

The company entered into a loan agreement with GFM Limited in May 2015. The loan value is R160 million, it carries interest at the South African prime interest rate and had a term of one year. During the period the term was extended for another year and is repayable in 2017.

	2016 R'000	2015 R'000
Movements in the shareholder loan was as follows:		
Borrowings raised	**160 658**	160 000
Interest fees	**16 700**	9 062
Payments made	**(16 598)**	(7 737)
Finance-raising costs paid	**(3 199)**	(1 600)
Finance-raising costs amortised	**2 533**	933
Closing balance	**160 094**	160 658

21. Fees from ancillary services

	2016 R'000	2015 R'000
Includes profits from insurance cells	**5 823**	–

22. Total trading expenses

	2016 R'000	2015 R'000
Expenses by nature		
Debtor costs		
Trade receivables – Retail	**315 052**	254 374
Loans receivable – Financial Services	**163 062**	143 095
Total debtor costs	**478 114**	397 469
Auditor's remuneration	**2 685**	3 224
Audit related services	**2 380**	2 125
Other non-audit services	**305**	1 099
Amortisation of intangible assets	**32 498**	34 583
Depreciation of property, plant and equipment	**22 408**	18 347
Operating lease charges for immovable property	**1 304**	2 091
Total operating lease charges	**4 022**	4 424
Less: disclosed under cost of Retail sales	**(2 718)**	(2 333)
Marketing costs	**188 863**	180 855
Staff costs: short-term employee benefits	**332 010**	264 115
Total staff costs	**365 889**	300 380
Less: disclosed under cost of Retail sales	**(21 651)**	(17 950)
Less: staff costs capitalised to intangible assets	**(12 228)**	(18 315)
Other costs	**209 937**	163 698
Total other trading expenses	**789 705**	666 913
	1 267 819	1 064 382
Average number of employees during the year	**1 526**	1 344
Salaries	**334 366**	273 362
Unemployment insurance fund contributions	**3 304**	2 750
Provident fund and disability insurance contributions	**28 219**	24 268
Total staff costs	**365 889**	300 380

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

23. Other net gains and losses

	2016 R'000	2015 R'000
Foreign exchange gains/(losses)	7 251	(1 469)
Profit/(loss) on disposal of property, plant and equipment and intangible assets	335	(288)
Impairment of property, plant and equipment	(81)	(116)
	7 505	(1 873)

24. Other income

	2016 R'000	2015 R'000
Prescription of trade and loans receivables	3 214	2 519
Other	318	1 173
	3 532	3 692

25. Interest paid

	2016 R'000	2015 R'000
Bank borrowings	6 377	1 846
Listed bonds	9 925	9 437
Mortgage bonds	21 231	14 298
Shareholder loan	16 598	8 669
Suspensive sale agreements	3 873	3 520
Commercial term loan facilities	3 271	–
Total interest paid	61 275	37 770
Less: amounts capitalised on qualifying assets	(763)	(6 287)
	60 512	31 483

26. Taxation

	2016 R'000	2015 R'000
Income taxation		
Current year	**(142 871)**	(141 613)
Prior year under provision	**(7 357)**	(979)
Deferred taxation		
Current year	**(10 053)**	(13 756)
Prior year under provision	**–**	1 084
	(160 281)	(155 264)

	%	%
Reconciliation of effective taxation rate:		
Standard taxation rate	**28.0**	28.0
Non-deductible expenditure	**1.2**	0.9
Exempt income	**–**	(0.7)
Effect of deferred tax assets not recognised	**0.5**	–
Withholding tax	**0.3**	–
Effect of foreign income tax rates	**(3.9)**	–
Prior year adjustment	**1.3**	–
Effective taxation rate	**27.4**	28.2

Other comprehensive income items carried no taxation charge.

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

27. 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 21.

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

	2016 R'000	2015 R'000
Properties		
Payable within one year	3 506	2 453
Payable between two and five years	18 031	206
	21 537	2 659
Suspensive sale agreements		
Payable within one year	15 243	24 594
Payable between two and five years	25 671	28 023
	40 914	52 617
Future finance charges on suspensive sale agreements	(5 125)	(5 409)
	35 789	47 208
The present value of suspensive sale agreement payments is as follows:		
Payable within one year	12 719	21 957
Payable between two and five years	23 070	25 251
	35 789	47 208
Capital commitments for property, plant and equipment and intangible assets:		
Approved by the directors	47 238	50 568
	47 238	50 568

28. Reconciliation of cash generated from operations

	2016 R'000	2015 R'000
Profit before taxation	**585 135**	549 823
Share of loss of associates	**1 564**	1 137
Profit from insurance cells	**(5 823)**	–
(Gain)/loss on disposal of property, plant and equipment and intangible assets	**(335)**	288
Impairment of property, plant and equipment	**81**	–
Depreciation and amortisation	**54 825**	52 930
Share-based employee service expense	**1 875**	1 472
Interest paid	**61 435**	32 809
Interest received	**(3 393)**	(3 375)
Capitalised bond costs – amortised cost adjustment	**3 420**	1 839
Operating cash flows before working capital changes	**698 784**	636 923
Movements in working capital	**(421 740)**	(278 434)
Increase in inventories	**(43 359)**	(4 028)
Increase in trade receivables – Retail	**(239 668)**	(116 595)
Increase in loans receivable – Financial Services	**(178 969)**	(168 771)
(Increase)/decrease in other receivables	**(8 844)**	2 866
Increase in trade and other payables	**29 744**	26 815
Increase/(decrease) in provisions	**19 356**	(18 721)
	277 044	358 489

29. Taxation paid

	2016 R'000	2015 R'000
Amounts owing at the beginning of the year	**4 253**	9 350
Amounts charged to profit and loss	**(160 281)**	(155 264)
Income taxation	**(150 228)**	(142 592)
Deferred taxation	**(10 053)**	(12 672)
Deferred taxation movement	**10 053**	12 672
Amounts owing at the end of the year	**7 045**	(4 253)
Other	**(1 644)**	–
	(140 574)	(137 495)

30. 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.

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

31. Related party transactions

Holding company

At the reporting date the group's ultimate controlling party is the Maynard Trust. Further details regarding significant shareholders are set out in the shareholder analysis in note 35. Refer to note 20 for details regarding the loan from shareholder, GFM Limited.

Subsidiaries, associates and related trusts

In the ordinary course of business certain companies within the group entered into certain intragroup transactions which have been eliminated on consolidation. For a list of the group's subsidiaries, associates and related trusts, refer to note 1 to the company annual financial statements.

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.

Associate

Details regarding the group's associate are set out in note 7.1. Transactions with the associate are entered into at the prevailing partnership rates.

	2016 R'000	2015 R'000
Contributions to the provident fund	**28 219**	24 268
Fees paid to associates for transportation services	**4 028**	5 083
Contributions to associates	**6 753**	6 709

Remuneration

Details regarding executive and non-executive directors' remuneration are disclosed in note 37.

Interest of directors in contracts

As disclosed in note 7.1, the group holds a 25% interest in an en-commandite partnership formed for the transportation of passengers by air for fare. Richard 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.

	2016 R'000	2015 R'000
Loans to employees as reported in the annual financial statements	**–**	207
Total loans receivable	**–**	207
Made up as follows:		
Operational directors of the group	**–**	–
Other employees	**–**	207
	–	207

Share options

Share options have been granted to certain executive directors of HomeChoice International PLC Limited and employees of its subsidiaries (refer to note 36).

31. 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:

	2016 R'000	2015 R'000
Remuneration	**34 938**	25 695
Bonuses	**–**	17 006
Share-based payment cost	**–**	802
Retirement	**2 776**	2 414
	37 714	45 917

32. Earnings per share

32.1 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:

	2016 R'000	2015 R'000
Profit for the year	**424 854**	394 559
Adjusted for the after-tax effect of:		
(Loss)/gains on disposal of property, plant and equipment and intangible assets	**(241)**	207
Impairment of property, plant and equipment	**59**	84
Headline earnings	**424 672**	394 850
Weighted average number of ordinary shares in issue ('000)	**102 419**	101 468
Earnings per share (cents)		
Basic	**414.8**	388.9
Headline	**414.6**	389.1

32.2 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:

	2016 '000	2015 '000
Weighted average number of ordinary shares in issue	**102 419**	101 468
Number of shares issuable under the share option scheme for no consideration	**1 078**	1 795
Diluted weighted average number of ordinary shares in issue	**103 497**	103 263
Earnings per share (cents)		
Diluted	**410.5**	382.1
Diluted headline	**410.3**	382.4

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

33. Distributions per share

	Cents per share	
	2016	2015
Distributions proposed/paid	**158.0**	148.0
Interim	**71.0**	64.0
Final	**87.0**	84.0
Nature of distributions	**158.0**	148.0
Dividend proposed/paid	**158.0**	148.0

34. 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 12).

	2016 Cents	2015 Cents
Net asset value per share	**1 973**	1 719
Net tangible asset value per share	**1 886**	1 619

35. Shareholder analysis

	Shareholders Number	Shareholders %	Shares held Number	Shares held %
Range of shareholding				
1 – 500	57	32.8	5 809	–
501 – 5 000	55	31.6	126 414	0.1
5 001 – 50 000	35	20.1	709 754	0.7
50 001 – 500 000	22	12.6	3 698 685	3.6
Over 500 000	5	2.9	98 370 239	95.6
	174	100.0	102 910 901	100.0
Development trust	1		600 000	
	175		103 510 901	
Public and non-public shareholding				
Non-public				
GFM Limited	1	0.6	73 449 531	71.0
ADP II Holdings 3 Limited	1	0.6	21 775 927	21.0
HomeChoice Development Trust (treasury shares)	1	0.6	600 000	0.6
Directors of HomeChoice International PLC	2	1.1	101 044	0.1
Directors of subsidiaries	3	1.7	538 005	0.5
Related parties	2	1.1	277 027	0.3
Public	165	94.3	6 769 367	6.5
	175	100.0	103 510 901	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)

	Number	%
2016		
GFM Limited	73 449 531	71.0
ADP II Holdings 3 Limited	21 775 927	21.0
	95 225 458	92.0
2015		
GFM Limited	73 449 531	71.7
ADP II Holdings 3 Limited	16 771 775	16.4
	90 221 306	88.1

Directors' interest in the share capital of the company

GFM is an associate (as contemplated in the Listings Requirements) of Richard 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.

Shirley Maltz, an executive director of HIL, has a direct beneficial interest in 51 044 shares (2015: 51 044 shares).

Amanda Chorn, an independent non-executive director of HIL, has an indirect beneficial interest in 50 000 shares (2015: 50 000 shares).

Notes to the group annual financial statements

for the year ended 31 December 2016 (continued)

36. Remuneration

The total remuneration, benefits and fees paid to each of the directors, for the company and its subsidiaries, in respect of the periods ended 31 December are as follows:

				Short-term remuneration				Long-term remuneration	
				Guaranteed pay		Variable		Variable	
	Notes	Directors' fees R'000	Fees earned from subsidiary companies R'000	Salary R'000	Benefits[1] R'000	Performance bonus R'000	Remuneration R'000	Value of equity-settled share options granted[2] R'000	Gains realised on share options vesting R'000
2016									
Executive directors									
Gregoire Lartigue		–	–	162	–	–	162	–	–
Shirley Maltz		–	–	3 050	366	3 059	6 475	311	1 936
Paul Burnett		–	–	1 485	664	518	2 667	72	–
				4 697	1 030	3 577	9 304	383	1 936
Non-executive directors									
Stanley Portelli		162	–	–	–	–	162	–	–
Amanda Chorn	3	117	179	–	–	–	296	–	–
Richard Garratt	3	–	8 146	–	–	–	8 146	–	–
Eduardo Gutierrez-Garcia	4	–	–	–	–	–	–	–	–
Robert Hain		117	–	–	–	–	117	–	–
Charles Rapa		130	–	–	–	–	130	–	–
		526	8 325	–	–	–	8 851	–	–
Total remuneration		526	8 325	4 697	1 030	3 577	18 155	383	1 936
2015									
Executive directors									
Gregoire Lartigue		–	–	141	–	–	141	–	–
Shirley Maltz		–	–	2 683	322	–	3 005	269	763
Paul Burnett		–	–	1 267	521	–	1 788	80	–
		–	–	4 091	843	–	4 934	349	763
Non-executive directors									
Stanley Portelli		127	–	–	–	–	127	–	–
Amanda Chorn	3	291	–	–	–	–	291	–	–
Richard Garratt	3	–	9 431	–	–	–	9 431	–	–
Eduardo Gutierrez-Garcia	4	–	–	–	–	–	–	–	–
Robert Hain		102	–	–	–	–	102	–	–
Charles Rapa		100	–	–	–	–	100	–	–
		620	9 431	–	–	–	10 051	–	–
Total remuneration		620	9 431	4 091	843	–	14 985	349	763

Notes

1. *Benefits include retirement fund contributions and benefits appropriate to expatriate staff employed in Mauritius operations.*
2. *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.*
3. *Amanda Chorn earns non-executive directors' fees from a South African subsidiary. Richard Garratt has a consultancy agreement with a South African subsidiary from which he earns consultancy fees and other related benefits.*
4. *Eduardo Gutierrez-Garcia, as a representative of ADP II Holdings 3 Limited on the HIL board, does not earn any directors' fees.*

36. Remuneration (continued)

Share options, held by executive directors, outstanding as at 31 December have the following vesting dates and exercise prices:

Director	Award date	Vesting date	Number of share options awarded	Strike price (Rand)	Exercised during the year	Unvested and/or unexercised options at the end of the year
Shirley Maltz	31 March 2012	31 March 2016	25 000	10.64	25 000	–
	23 June 2012	23 June 2016	450 000	10.64	75 000	375 000
	27 August 2013	27 August 2017	50 000	11.00	–	50 000
	31 March 2014	31 March 2018	100 000	14.44	–	100 000
	20 March 2015	20 March 2019	40 500	33.70	–	40 500
	1 May 2016	1 May 2020	52 000	28.00	–	52 000
			717 500		100 000	617 500
Paul Burnett	27 August 2013	27 August 2017	40 000	11.00	–	40 000
	20 March 2015	20 March 2019	12 000	33.70	–	12 000
	1 May 2016	1 May 2020	12 000	28.00	–	12 000
			64 000		–	64 000

Company statement of financial position

at 31 December 2016

	Notes	2016 R'000	2015 R'000
Assets			
Non-current assets			
Investment in subsidiaries	1	**143 295**	143 295
		143 295	143 295
Current assets			
Intercompany loans	2	**28 442**	7 588
Loan to HomeChoice Mauritius PCC	3	**160 094**	160 658
Other receivables		**320**	63
Cash and cash equivalents	4	**2 043**	7 713
		190 899	176 022
Total assets		**334 194**	319 317
Equity and liabilities			
Share capital	5	**1 035**	1 025
Share premium	6	**2 998 429**	2 987 580
Reorganisation reserve		**(2 837 259)**	(2 837 259)
Retained earnings		**10 358**	4 355
Total equity		**172 563**	155 701
Current liabilities			
Shareholder loan	7	**160 094**	160 658
Intercompany loans	2	**–**	473
Other payables	8	**1 537**	2 485
Total liabilities		**161 631**	163 616
Total equity and liabilities		**334 194**	319 317
Additional information			
Rand/Euro exchange rate		**0.0689**	0.0590

These financial statements were approved by the board of directors, authorised for issue on 13 March 2017 and signed on its behalf by:

S Portelli
Chairman

P Burnett
Finance Director

Company statement of comprehensive income

for the year ended 31 December 2016

	Notes	2016 R'000	2015 R'000
Dividends received		**170 000**	70 000
Operating expenses	9	**(7 091)**	(6 004)
Interest paid		**(16 700)**	(9 073)
Other income		**2 533**	933
Interest received		**16 818**	9 186
Profit before taxation		**165 560**	65 042
Taxation	10	**–**	–
Total comprehensive income for the year		**165 560**	65 042

Company statement of changes in equity

for the year ended 31 December 2016

	Share capital R'000	Share premium R'000	Reorganisation reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2015	1 018	2 982 202	(2 837 259)	168 775	314 736
Changes in equity	7	5 378	–	(164 420)	(159 035)
Issue of shares	7	5 378	–	–	5 385
Dividend paid	–	–	–	(229 462)	(229 462)
Profit for the year	–	–	–	65 042	65 042
Balance as at 31 December 2015	1 025	2 987 580	(2 837 259)	4 355	155 701
Balance at 1 January 2016	**1 025**	**2 987 580**	**(2 837 259)**	**4 355**	**155 701**
Changes in equity	**10**	**10 849**	**–**	**6 003**	**16 862**
Issue of shares	**10**	**10 849**	**–**	**–**	**10 859**
Dividend paid	**–**	**–**	**–**	**(159 557)**	**(159 557)**
Profit for the year	**–**	**–**	**–**	**165 560**	**165 560**
Balance as at 31 December 2016	**1 035**	**2 998 429**	**(2 837 259)**	**10 358**	**172 563**

Company statement of cash flows

for the year ended 31 December 2016

	Notes	2016 R'000	2015 R'000
Cash flows from operating activities			
Operating cash flows before working capital changes	16	**(4 558)**	(5 071)
Increase in other receivables		**(257)**	(63)
Decrease in other payables		**(948)**	(2 878)
Cash flows from operations		**(5 763)**	(8 012)
Interest paid		**(16 700)**	(9 073)
Interest received		**16 818**	9 186
Dividends received		**170 000**	249 000
Net cash flows from operating activities		**164 355**	241 101
Cash flows from investing activities			
Loans to related parties		**565**	(160 658)
Intercompany loans		**(21 327)**	(12 702)
Investment in subsidiary		**–**	(1)
Purchase of intangible assets		**–**	136
Net cash outflows from investing activities		**(20 762)**	(173 225)
Cash flows from financing activities			
Proceeds from the issuance of shares		**10 859**	5 385
Shareholder loan		**(565)**	160 658
Dividends paid		**(159 557)**	(229 462)
Net cash from financing activities		**(149 263)**	(63 419)
Net (decrease)/increase in cash and cash equivalents		**(5 670)**	4 457
Cash and cash equivalents at the beginning of the year		**7 713**	3 256
Cash and cash equivalents at the end of the year	4	**2 043**	7 713

Notes to the company annual financial statements

for the year ended 31 December 2016

1. Investment in subsidiaries

	2016 R'000	2015 R'000
Wholly-owned subsidiaries' shares at cost		
HomeChoice South Africa Limited (incorporated in Malta)	**143 294**	143 294
HomeChoice Mauritius PCC (incorporated in Mauritius)	**1**	1
	143 295	143 295

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 2016	2015
HomeChoice South Africa Limited operating subsidiary companies			
HomeChoice Holdings (Pty) Limited	100%	**1**	1
HomeChoice (Pty) Limited	100%	**1**	1
HomeChoice Property Company (Pty) Limited	100%	**61**	61
FinChoice (Pty) Limited	100%	**1 700**	1 700
HSA Debt Solutions (Pty) Limited	100%	**120**	120
Related entities			
The HomeChoice Share Trust	100%	**–**	–
The HomeChoice Development Trust	100%	**–**	–
HomeChoice South Africa Limited dormant companies			
Odvest 189 (Pty) Limited	100%	**120**	120
HC Direct (Pty) Limited	100%	**60**	60
HomeChoice Nominees (Pty) Limited	100%	**120**	120
FoneChoice (Pty) Limited	100%	**60**	60
Matyana van der Merwe (Pty) Limited	100%	**1 700**	1 700
HomeChoice (Pty) Limited (incorporated in Namibia)	100%	**1**	1
HomeChoice (Pty) Limited (incorporated in Botswana)	100%	**100**	100
In terms of the investment in HomeChoice South Africa Limited, unless otherwise specified, all companies have been incorporated in South Africa.			
HomeChoice Mauritius PCC operating subsidiary company			
Finchoice Africa Ltd (incorporated in Mauritius)	100%	**100**	–

2. Intercompany loans

	2016 R'000	2015 R'000
Wholly-owned subsidiaries' loans		
HomeChoice Holdings (Pty) Limited	**2 355**	(473)
HomeChoice Mauritius PCC (incorporated in Mauritius)	**25 870**	7 184
HomeChoice South Africa Limited (incorporated in Malta)	**217**	404
Intercompany loans receivable/(payable)	**28 442**	7 115

The loans are unsecured, interest-free and repayable on demand and secured under the group's commercial term loan facilities (refer to note 16 of the group annual financial statements).

3. Loan to HomeChoice Mauritius PCC

	2016 R'000	2015 R'000
HomeChoice Mauritius PCC	**160 094**	160 658
Movements in the subsidiary loan was as follows:		
Loan advanced	**160 658**	160 000
Interest earned	**16 700**	9 021
Payments received	**(16 598)**	(7 696)
Finance-raising costs received	**(3 199)**	(1 600)
Finance-raising costs amortised	**2 533**	933
Closing balance	**160 094**	160 658

4. Cash and cash equivalents

	2016 R'000	2015 R'000
Cash at bank	**2 043**	7 713

5. 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.

	2016 R'000	2015 R'000
Authorised		
200 000 000 ordinary shares with a par value of one cent each	**2 000**	2 000
Issued		
103 510 901 (2015: 102 466 101) ordinary shares at one cent par value	**1 035**	1 025
Reconciliation of movement in issued shares:		
Number of issued shares at the beginning of the year	**102 466**	101 791
Shares issued	**1 045**	675
Number of issued shares, net of treasury shares	**103 511**	102 466

Notes to the company annual financial statements

for the year ended 31 December 2016 (continued)

6. Share premium

	2016 R'000	2015 R'000
Balance at the beginning of the year	**2 987 580**	2 982 202
Shares issued	**10 849**	5 378
Balance at the end of the year	**2 998 429**	2 987 580

7. Shareholder loan

	2016 R'000	2015 R'000
GFM Limited	**160 094**	160 658

The company entered into a loan agreement with GFM Limited in May 2015. The loan value is R160 million, it carries interest at the South African prime interest rate and had a term of one year. During 2016 the term was extended for another year and is repayable in 2017.

Movements in the shareholder loan was as follows:

	2016 R'000	2015 R'000
Borrowings raised	**160 658**	160 000
Interest fees	**16 700**	9 062
Payments made	**(16 598)**	(7 737)
Finance-raising costs paid	**(3 199)**	(1 600)
Finance-raising costs amortised	**2 533**	933
Closing balance	**160 094**	160 658

8. Other payables

	2016 R'000	2015 R'000
Stockdale Investment Holdings Limited	**–**	805
Other payables	**1 537**	1 680
	1 537	2 485

Amounts owed to shareholders are unsecured, interest-free and repayable on demand.

9. Operating expenses

	2016 R'000	2015 R'000
Directors' emoluments	**688**	572
Auditor's remuneration	**368**	743
Audit related services	**202**	217
Other non-audit services	**166**	526
Other operating expenses	**6 035**	4 689
	7 091	6 004

10. Taxation

	2016 R'000	2015 R'000
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:

	2016 R'000	2015 R'000
Profit before tax	**165 560**	65 042
Tax at 35%	**57 946**	22 765
Tax effect of:		
Income not subject to tax	**(59 500)**	(24 500)
Expenses not deductible for tax purposes	**1 554**	1 735
Tax charge	**–**	–

11. 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 it 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.

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

11.1 Capital risk management

The company's objectives when managing capital is to sustain its 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.

11.2 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.

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

	Loans and receivables	
	2016 R'000	2015 R'000
Assets		
Current assets		
Loans to subsidiaries	**28 442**	7 588
Other receivables	**320**	63
Loan to HomeChoice Mauritius PCC	**160 094**	160 658
Cash and cash equivalents	**2 043**	7 713
	190 899	176 022
Liabilities		
Current liabilities		
Other payables	**1 537**	2 485
Shareholder loan	**160 094**	160 658
Loans from subsidiaries	**–**	473
	161 631	163 616

Notes to the company annual financial statements

for the year ended 31 December 2016 (continued)

11. Risk management and financial instrument disclosure (continued)

11.3 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.

Intercompany loans
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.

11.4 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.

11.5 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 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 company is not exposed to equity price risk.

Foreign currency risk management
The company undertakes transactions in foreign currencies and has bank accounts holding foreign currencies, hence exposure to exchange rate fluctuations arise.

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

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

11. Risk management and financial instrument disclosure (continued)

11.5 Market risk management (continued)

	Effect on profit after taxation 2016 R'000	2015 R'000
15% appreciation in ZAR/USD exchange rates	**(13)**	(12)
15% depreciation in ZAR/USD exchange rates	**13**	12
15% appreciation in ZAR/EUR exchange rates	**(3)**	(418)
15% depreciation in ZAR/EUR exchange rates	**3**	418
The following line item on the company's statement of financial position includes balances denominated in US Dollar:		
Cash and cash equivalents	**132**	120
The following line item on the company's statement of financial position includes balances denominated in EUR:		
Cash and cash equivalents	**29**	4 291

Interest rate risk management

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 point (2015: 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 2016 R'000	2015 R'000
Cash and cash equivalents	+100	**13**	50
	-100	**(13)**	(50)

Notes to the company annual financial statements

for the year ended 31 December 2016 (continued)

12. 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:

	2016 R'000	2015 R'000
Directors' emoluments		
Executive director's fees		
Gregoire Lartigue	**162**	141
Non-executive directors' fees		
Stanley Portelli	**162**	127
Amanda Chorn	**117**	102
Richard Garratt	**–**	–
Eduardo Gutierrez-Garcia	**–**	–
Robert Hain	**117**	102
Charles Rapa	**130**	100
Dividends received		
Dividend received from HomeChoice South Africa Limited	**170 000**	70 000

Intercompany loans
Refer to note 2 for details of intercompany loans.

The company entered into a loan agreement with GFM Limited in May 2015. The loan value is R160 million, it carries interest at the South African prime interest rate and had a term of one year. During the period the term was extended for another year and is repayable in 2017. The company on-lent the shareholder loan funds to its subsidiary, HomeChoice Mauritius PCC, on the same terms as the shareholder loan.

13. Distributions per share

	2016 Cents	2015 Cents
Distributions proposed/paid (per share)	**158**	148
Interim	**71**	64
Final	**87**	84
Nature of distributions (per share)	**158**	148
Dividend proposed/paid	**158**	148

14. 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.

	2016 Cents	2015 Cents
Net asset value per share	**167**	152
Net tangible asset value per share	**167**	152

15. Events after the reporting period

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

16. Operating cash flows before working capital changes

	2016 R'000	2015 R'000
Profit before taxation	**165 560**	65 042
Interest received	**(16 818)**	(9 186)
Interest paid	**16 700**	9 073
Dividends received	**(170 000)**	(70 000)
	(4 558)	(5 071)

Notice to shareholders

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders (the "Shareholders") of the Company will be held at 78 Mill Street, Qormi, Republic of Malta, on Thursday, 4 May 2017, at 09:00 to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder, which meeting is to be participated in by Shareholders recorded in the Company's securities register as at the record date.

The record date for this notice of the Shareholders' meeting is Friday, 24 March 2017. The integrated annual report and annual financial statements are available on our website at www.homechoiceinternational.com and are incorporated by reference in so far as the information contained therein relates to the proposed resolutions.

The record date on which Shareholders must be recorded in the securities register for purposes of being entitled to attend and vote at this meeting is Friday, 28 April 2017. The last date to trade in order to be entitled to vote at the meeting will therefore be Monday, 24 April 2017.

The quorum requirement for the ordinary and special resolutions set out below is sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions, provided that at least three Shareholders of the Company are present at the annual general meeting.

The percentage of voting rights required to pass the ordinary resolutions is more than 50% of the voting rights exercised and the percentage of voting rights required to pass the special resolutions is at least 75% of the voting rights exercised thereon.

Agenda

1. To receive and adopt the annual financial statements of the Company and its subsidiaries (the "group"), which includes the report of the directors and the report of the audit and risk committee, for the year ended 31 December 2016.
2. To elect two directors in the place of Amanda Chorn and Richard Garratt, who retire in terms of the Company's Articles of Association. Amanda Chorn and Richard Garratt, being eligible, offer themselves for re-election.
3. To elect the members of the audit and risk committee.
4. To consider the reappointment of PricewaterhouseCoopers Malta as the external auditors.
5. To authorise the payment of the future remuneration of directors for their services as directors.
6. To consider and endorse, by way of an advisory non-binding vote, the group's remuneration policy as set out in the group's integrated annual report for the period ending 31 December 2016.
7. To place the authorised unissued shares in the Company under the control of the board of directors (the "Board").
8. To approve the HomeChoice International PLC 2017 Share Forfeiture Plan.
9. To consider any other matters raised by Shareholders which are appropriate to be raised and discussed at an annual general meeting.

Resolutions and advisory votes

The Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

Presentation and adoption of annual financial statements

Ordinary resolution number 1
"It is hereby resolved that the annual financial statements of the Company and its subsidiaries, which includes the report of the directors and the report of the audit and risk committee for the year ended 31 December 2016, are hereby adopted and approved."

Explanatory information in respect of ordinary resolution number 1
The annual financial statements of the group for the year ended 31 December 2016, which incorporate the reports of the directors, the auditors and the audit and risk committee, have been distributed as required and will be presented to the Shareholders.

Election of directors

Ordinary resolution number 2.1
"It is hereby resolved that Amanda Chorn is elected as an independent non-executive director of the Company."

Ordinary resolution number 2.2
"It is hereby resolved that Richard Garratt is elected as an independent non-executive director of the Company."

Explanatory information in respect of ordinary resolution numbers 2.1 and 2.2
Brief curricula vitae of the nominees for election are set out below. The nominations committee is of the view that the proposed directors are suitable candidates for directorship.

Election of audit committee members

The members of the audit committee offer themselves for re-election. King III recommends that a chairman of a board of directors is not also a member of its audit committee. The group's chairman, Stanley Portelli, is a member of the audit and risk committee. The Board believes Stanley 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.

Ordinary resolution number 3.1
"It is hereby resolved that Charles Rapa is elected as a member of the audit and risk committee."

Ordinary resolution number 3.2
"It is hereby resolved that Stanley Portelli perform the dual role of Chairman of the Board and a member of the audit and risk committee, and is elected as a member of the audit and risk committee."

Ordinary resolution number 3.3
"It is hereby resolved that Amanda Chorn is elected as a member of the audit and risk committee."

Explanatory information in respect of ordinary resolution numbers 3.1 through 3.3
Brief curricula vitae of the nominees for election are set out below. The nominations committee of the Board is satisfied that the nominees are suitable and satisfy the requirements of the JSE.

Appointment of auditors

Ordinary resolution number 4
"It is hereby resolved that PricewaterhouseCoopers Malta is reappointed as external auditors, to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting."

Explanatory information in respect of ordinary resolution number 4
The audit and risk committee has nominated the continuation of PricewaterhouseCoopers Malta as the external auditors, and is of the opinion that they are independent from the Company. The effect of this resolution will be to authorise the reappointment of PricewaterhouseCoopers Malta as the auditors of the Company.

Directors' remuneration

Special resolution number 1
"It is hereby resolved that payment of the following remuneration to each non-executive director for his/her services as director is hereby authorised up to a maximum amount of Euro 40 000.00 (forty thousand Euro) per annum for the year ending 31 December 2018."

Explanatory information in respect of special resolution number 1
The resolution obtains the advance approval of the Shareholders for the remuneration of the non-executive directors for their services as directors of the Company.

Remuneration policy

Advisory remuneration policy endorsement
"The group's remuneration policy, as set out in the group's integrated annual report (excluding the remuneration of the non-executive directors for their services as directors and members of the Board committees), is hereby endorsed by way of a non-binding advisory vote."

Explanatory information re advisory vote
In accordance with the principles of King III an advisory vote is being put to Shareholders for the approval of the group's remuneration policy. As the votes on this endorsement are non-binding the results will not be binding on the Board. However, the Board will take cognisance of the outcome of the vote when considering its remuneration policy in future.

Issue of shares

Special resolution number 2
"It is hereby resolved that, in accordance with Article 4.10.2 of the Company's Articles of Association, all the unissued authorised shares in the Company are placed under the control of the Board and the Board is authorised, as they in their discretion think fit, to allot, issue and grant options or any other rights exercisable for, authorised but unissued shares in the Company from time to time on such terms as may be determined by the Board in its discretion, for such monetary or other consideration (whether payable in cash or otherwise) and to such person or persons as they in their discretion deem fit, but subject to the JSE Listings Requirements.

Such authority shall be valid until the next annual general meeting.

Explanatory information in respect of special resolution number 2
The resolution authorises the Board, subject to the JSE Listings Requirements, to issue, or grant rights exercisable for, the unissued authorised shares of the Company. Such authority shall endure until the forthcoming annual general meeting of the Company (at which time this authority shall lapse, unless it is renewed at the aforementioned annual general meeting).

Notice to shareholders

(continued)

HomeChoice International PLC 2017 Share Forfeiture Plan

Special resolution number 3
"It is hereby resolved that the HomeChoice International PLC 2017 Share Forfeiture Plan, the salient features of which are annexed as Annexure A, is hereby approved in accordance with Schedule 14 of the JSE Listings Requirements."

Explanatory information in respect of special resolution number 3
The resolution authorises the approval of the HomeChoice International PLC 2017 Share Forfeiture Plan in accordance with Schedule 14 of the JSE Listings Requirements. The rules of the HomeChoice International PLC 2017 Share Forfeiture Plan are available for inspection during normal business hours at the registered office of the Company and at the South African head office at 78 Main Road, Wynberg, South Africa up to the date of the annual general meeting.

General

Shareholders are informed that:

- a Shareholder entitled to attend and vote at the general meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in and speak and vote at the general meeting in the place of the Shareholder, and Shareholders are referred to the form of proxy at the back of this report;
- a proxy need not also be a Shareholder of the Company;
- the proxy may delegate the authority granted to him/her/it as proxy, subject to any restriction in the form of proxy itself;
- a Securities Holder entitled to vote may appoint more than 1 (one) proxy to exercise Voting Rights attached to different Securities held by that Securities Holder entitled to vote in respect of any Shareholders' Meeting and may appoint more than 1 (one) proxy to exercise Voting Rights attached to different Securities held by the Securities Holder which entitle him/her/it to vote;
- Shareholders who wish to appoint proxies are required to complete and return the form of proxy to reach the registered office of the Company (alternatively via the company secretary: gsaid@maltatransportlaw.com) at least 48 hours before the appointed time of the meeting, but at least before the proxy exercises any right of the appointing Shareholder at the general meeting; and
- any person attending or participating in a meeting of Shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as Shareholder or as proxy for a Shareholder) has been reasonably verified. Forms of identification include valid identity documents, driver's licences and passports.

Electronic participation:

- Shareholders are advised that they, or their proxies, will be able to participate in the meeting by way of electronic communication. A limited number of telecommunication lines will be made available for this purpose.
- Shareholders who wish to participate by way of electronic communication must register such request in writing with the company secretary by no later than 15:00 on Friday, 28 April 2017 and provide their e-mail and cell phone contact details.
- Each participant will be contacted in advance of the meeting via e-mail and/or SMS and will be provided with a code and the relevant telephone number to allow them to dial into the general meeting.
- The cost of the Shareholder's phone call will be for his/her own expense. By registering the abovementioned request, the Shareholder acknowledges that the telecommunication lines are provided by a third party and indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines whether or not the problem is caused by any act or omission on the part of the Shareholder, the Company, the third-party service provider, or anyone else.

Profiles of directors

Stanley Portelli (44)

Lawyer, LLD
Stanley is a senior partner in a legal practice. Prior to this he was chief executive officer of the Authority for Transport in Malta and a director at Malta Freeport Terminal Limited. Stanley was also employed with the financial services unit at Coopers & Lybrand (which became PricewaterhouseCoopers) from 1994 to 2001 and has held various other board positions.

Amanda Chorn (58)

BA, LLB, LLM
Amanda is an attorney of the High Court of South Africa and currently resides in the United Kingdom where she is a director of various companies. Amanda provides consultancy services to private clients, specialising in international structuring.

Charles Rapa (65)

FCCA, FIA, CPA, MIM, MBA (Henley)
Charles is a non-executive director of a number of foreign Malta registered companies and is the chairman of the Maltese Accountancy Board and its oversight committee. Prior to this he was finance director of British American Tobacco (Malta) and audit manager in a major audit firm.

Richard Garratt (70)

BCom, CA(SA)
Rick founded the group in 1985. He has been involved with all operational aspects of the business and has held the positions of executive chairman and chief executive officer of the South African operations. He was previously a partner at Ernst & Young.

By order of the Board

George Said
Company secretary

Republic of Malta
13 March 2017

Annexure A

SALIENT FEATURES OF HOMECHOICE INTERNATIONAL PLC FORFEITABLE SHARE PLAN

1. Principal terms

1.1 "**Auditors**" means the auditors of the Company from time to time;

1.2 "**Award**" means an award of a specified number of Forfeitable Shares to the Participant on terms that he may forfeit the Forfeitable Shares in the circumstances set out in the Award Letter, and "**Awarded**" shall bear a similar meaning;

1.3 "**Award Date**" means the date, specified in the Award Letter, on which an Award is made to an Employee and the Employee will be deemed to have automatically accepted the Award on this date, unless otherwise specified in the Rules;

1.4 "**Award Letter**" means a letter containing the requisite information sent by the Company, or its nominee and on the recommendation of the Employer Company, to an Employee informing the Employee of the grant of an Award to him;

1.5 "**Bad Leaver Terminatio**n" means the termination of employment of a Participant by the Group by reason of -

1.5.1 misconduct;

1.5.2 poor performance;

1.5.3 acting against the interests of the Group or its shareholders;

1.5.4 resignation by the Participant;

1.5.5 dismissal based on operational requirements; or

1.5.6 the company by which the Participant is employed ceasing to be a member company of the Group;

1.6 "**Board**" means the board of directors of the Company or any committee thereof (including the remuneration committee) to whom or upon whom the powers of the Board in respect of the FSP are delegated or conferred in terms of the Company's articles of association;

1.7 "**Brokerage Agent**" means the person or entity appointed by the Company from time to time to hold Forfeitable Shares on behalf of Participants;

1.8 "**Business Day**" means any day on which the JSE is open for the transaction of business;

1.9 "**Change of Control**" means all circumstances where a party (or parties acting in concert), who did not previously do so, directly or indirectly, acquires:

1.9.1 beneficial ownership of 50% (fifty per cent) or more of the Company's issued Shares; or

1.9.2 control of 50% (fifty per cent) or more of the voting rights at meetings of the Company; or

1.9.3 the right to control the management of the Company or the composition of the Board; or

1.9.4 the right to appoint or remove directors holding a majority of voting rights at Board meetings; or

1.9.5 the right to control the business or undertaking of the Company through a merger or consolidation with any other business or entity, or upon a sale of the whole or a major part of the Company's assets or undertaking;

1.10 "**Company**" means HomeChoice International PLC, registration number C66099, a company duly incorporated in the Republic of Malta, whose shares are currently inward listed on the JSE;

1.11 "**Date of Termination of Employment**" means the date upon which a Participant is no longer employed by, or ceases to hold salaried office in, any Employer Company; provided that:

1.11.1 where a Participant's employment is terminated without notice or on terms in lieu of notice, the Date of Termination of Employment shall be deemed to occur on the date on which the termination takes effect; and

1.11.2 where such employment is terminated with notice, the Date of Termination of Employment shall, (i) in the case of resignation, be deemed to be the date of resignation irrespective of the date of expiration of that notice, and (ii) in all other cases, be deemed to occur upon the date on which that notice expires;

1.12 "**Directors**" means the directors of the Company from time to time;

1.13 "**Employee**" means a person eligible for participation in the FSP, namely an executive, senior manager and/or employee of any member company of the Group, including any present or future executive director holding or to be holding employment or office, which executive, manager and/or employee shall be selected by the Board from time to time in its sole and absolute discretion (subject to the proviso that no person may participate in a decision affecting his own rights or obligations in terms of the FSP nor engage in the administration and/or operation of the FSP);

1.14 "**Employer Company**" means a company in the Group which employs an Employee and which will have an obligation to procure the delivery of Shares to such Participant;

1.15 "**Forfeitable Shares**" means the Shares comprised in the Award registered in the name of the Participant or held for his benefit in dematerialised form;

1.16 "**FSP**" means the HomeChoice International PLC Forfeitable Share Plan constituted by these Rules, as amended from time to time;

1.17 "**Good Leaver Termination**" means the termination of employment of a Participant by the Group by reason of:

1.17.1 death;

1.17.2 incapacity arising from injury, disability or ill health, in each case as certified by a qualified medical practitioner nominated by the relevant Employer Company; or

1.17.3 retirement on or after his Retirement Date;

1.18 "**Group**" means the Company and any other company, body corporate or other undertaking which is or would be deemed to be a subsidiary undertaking of

Annexure A

SALIENT FEATURES OF HOMECHOICE INTERNATIONAL PLC FORFEITABLE SHARE PLAN (continued)

the Company in terms of the Act, and the expression "**member company of the Group**" shall be construed accordingly;

1.19 "**JSE**" means the exchange operated by the JSE Limited (registration number 2005/022939/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, licensed as an exchange under the Securities Services Act, No. 36 of 2004, as amended and any re-enactment or replacement thereof;

1.20 "**Normal Retirement**" means retirement on the compulsory retirement date as stipulated by the Participant's terms and conditions of employment;

1.21 "**Participant**" means an Employee who has accepted or is deemed to have accepted an Award made to him under the FSP and includes the executor of such employee's deceased estate and or Family Entity where appropriate;

1.22 "**Performance Condition**" means a Performance Condition, if any, imposed as a condition of Vesting of an Award;

1.23 "**Performance Period**" means the period in respect of which a Performance Condition (if any) is to be satisfied, as set out in the Award Letter;

1.24 "**Reconstruction**" or "**Takeover**" means any takeover, amalgamation, merger or reconstruction of the Company, however effected, including a reverse takeover, reorganisation or scheme of arrangement, which results in a Change of Control;

1.26 "**Retirement Date**" means the date on which, or age at which a Participant can be required to retire by any Employer Company at Normal Retirement;

1.26 "**Rules**" means these Rules of the FSP, as amended from time to time;

1.27 "**Settlement**" means delivery to a Participant of the required number of Forfeitable Shares to which a Participant is entitled pursuant to the making of the Award to a Participant, in accordance with the Settlement method stipulated at 3.5.1 and 3.5.2 below and the words "**Settle**" and "**Settled**" shall bear a corresponding meaning;

1.28 "**Settlement Date**" means the date on which Settlement shall occur;

1.29 "**Share**" means an ordinary share in the capital of the Company;

1.30 "**Share Plan**" means any share plan or scheme approved by the shareholders of the Company which provides for the acquisition of, or subscription for, shares in the Company by, or on behalf of Employees of the Group, provided that such plan or scheme is in operation;

1.31 "**Vesting Condition**" means the condition of continued employment with the Group for the duration of the Vesting Period up to and including the Vesting Date, as specified in Rule 9;

1.32 "**Vesting Date**" means the date on which a Participant becomes unconditionally entitled to the Forfeitable Shares free of any restrictions and forfeiture, and "**Vest**", "**Vesting**" and "**Vested**" shall be construed accordingly; and

1.33 "**Vesting Period**" means the period specified in the Award Letter for which the Participant should fulfil the Vesting Condition.

2. Introduction and purpose

2.1 The Company has designed and implemented the FSP to provide selected Employees of the Employee Companies with the opportunity of receiving Shares in the Company as a retention mechanism and to advance the Group's interests. The intention is for the Group to attract, motivate, reward and retain Employees who are able to influence the performance of the Group, on a basis which aligns their interest with those of the Company's shareholders.

2.2 The Scheme is administered by the Board in terms of the Rules.

3. Nature of the scheme

3.1 The FSP operates as a share forfeiture scheme whereby certain Employees will from time to time be granted an Award. Awards shall be deemed to have been automatically accepted by the Employee to whom the Award Letter is addressed on the Award Date unless specifically rejected in writing by the Employee within 5 (five) Business Days of the Award.

3.2 The Board has the final authority to decide:

3.2.1 which Employees will participate in the FSP in respect of each Award;

3.2.2 the aggregate quantum of Awards to be made to all Employees;

3.2.3 the Vesting Period and Vesting Date of each Award;

3.2.4 if a Performance Condition will be imposed in respect of an Award and the terms of that Performance Condition; and

3.2.5 all other issues relating to the governance of the FSP.

3.3 The number of Forfeitable Shares subject to an Award made to an Employee will primarily be based on the Employee's annual salary, grade, performance, retention requirements and market benchmarks.

3.4 The Board shall notify the Company and the relevant Employee Company when it approves the granting of an award. The Company, or its nominee, shall issue an Award Letter to every Employee who has been approved for participation in the FSP as soon as is practically possible after receiving the Board's notification.

3.5 Following the making of the Award, the relevant Employer Company shall, within 30 (thirty) days of the Award Date, procure the Settlement of that number of Forfeitable Shares to the Participant in accordance with the following settlement methods:

3.5.1 the Employer Company will, if so instructed by the Directors, incur an expense by making a cash contribution to any third party equal in value to the required number of Shares in Settlement of the Award on the basis that the third party will acquire the required number of Shares on the market for the purpose of discharging such Employer Company's obligation to deliver Shares to Participants as agent for and on behalf of the Employer Company concerned; or

3.5.2 the Employer Company will, if so instructed by the Directors, incur an expense by making a cash contribution to a third party equal in value to the subscription price of the Shares concerned, on the basis that the third party will acquire the number of Shares required for the purpose of discharging such Employer Company's obligation to deliver Shares to Participants as agent for and on behalf of the Employer Company concerned, by way of subscription for new Shares to be allotted and issued by the Company for a subscription price per Share of either:

3.5.2.1 the market value per Share on the Settlement Date; or

3.5.2.2 the par value per Share or other minimum value as prescribed in the Act;

3.5.2.3 as may be decided by the Board, provided that the number of Forfeitable Shares delivered to the Participant shall be that stipulated in the Award Letter irrespective of the cost to the Employer Company; or

3.5.2.4 the relevant Employer Company by which that Participant is employed will use Shares held in treasury account for Settlement to that Participant; or

3.5.2.5 the relevant Employer Company by which that Participant is employed will acquire the Shares from any subsidiary of the Company holding the Shares in treasury account for Settlement to that Participant.

3.6 As from the Settlement Date:

3.6.1 the Forfeitable Shares shall be held by the Brokerage Agent for the absolute benefit of the Participants, which Participants shall be the owners of the Forfeitable Shares;

3.6.2 the Forfeitable Shares shall be subject to the control of the Brokerage Agent, acting on instructions from the Company, from the Settlement Date up to and including the Vesting Date, whereafter the Company shall procure unrestricted delivery of the Forfeitable Shares to the Participant and shall procure the release of the Forfeitable Shares from the Brokerage Agent; and

3.6.3 the Participant has all other shareholder rights, namely the right to dividends and voting in respect of the Forfeitable Shares from the Settlement Date, except that the Forfeitable Shares may not, except on a Participant's death, be disposed of or otherwise encumbered at any time from the date of their Settlement, up to and including the Vesting Date;

3.7 If a Performance Condition is imposed by the Board in respect of a specific Award, or part thereof the Board shall:

3.7.1 review the Performance Condition, as soon as reasonably practicable after the end of the Performance Period in relation to such an Award, as specified in the Award Letter and determine the extent to which it has been satisfied; and

3.7.2 if satisfied that the Performance Condition has been fulfilled, calculate the number of Shares that Vest in each Participant and shall notify the Participant of this fact accordingly.

3.8 Should an event occur at any point during the Performance Period which causes the Board to consider that the Performance Condition is no longer appropriate, the Board may substitute or vary the Performance Condition. The Award will then take effect subject to the Performance Condition as so substituted or varied such that it:

3.8.1 is reasonable in the circumstances; and

3.8.2 produces a fairer measure of performance and is not materially less or materially more difficult to satisfy.

3.9 Subject to the provisions relating to termination of employment of a Participant, the Award shall Vest on the later of:

3.9.1 the date(s) specified in the Award Letter to be the Vesting Date; or

3.9.2 the date on which the Board determines that the Performance Condition, where applicable, has been satisfied.

3.10 The effect of the Vesting of an Award will be that the restrictions imposed on the Forfeitable Shares shall cease to apply and the risk of forfeiture will lift.

3.11 No amount will be payable by the Participant in respect of Forfeitable Shares on the Vesting Date.

3.12 The aggregate number of Shares at any one time which may be allocated under the FSP, when added to the total number of Shares allocated under any other Share Plan shall not exceed 15 000 000 (fifteen million) Shares.

3.13 The maximum number of Shares allocated in respect of all unvested Awards granted to any Participant in respect of this FSP, and any other Shares that have been allocated in respect of all unvested awards granted under any other Share Plan to that Participant shall not exceed 1 500 000 (one million five hundred thousand) Shares.

4. Termination of employment

4.1 Unless the Board determines otherwise, if a Participant ceases to be employed by the Group by reason of a Good Leaver Termination prior to the Vesting of the Award, then such Award will immediately Vest, and shall be Settled within 30 (thirty) days after the Date of Termination of Employment of the Participant.

4.2 Unless the Board determines otherwise, if a Participant should cease to be employed by the Group by reason of a Bad Leaver Termination:

Annexure A

SALIENT FEATURES OF HOMECHOICE INTERNATIONAL PLC FORFEITABLE SHARE PLAN (continued)

4.2.1 prior to the Vesting of such Awards, the Awards will be forfeited and cancelled; or

4.2.2 after the Vesting of such Awards, the Awards will be unaffected by the cessation of the employment of the Participant.

5. Adjustment

5.1 Should the Company restructure its capital in that it:

5.1.1 undertakes a rights offer; or

5.1.2 is placed in liquidation for the purposes of reorganisation; or

5.1.3 is party to a scheme of arrangement affecting the structuring of its share capital; or

5.1.4 undertakes a subdivision or consolidation of its ordinary share capital; or

5.1.5 declares a special dividend; or

5.1.6 reduces its capital; or

5.1.7 undertakes a bonus or capitalisation issue,

Participants shall continue to participate in the FSP. In such an instance, the remuneration committee may make such adjustment to the number of Forfeitable Shares comprised in the relevant Award to place Participants in no worse a position than they were prior to the occurrence of the relevant event. Such adjustment should give the Participant an entitlement to the same fair value as that to which he was entitled prior to the occurrence of the relevant event.

5.2 The Company shall notify the Participants of any adjustments which are made in accordance with 5.1 above. Where necessary, in respect of any such adjustments, the Company's auditors, acting as experts and not as arbitrators and whose decision shall be final and binding on all persons affected thereby, shall confirm to the Board and the JSE at the time that such adjustment is finalised in order to show that the adjustment is calculated on a reasonable basis in accordance with the provisions of the FSP.

6. Insolvency

Upon involuntary liquidation of the Company:

6.1 all Awards which have not yet Vested, held by all Participants under the FSP shall lapse on the date which the liquidation commences; and

6.2 each Participant shall have a claim against the Company for all Shares which shall have Vested.

7. Reconstruction or takeover

If there is a Reconstruction or Takeover of the Company, the Board may, in its sole and absolute discretion, take such action (if any) as they consider appropriate to place the Participants in an economic position which is not less favourable following the implementation of such action, including (without limitation) accelerating the Vesting of Awards which have not yet Vested and varying the Performance Condition.

8. Disputes

Should any dispute of whatever nature arise from or in connection with the Rules (including an urgent dispute), then the dispute shall, unless the parties thereto otherwise agree in writing in the first instance be referred to mediation by a mediator acceptable to both parties and failing such resolution by mediation or agreement in respect of a mediator, shall be finally resolved in accordance with the Rules of the Arbitration Foundation of Southern Africa by an arbitrator or arbitrators appointed by the Foundation.

9. Amendment of the FSP

9.1 It shall be competent for the Board to at any time alter, vary or add to the terms and conditions of the FSP as it thinks fit. Amendments to these terms and conditions may only affect Awards to Participants that have already been made if they are to the advantage of Participants.

9.2 Provisions relating to the following may not be amended without the prior approval (if required) of every stock exchange on which the Shares are for the time being listed; and provided that no such amendment affecting the rights (whether conditional or otherwise) in and to the Awards of any Participant shall be effected without the prior written consent of the Participant concerned and further that such amendment is sanctioned by special resolution of the Company in general meeting:

9.2.1 eligibility to participate in the FSP;

9.2.2 the number of Shares which may be utilised for the purpose of the FSP;

9.2.3 the limitations on benefits or maximum entitlements envisaged in Rule 5.2;

9.2.4 the basis upon which Awards are made as stipulated in Rule 4.1;

9.2.5 the amount payable upon the grant, Settlement or Vesting of an Award;

9.2.6 the voting, dividend, transfer and other rights attached to the Awards, including those arising on a liquidation of the Company;

9.2.7 the adjustment of Awards in the event of a variation of capital of the Company or a Change of Control of the Company; and

9.2.8 the procedure to be adopted in respect of the Vesting of Awards in the event of termination of employment as envisaged in Rule 8.1.5.

9.3 The Board may also make minor amendments for ease of the administration of the FSP, to comply with or take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable, taxation or regulatory treatment of any Employer Company or any present or future Participant.

9.4 The Board may terminate the FSP at any time, but Awards granted before such termination will continue to be valid and as described in the provisions of the FSP.

HOMECHOICE INTERNATIONAL PLC
(Registration number C66099)
(the "Company")

Form of proxy

For completion by Shareholders unable to attend the annual general meeting of the Company to be held on Thursday, 4 May 2017, at 09:00 at 78 Mill Street, Qormi, Republic of Malta (the "AGM").

I/We (full names) ____________________

of (address) ____________________

being a Shareholder of the Company and entitled to ____________________ votes (one per share)

hereby appoint ____________________ or failing him/her ____________________

or failing him/her the chairman of the meeting, as my/our proxy to attend, speak and, on a poll, vote for me/us and on my/ our behalf at the AGM, and at any adjournment thereof, and to vote or abstain from voting as follows on the resolutions to be proposed at the AGM, with or without modification, as follows*:

		Insert "X" in the appropriate box or number of votes		
		For	Against	Abstain
Ordinary resolution number 1:	To receive and adopt the annual financial statements			
Ordinary resolution number 2.1:	To elect Amanda Chorn as a director of the Company			
Ordinary resolution number 2.2:	To elect Richard Garratt as a director of the Company			
Ordinary resolution number 3.1:	To elect Charles Rapa as a member of the audit and risk committee			
Ordinary resolution number 3.2:	To elect Stanley Portelli as a member of the audit and risk committee and to perform the dual role of Chairman of the Board and a member of the audit and risk committee			
Ordinary resolution number 3.3:	To elect Amanda Chorn as a member of the audit and risk committee			
Ordinary resolution number 4:	To reappoint PricewaterhouseCoopers Malta as external auditors			
Special resolution number 1:	To authorise the directors' remuneration			
Advisory remuneration policy endorsement				
Special resolution number 2:	To place the unissued shares under the control of the directors			
Special resolution number 3:	To approve the HomeChoice International PLC 2017 Share Forfeiture Plan			

If any modified resolutions are proposed before the meeting the proxy shall vote:	Insert "X" in the appropriate box
As indicated above:	
In the proxy's discretion:	

* *The Notes to the Form of Proxy overleaf form part of this proxy form and Shareholders are advised to read them. Please see the notice of annual general meeting for the full proposed resolution. If you return this form duly signed without specifying a proxy you will be deemed to appoint the chairman of the general meeting as your proxy. Any forms of proxy not lodged by this time must be handed to the chairperson of the annual general meeting immediately prior to the annual general meeting.*

Signed this ____________________ day of ____________________ 2017.

Signature ____________________ assisted by ____________________ (where applicable)

Notes to the form of proxy

1. A Shareholder entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy or two alternative proxies of the Shareholder's choice (who need not be a Shareholder of the Company) to attend, speak and vote thereat in his/her/its stead, by inserting his/her/its name/s in the space/s provided, with or without deleting "the chairman of the meeting" but the Shareholder must initial any such deletion. The person whose name stands first on this form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. This proxy form and power of attorney (if any) under which it is signed must be addressed to the company secretary and reach the registered office of the Company not less than 24 hours before the appointed time of the meeting.

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

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

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

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

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

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

9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by the Company or waived by the chairman of the general meeting.

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

11. Where there are joint holders of shares:

    (a) all joint holders must sign the form of proxy; and

    (b) the vote(s) of the senior Shareholders (for that purpose seniority will be determined by the order in which the names of Shareholders appear in the Company's securities register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint Shareholder(s).

12. Any proxy appointed pursuant to this form of proxy may not delegate his/her authority to act on behalf of the relevant Shareholder.

13. An appointment of a proxy pursuant to this form of proxy remains valid only until the end of the general meeting or any adjournment of the general meeting.

14. This form of proxy shall be valid at any resumption of an adjourned meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall be deemed to confer the power generally to act at the meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.

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

Administration

Country of incorporation
Republic of Malta

Date of incorporation
22 July 2014

Company registration number
C66099

Company secretary
George Said
gsaid@maltatransportlaw.com

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
4 May 2017

Distributions to shareholders
April and September

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

REGISTERED OFFICE
93 Mill Street, Qormi
QRM3012
Republic of Malta

www.homechoiceinternational.com

HomeChoice International PLC

HiL PLC