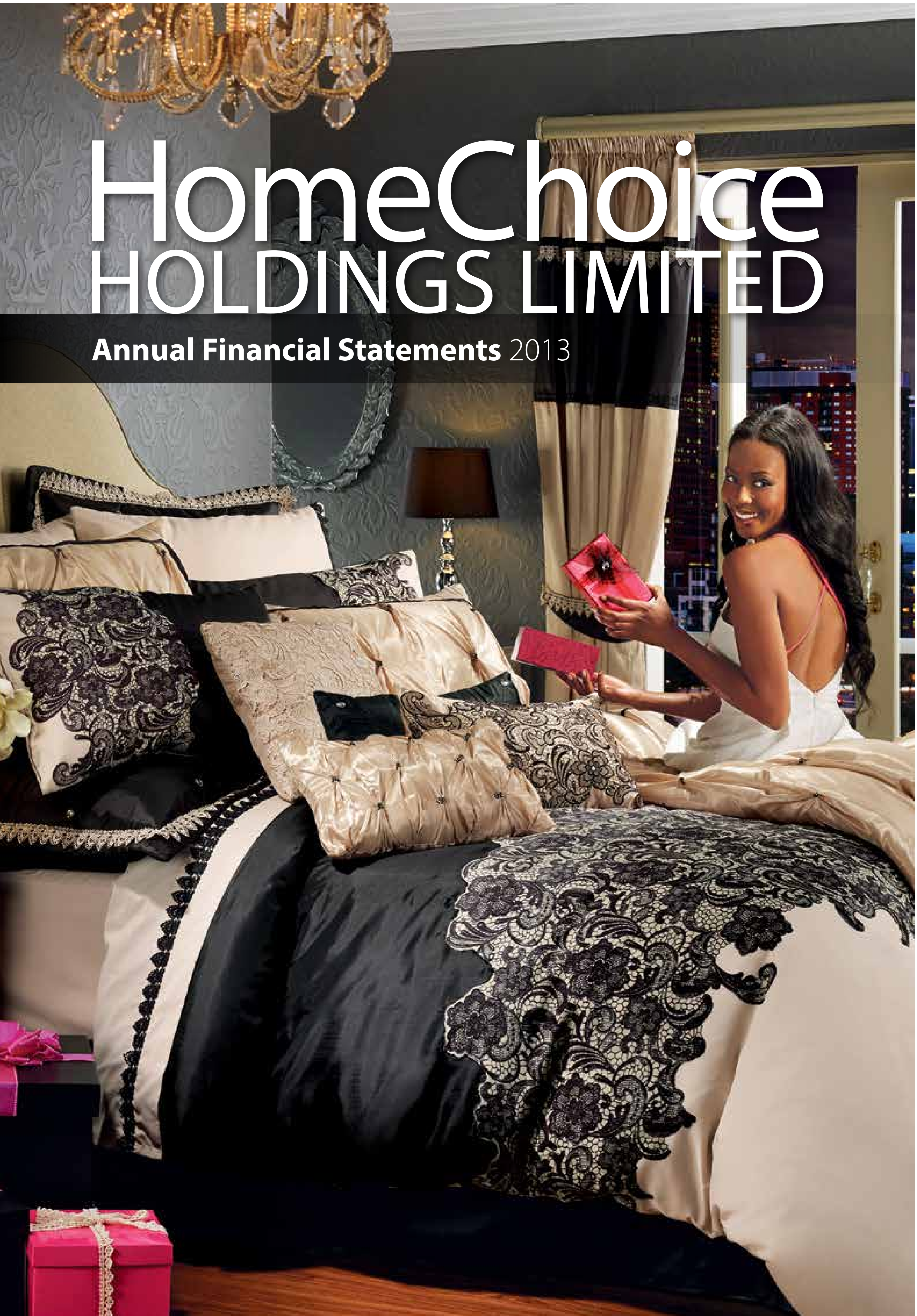
HomeChoice HOLDINGS LIMITED

Annual Financial Statements 2013



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DIRECTORS' APPROVAL

DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS

The directors are required in terms of the Companies Act of South Africa 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 fairly present the state of affairs of the group as at the end of the financial 12 months and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Companies Act of South Africa 2008, as amended.

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 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.

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

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

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 5.

The financial statements set out on pages 6 to 62 which have been prepared on the going concern basis, were approved by the directors on 13 March 2014 and are signed on their behalf by:

RE Garratt
Chairman

A Kirsten
Chief Financial Officer

COMPANY SECRETARY'S CERTIFICATE

I hereby confirm that to the best of my knowledge and belief, all returns as are required of a public company in terms of the Companies Act of South Africa 2008 (as amended), have been duly lodged with the Companies and Intellectual Property Commission and that all such returns are true, correct and up to date.

BJ Bastard
Company Secretary

Cape Town
13 March 2014

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee is pleased to present its report for the financial year ended 31 December 2013 to the shareholders of HomeChoice Holdings Limited in compliance with the requirements of the Companies Act and the King Code of Governance Principles (King III).

ROLE OF THE COMMITTEE

The audit and risk committee (the committee) is a statutory committee appointed by shareholders and is accountable to shareholders and the board. The committee is governed by a board-approved charter that guides the committee in terms of its authority and objectives, and the responsibilities of the committee include the following:

- reviewing significant accounting and reporting issues, and assessing the fairness of all financial information issued to shareholders;
- overseeing integrated reporting and reviewing the disclosure of sustainability issues in the integrated report;
- reviewing and recommending the annual financial statements and integrated report for approval to the board;
- confirming the nomination and appointment of the external auditors each year, monitoring and reporting on their independence, and approving the terms of engagement, scope of the audit and fees paid;
- overseeing the development, implementation and review of a risk management policy, and plan for a system and process of risk management to recommend for approval to the board;
- 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;
- considering the appropriateness of the expertise and experience of the chief financial officer and finance function; and
- providing effective communication between directors, management and external auditors.

COMMITTEE COMPOSITION AND MEETINGS

The committee is comprised of three non-executive directors, all of whom are suitably skilled, with two having extensive financial experience. The chairman of the committee is the lead independent director. The members of the committee for the period under review were as follows:

- John Bester (chairman), BCom (Hons), CA(SA)
- Willem Jungschläger, BA (Hons), PhD
- Pierre Joubert, BCom, CA(SA)

Biographical details of the committee members appear on page 41 of the integrated annual report.

Meetings are also attended by invitees, including the executive chairman, chief financial officer, finance director, company secretary, group finance manager, head of internal audit and external auditors.

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.

As part of the annual board evaluation, the performance of the committee and individual committee members was assessed and found to be working well.

ACTIVITIES OF THE COMMITTEE

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

Annual financial statements

The committee reviewed the group's interim and annual financial statements for the period 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 the approval of the interim and annual financial statements to the board.

Integrated annual report

The committee has a responsibility to oversee integrated reporting, having regard to all factors and risks that may impact on the integrity of the integrated annual report. The committee has reviewed the disclosure of sustainability issues in the integrated annual report and is satisfied that it is reliable and does not conflict with the annual financial statements, and recommended the approval of the integrated annual report to the board. The committee also gave due consideration to the need for assurance on the sustainability information contained in 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. Fees paid to the auditors are detailed in note 7 of the summarised financial statements.

The committee determined the nature and extent of any non-audit services and preapproved any proposed contracts with the auditors for the provision of non-audit services. During the year PricewaterhouseCoopers Inc. received fees of R142 160 for non-audit services amounting to 10% of the audit fees paid. In terms of the committee charter non-audit services may not exceed 30% of the total external auditor's remuneration.

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 auditors separately without management being present.

The committee concludes that the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and hereby recommends for approval by the shareholders the reappointment of PricewaterhouseCoopers Inc. as external auditor, and Thinus Hamman as the engagement partner for 2014.

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;
- these controls have ensured that the group's assets have been safeguarded;
- proper accounting records have been maintained; and
- resources have been utilised efficiently.

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 chairman of the committee regularly meets with the head of internal audit without management being present.

The committee has approved the internal audit plan and has reviewed the activities and findings of the internal audit function. The committee has reviewed reports on the controls regarding security, financial and accounting systems and reporting, and satisfied itself that management maintains an effective control environment and identifies and manages critical risk areas. The committee was not made aware of any material breach of internal controls during the year.

Expertise of the chief financial officer and finance function

The committee has considered the appropriateness of the expertise and experience of the chief financial officer. The committee believes that Annalize Kirsten, the chief financial officer, possesses the appropriate expertise and experience to meet her responsibilities. The committee has also considered the collective expertise, resources and experience of the finance function and concluded that they are 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 in May 2014:

- John Bester
- Willem Jungschläger
- Pierre Joubert

John Bester
Chairman of the audit and risk committee

Cape Town
13 March 2014

REPORT OF THE DIRECTORS

for the year ended 31 December 2013

NATURE OF BUSINESS

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

GENERAL REVIEW

The financial results are reflected in the annual financial statements on pages 6 to 62. Commentary on these annual financial statements is provided in the report of the chief financial officer in the integrated annual report which is available on the website homechoiceholdings.co.za or can be requested from the company secretary.

PROPERTY, PLANT AND EQUIPMENT

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

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.

DISTRIBUTIONS TO SHAREHOLDERS

Dividends of 94 (ninety four) cents were declared and paid during the year (2012: 50 cents).

SUBSIDIARY COMPANIES

Details of the company's investments in subsidiaries are set out on page 57 of this report. The interest of the company in the aggregate profits before taxation of the subsidiary companies is R407,781 million (2012: R373,034 million).

SHARE INCENTIVE AND OPTION SCHEME

As part of an employee share incentive scheme, 669 500 (2012: 2 175 750) share options were granted to employees as reflected in note 14 to the group annual financial statements.

DIRECTORS

The names of the company's directors and their profiles appear on page 41 in the integrated annual report. The following directors retire by rotation in terms of the memorandum of incorporation but, being eligible, offer themselves for election as directors:

J Bester
W Jungschläger

AUDIT AND RISK COMMITTEE

The directors confirm that the audit and risk committee has addressed the specific responsibilities required in terms of the Companies Act No. 71 of 2008 (as amended). Further details are contained within the audit and risk committee report on pages 2 and 3.

COMPANY SECRETARY

The company secretary is Bradley Bastard and his business and postal address appear on the inside back cover of the integrated annual report.

SPECIAL RESOLUTIONS

On 2 May 2013 the shareholders passed the following special resolutions:

Resolution 1

Resolved to approve and ratify the remuneration of the directors for services as directors.

Resolution 2

Resolved to authorise the provision of financial assistance.

Resolution 3

To place the unissued shares in the authorised share capital of the company under the control of the directors for allotment and issue.

Resolution 4

To approve amendments to the employee share option scheme.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARY COMPANIES

No special resolutions of any significance were passed during the year under review.

BORROWING POWERS

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

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 2014 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HOMECHOICE HOLDINGS LIMITED for the year ended 31 December 2013

We have audited the consolidated and separate financial statements of Homechoice Holdings Limited set out on pages 6 to 62, which comprise the statements of financial position as at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Homechoice Holdings Limited as at 31 December 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: MC Hamman
Registered Auditor

Cape Town
13 March 2014

GROUP STATEMENT OF FINANCIAL POSITION

at 31 December 2013

	Notes	2013 R'000	2012 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**292 785**	165 438
Intangible assets	5	**61 237**	40 678
Loans to employees	6	**6 362**	9 580
Investment in associates	7	**6 536**	3 951
Deferred taxation	8	**18 133**	13 206
		385 053	232 853
Current assets			
Inventories	9	**144 964**	110 241
Taxation receivable		**77**	11
Trade and other receivables	10	**1 169 921**	1 020 777
Trade receivables – Retail		**686 375**	583 528
Loans receivable – Financial Services		**462 080**	411 646
Other receivables		**21 466**	25 603
Cash and cash equivalents	11	**67 981**	10 192
		1 382 943	1 141 221
Total assets		**1 767 996**	1 374 074
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital	12	**30 980**	30 980
Treasury shares	13	**(13 733)**	(11 331)
Other reserves	15	**1 902**	1 084
Retained earnings		**1 266 575**	1 049 589
Total equity		**1 285 724**	1 070 322
Non-current liabilities			
Interest-bearing liabilities	16	**188 208**	90 977
Deferred taxation	8	**68 015**	60 097
Other payables	17	**3 510**	3 480
		259 733	154 554
Current liabilities			
Interest-bearing liabilities	16	**21 148**	9 178
Taxation payable		**8 953**	5 850
Trade and other payables	18	**134 552**	112 718
Provisions	19	**9 000**	18 934
Bank overdraft		**48 886**	2 518
		222 539	149 198
Total liabilities		**482 272**	303 752
Total equity and liabilities		**1 767 996**	1 374 074

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Notes	**2013** **R'000**	2012 R'000
Revenue	20	**1 661 952**	1 434 359
Retail sales		**929 730**	841 480
Finance charges and initiation fees earned		**619 848**	498 121
Finance charges earned		**452 912**	363 474
Initiation fees earned		**166 936**	134 647
Fees from ancillary services		**112 374**	94 758
Cost of retail sales		**(472 771)**	(411 403)
Retail gross profit (%)		***49,1***	*51,1*
Other operating costs		**(751 202)**	(625 889)
Debtor costs	23	**(316 463)**	(227 769)
Other trading expenses	23	**(434 739)**	(398 120)
Other net gains and losses	21	**(2 319)**	759
Other income	22	**2 661**	5 036
Operating profit		**438 321**	402 862
Interest received		**2 070**	2 624
Interest paid	24	**(7 554)**	(6 236)
Share of loss of associates		**(1 818)**	(2 097)
Profit before taxation		**431 019**	397 153
Taxation	25	**(121 696)**	(112 656)
Profit and total comprehensive income for the year		**309 323**	284 497
Earnings per share (cents)			
Basic		**306,9**	282,1
Diluted		**305,6**	280,1

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Stated and share capital R'000	Share premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Equity attributable to owners of the parent R'000
Balance at 1 January 2012	1 039	29 941	(9 732)	545	815 542	837 335
Changes in equity						
Conversion to no par value shares	29 941	(29 941)	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	284 497	284 497
Purchases of treasury shares by share trust	–	–	(1 599)	–	–	(1 599)
Dividends paid	–	–	–	–	(50 450)	(50 450)
Share option scheme	–	–	–	539	–	539
Total changes	29 941	(29 941)	(1 599)	539	234 047	232 987
Balance at 1 January 2013	30 980	–	(11 331)	1 084	1 049 589	1 070 322
Changes in equity						
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**309 323**	**309 323**
Purchases of treasury shares by share trust	**–**	**–**	**(2 536)**	**–**	**–**	**(2 536)**
Sale of treasury shares by share trust	**–**	**–**	**134**	**–**	**2 396**	**2 530**
Dividends paid	**–**	**–**	**–**	**–**	**(94 733)**	**(94 733)**
Share option scheme	**–**	**–**	**–**	**818**	**–**	**818**
Total changes	**–**	**–**	**(2 402)**	**818**	**216 986**	**215 402**
Balance at 31 December 2013	**30 980**	**–**	**(13 733)**	**1 902**	**1 266 575**	**1 285 724**

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Notes	**2013** **R'000**	2012 R'000
Cash flows from operating activities			
Operating cash flows before working capital changes	27	**451 910**	413 710
Movements in working capital	27	**(173 900)**	(259 992)
Cash generated from operations	27	**278 010**	153 718
Interest received		**2 078**	2 624
Interest paid		**(5 883)**	(6 236)
Dividends paid		**(94 733)**	(50 450)
Taxation paid	28	**(115 668)**	(93 441)
Net cash inflow from operating activities		**63 804**	6 215
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(134 700)**	(35 464)
Proceeds on disposal of property, plant and equipment		**9**	–
Purchase of intangible assets	5	**(26 883)**	(24 612)
Loans repaid by employees	6	**4 115**	3 609
Investment in associates	7	**(4 403)**	(4 371)
Net cash outflow from investing activities		**(161 862)**	(60 838)
Cash flows from financing activities			
Purchase of treasury shares		**(707)**	(1 599)
Proceeds from sale of treasury shares		**2 530**	–
Proceeds from interest-bearing liabilities		**229 950**	31 585
Repayments of interest-bearing liabilities		**(120 357)**	(13 758)
Finance-raising costs paid		**(1 937)**	–
Net cash inflow from financing activities		**109 479**	16 228
Net increase/(decrease) in cash and cash equivalents and bank overdrafts		**11 421**	(38 395)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**7 674**	46 069
Cash, cash equivalents and bank overdrafts at the end of the year	11	**19 095**	7 674

GROUP SEGMENTAL ANALYSIS

for the year ended 31 December 2013

	Retail			Financial Services		
	2013 R'000	% change	2012 R'000	**2013 R'000**	% change	2012 R'000
Segmental revenue	**1 344 840**		1 178 017	**315 923**		255 153
Retail sales	**929 730**	10,5	841 480	**–**		–
Finance charges and initiation fees earned	**361 808**	24,2	291 221	**258 040**	24,7	206 900
Fees from ancillary services	**53 302**	17,6	45 316	**57 883**	20,0	48 253
Dividends received	**–**		–	**–**		–
Intersegment revenue	**–**		–	**–**		–
Revenue from external customers	**1 344 840**	14,2	1 178 017	**315 923**	23,8	255 153
Segmental results*	**277 885**	5,7	262 960	**116 368**	17,0	99 436
Segmental assets**	**1 038 561**		782 937	**502 783**		444 326
Segmental liabilities**	**305 290**		188 172	**12 127**		16 896
Group loans receivable/(payable)	**104 071**		42 212	**(249 633)**		(270 335)
Segmental equity	**837 342**		636 977	**241 023**		157 095
Operating cash flows before working capital changes	**290 596**	6,5	272 960	**145 788**	11,5	130 766
Movements in working capital	**(129 877)**		(143 211)	**(47 441)**		(117 125)
Cash generated/(utilised) by operations	**160 719**	23,9	129 749	**98 347**	621,0	13 641
Gross profit margin	**49,1%**		51,1			
Segmental results margin	**20,7%**		22,3	**36,8**		39,0
Capital expenditure						
Property, plant and equipment	**55 286**		4 759	**610**		620
Intangible assets	**26 649**		24 587	**234**		25
Items included in segmental results:						
Interest received – Other and Financial Services	**–**		–	**159**		120
Interest paid – Other and Financial Services	**–**		–	**(28 993)**		(30 149)
Marketing costs	**125 754**	12,7	111 613	**13 054**	59,7	8 176
Staff costs	**141 211**	(0,1)	141 371	**30 781**	34,0	22 972
Depreciation and amortisation	**11 992**	23,1	9 739	**490**	(45,3)	896
Other costs	**104 733**	9,2	95 889	**22 495**	41,5	15 892
Other trading expenses	**383 690**	7,0	358 612	**66 820**	39,4	47 936
Debtor costs	**212 002**	41,3	149 997	**104 461**	34,3	77 772
Total trading expenses (refer to note 23)	**595 692**	17,1	508 609	**171 281**	36,3	125 708

* *Refer to note 1.28 for further details on the measurement basis of segmental results*

*** Excluding group loans, including loans to share trust*

Reconciliation of segmental results

Segmental results, as reported above

Interest received

Interest paid

Share of loss of associates

Profit before taxation

Property			Other			Eliminations			Total		
2013 R'000	% change	2012 R'000	**2013 R'000**	% change	2012 R'000	**2013 R'000**	% change	2012 R'000	**2013 R'000**	% change	2012 R'000
18 689		18 462	**2 905**		153 266	**–**		–	**1 682 357**		1 604 898
–		–	**–**		–	**–**		–	**929 730**	10,5	841 480
–		–	**–**		–	**–**		–	**619 848**	24,4	498 121
18 689		18 462	**–**		–	**–**		–	**129 874**	(15,9)	112 031
–		–	**2 905**		153 266	**–**		–	**2 905**		153 266
(17 500)		(17 273)	**(2 905)**		(153 266)	**–**		–	**(20 405)**		(170 539)
1 189		1 189	**–**		–	**–**		–	**1 661 952**	15,9	1 434 359
16 492	4,5	15 782	**34 156**	(80,7)	176 768	**(7 685)**	(94,9)	(151 658)	**437 216**	8,4	403 288
228 649		154 257	**6 470**		9 772	**(8 467)**		(17 218)	**1 767 996**		1 374 074
62 360		98 597	**110 962**		17 305	**(8 467)**		(17 218)	**482 272**		303 752
(135 992)		(34 165)	**281 554**		262 288	**–**		–	**–**		–
30 297		21 495	**177 062**		254 755	**–**		–	**1 285 724**		1 070 322
17 681	5,4	16 774	**241**	(103,5)	(6 790)	**(2 396)**		–	**451 910**	9,2	413 710
3 105		(97)	**313**		441	**–**		–	**(173 900)**		(259 992)
20 786	24,6	16 677	**554**	(108,7)	(6 349)	**(2 396)**		–	**278 010**	80,9	153 718
									49,1		51,1
88,2		85,5	**1 175,8**		115,1	**–**		–	**26,3**		28,1
78 804		30 085	**–**		–	**–**		–	**134 700**		35 464
–		–	**–**		–	**–**		–	**26 883**		24 612
–		–	**29 274**		30 455	**(28 989)**		(30 149)	**444**		426
–		–	**(1 545)**		–	**28 989**		30 149	**(1 549)**		–
–		–	**–**		–	**–**		–	**138 808**	15,9	119 789
–		–	**1 858**	1 164,2	147	**–**		–	**173 850**	5,7	164 490
1 189	2,1	1 165	**–**		–	**–**		–	**13 671**	15,9	11 800
1 030	(33,0)	1 537	**(2 348)**	(139,2)	5 996	**(17 500)**	1,3	(17 273)	**108 410**	6,2	102 041
2 219	(17,9)	2 702	**(490)**	(108,0)	6 143	**(17 500)**	1,3	(17 273)	**434 739**	9,2	398 120
–		–	**–**		–	**–**		–	**316 463**	38,9	227 769
2 219	(17,9)	2 702	**(490)**	(108,0)	6 143	**(17 500)**	1,3	(17 273)	**751 202**	20,0	625 889
									437 216	8,4	403 288
									1 626	(26,0)	2 197
									(6 005)	(3,7)	(6 235)
									(1 818)	(13,3)	(2 097)
									431 019	8,5	397 153

1. ACCOUNTING POLICIES

1.1 Presentation of annual financial statements

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies comply with International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Companies Act.

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.

1.3 Basis of preparation

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

1.4 Investment in subsidiaries

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

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

1.5 Investment in associate

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. Refer to note 1.8 for the impairment of non-financial assets, including goodwill. The group's share of its associates' post-acquisition profits or losses is recognised in profit and loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

1.6 Property, plant and equipment

Property, plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date. The cost of an asset comprises any costs incurred in bringing the asset to the location and condition necessary for it to operate as intended by management. Property, plant and equipment are subsequently stated at cost, less accumulated depreciation and accumulated impairment in value. Freehold land is stated at cost less any accumulated impairment in value and is not depreciated. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

All other repairs and maintenance expenditures are charged to profit and loss during the financial period in which they are incurred. Depreciation commences when the assets are available for their intended use.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the various classes of assets, after taking into account residual values. Useful lives of property, plant and equipment, the depreciation method, depreciation rates and residual values are reviewed on an annual basis. The annual rates applied for depreciation are as follows:

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

* *The main building component is not depreciated as its 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.

1.7 Intangible assets

Intangible assets are initially recognised at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. If assessed as having a finite useful life, it is amortised over its useful economic life using a straight-line basis and tested for impairment if there is an indication that it may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss. Intangible assets include licences and computer software (including development costs). All of the group's intangible assets are assessed as having finite useful lives. The annual amortisation rates applied are as follows:

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

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

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

- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

1.8 Impairment of non-financial assets

At each reporting date the group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with the impairment loss being recognised in profit and loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit and loss.

1.9 Inventory

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

1.10 Leases

Leases are classified as operating leases where substantially all the risks and rewards associated with ownership of the asset are not transferred from the lessor to the lessee. Operating lease payments are recognised as an expense in profit and loss on a straight-line basis over the lease term. The resulting difference arising between the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset. Contingent rental income and expenses are recognised when accrued or incurred. Where the group leases assets and substantially assumes all the risks and rewards of ownership, the lease is classified as a finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

1.11 Financial instruments

Financial instruments recognised on the statement of financial position include trade and other receivables, cash and cash equivalents, trade and other payables, and interest-bearing borrowings. Financial instruments are initially measured at fair value, including transaction costs, when the group becomes a party to the contractual arrangements. However, transaction costs in respect of financial assets classified as fair value through profit and loss are expensed. A financial asset is derecognised when the contractual rights to receive cash flows from the asset have been transferred or have expired or when substantially all the risks and rewards of ownership have passed. A financial liability is derecognised when the relevant obligation has either been discharged or cancelled or has expired. Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a current legally enforceable right to set off recognised amounts and there is an intention to realise the assets and settle the liabilities on a net basis. Subsequent to initial recognition, these instruments are measured as set out below. The amount of any impairment, recoveries and the movement in the allowance is recognised as debtor costs in profit and loss.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment.

Cash and cash equivalents

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

1.12 Financial guarantee contracts

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

1.13 Derivative financial instruments

The group uses derivative financial instruments such as forward currency contracts to economically hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Derivatives are categorised as held for trading at fair value through profit and loss, unless they are designated as hedges.

1.14 Trade and other payables

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

1.15 Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the 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 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 the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and a provision for impairment of receivables is established and impairment losses incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. For trade and loans receivable the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. Trade and loans receivable are written off and, if previously impaired, the doubtful debt allowance utilised when there is no realistic prospect of future recovery and all collateral (where applicable) has been realised or transferred to the group. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

1.18 Stated 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 capital

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

Share premium

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

Treasury shares

Shares in the company held by a share trust are classified as treasury shares. Treasury shares are treated as a deduction from equity and the cost price of these shares is deducted in arriving at group equity. No gain or loss is recognised in profit and loss on the purchase, sale, issue or cancellation of the group's own equity instruments. The sales consideration from any subsequent resale of the shares, net of directly attributable transaction costs, are credited to retained earnings.

1.19 Dividend distribution

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

1.20 Share-based payments

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

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

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

1.21 Provisions and contingencies

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost. For further details on the nature of provisions raised within the group refer to note 20. Contingent liabilities arise when an obligation has resulted, but is either not probable or not able to be reliably estimated. Contingent liabilities are not recognised.

1.22 Revenue recognition

Revenue is recognised at the fair value of the consideration received, net of discounts and related taxes, and consists primarily of the retail sales, finance charges earned, fees from ancillary services and dividends received. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be measured reliably. The following specific criteria must also be met before revenue is recognised:

Retail sales

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

Finance charges earned and initiation fees earned

Finance charges earned includes finance charges and delinquent interest earned on trade and other receivable balances. Finance charges and delinquent interest are recognised on the time-proportionate basis using the effective interest rate implicit in the instrument. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows and includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Initiation fees are charged upfront and are capitalised on initiation of a loan or credit sale. In accordance with *IAS 39, Financial Instruments: Recognition and Measurement*, these initiation fees are considered an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale, using the effective interest rate. Trade receivables are reduced by the deferred portion of these fees. The group does not defer any related operating costs, as these are all internal costs which are not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs.

Fees from ancillary services

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

Dividends received

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

1.23 Cost of retail sales

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

1.24 Borrowing costs

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

1.25 Employee benefits

Retirement obligations

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

Bonus scheme

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

1.26 Taxation

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

Current taxation

Management periodically evaluates positions taken in tax returns with respect to situations in which tax regulation is subject to interpretation. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred taxation is recognised using the liability method on temporary differences at the reporting date between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities. However, the deferred income taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation assets are recognised to the extent that it is probable that the related taxation benefit will be realised in the foreseeable future against future taxable profit. Deferred taxation is calculated using the taxation rates that have been enacted at the reporting date that are expected to apply when the asset is realised or the liability settled. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all to be utilised, the carrying value of the deferred tax asset is reduced. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are off-set when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Withholding tax on dividends

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

1.27 Foreign currency transactions

Items included in the annual financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated annual financial statements are presented in South African Rand, which is the company's functional and the group's presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

1.28 Segmental reporting

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

- **Retail:** The retail segment reflects the results of HomeChoice and FoneChoice. HomeChoice is a multi-channel home shopping retailer providing an exclusive range of household products whilst FoneChoice retails technology-related products to HomeChoice customers.
- **Financial Services:** The financial services segment reflects the results of FinChoice. FinChoice provides

personal loans with terms ranging between one and 36 months.

- **Property:** This segment holds land and buildings which are primarily used by HomeChoice, FoneChoice and FinChoice.
- **Other:** Aggregated under other is the holding company's results and the results of the group's associates.

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

The group has a large, 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 of the retail and property segments based upon a measure of operating profit and financial services and other segments based on a measure of operating profit after interest received and interest paid. Intersegment pricing is determined on an arm's length basis in a manner similar to transactions with third parties, with the exception of certain intergroup loans, as disclosed in notes 3 and 4 to the company annual financial statements.

1.29 Significant accounting judgements, estimates and assumptions

The preparation of the group's annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the asset or liability affected in the future.

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

Trade and loan receivables

A provision for impairment of trade and loan receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The estimated future cash flow is based on prior debtors' book yields and average instalment terms. The prior year debtors' book yields have been adjusted to take into account the current economic conditions. As these conditions are uncertain, management has been cautious in assessing the ability of customers to make their required payments.

2. STANDARDS AND INTERPRETATIONS

2.1 New and amended standards and interpretations adopted by the group

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

IFRS 10, Consolidated Financial Statements

The new standard establishes control as the only basis for consolidation of all entities, regardless of the nature of the investee. It amends the definition of control to include three elements, namely power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. The new standard replaces *IAS 27, Consolidated and Separate Financial Statements* and *SIC 12, Consolidation: Special Purpose Entities.*

IFRS 12, Disclosure of Interests in Other Entities

The objective of the new standard is to increase transparency in financial reporting where the reporting entity has an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The standard requires disclosure of information to enable users of financial statements to evaluate the nature, risks and financial effects associated with its interests in other entities.

IFRS 13, Fair Value Measurement

The objective of the new standard is to reduce the complexity and improve the consistency of fair value measurements and is part of the IASB's IFRS and US GAAP convergence project. The standard consolidates and clarifies the requirements for measuring fair value and includes disclosure enhancements to assist users of financial statements to better assess the valuation techniques and inputs used to measure fair value.

Amendments to IFRS 7, Financial Instruments: Disclosures – Financial Assets and Liability Offsetting

The amended disclosures will require more extensive disclosures than are currently required under IFRS and US GAAP. The disclosures focus on quantitative information about recognised financial instruments that are off-set in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are off-set.

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

- *Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards*
- *Amendments to IAS 1, Presentation of Financial Statements*
- *Amendments to IAS 27, Separate Financial Statements*
- *Amendments to IFRS 11, Joint Arrangements*
- *IAS 19, Employee Benefits (revised)*
- *IAS 28, Investments in Associates and Joint Ventures (revised)*
- *Annual improvements to IFRS*
- *IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*

2.2 New and amended standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2014 or later periods:

IFRS 9, Financial Instruments: Classification and Measurement

The new standard covers the classification criteria used and fair value measurement options available for financial assets as well as the accounting and presentation of financial liabilities. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value. The standard also requires a single impairment method to be used. The amendment also relaxes the requirements for hedge effectiveness when applying hedge accounting. The amendment to financial liabilities accounting and disclosure introduces new requirements for an entity choosing to measure its own debt at fair value to present fair value changes due to the entity's own credit risk in other comprehensive income rather than in profit and loss. The group will assess the impact of the changes proposed, which could be significant.

IAS 32, Off-setting Financial Assets and Liabilities

The new standard addresses inconsistencies in applying offsetting criteria for financial assets and financial liabilities and clarifies that the right of offset should not be contingent on a future event. The impact of this amendment is not expected to have a material impact for the group.

Annual Improvements

A number of minor amendments have been issued during the year. Below are the amendments which are mandatory and relevant to the group's operations:

IFRS 2, Share-based Payments

The amendment provides further clarity to the definition of a "vesting condition" and now separately defines "performance condition" and "service condition". The group will assess the impact of the amendment, which will be applicable for share-based payments granted on or after 1 July 2014.

IFRS 8, Operating Segments

The amendment requires additional disclosure with respect to the judgements used by management in aggregating segments. The group will also be required to provide a reconciliation of segment assets to entity assets.

IFRS 13, Fair Value Measurements

An amendment has been made to clarify entities are able to measure short-term receivables and payables at invoice amounts where discounting such invoices would be immaterial. This is consistent with the group's current basis of fair value measurement.

IAS 40, Investments Property

The amendment provides further guidance to assist preparers in distinguishing between investment and owner-managed property and to consider whether the acquisition of an investment property is a business combination.

2.3 New and amended standards and interpretations not currently relevant to the group's operations

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

- *Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities* (effective 1 January 2014)
- *IFRS 14, Regularoty Deferral Accounts* (effective 1 January 2016)
- *Amendments to IAS 19, Employee Benefits* (effective 1 July 2014)
- *Amendments to IAS 36, Recoverable Amount Disclosures for Non-financial Assets* (effective 1 January 2014)
- *Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting* (effective 1 January 2014)
- *IFRIC 21, Levies* (effective 1 January 2014)

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

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the group to fund the group's capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital. The board monitors the return on equity and seeks to maintain a balance between the higher returns that may be possible with higher levels of borrowings and the security and other benefits afforded by a sound capital position. The directors have determined a medium-term target of 27% to 32%. The Group's return on equity was 26,3% (2012: 29,8%).

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. Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

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:

	Note	Loans and receivables R'000	Non-financial assets R'000	Total R'000
3. RISK MANAGEMENT AND FINANCIAL INSTRUMENT DISCLOSURE (continued)				
3.2 Financial risk management (continued)				
ASSETS				
2013				
Non-current assets				
Loans to employees	6	**6 362**	–	**6 362**
Current assets				
Trade receivables – Retail	10	**686 375**	–	**686 375**
Loans receivable – Financial Services	10	**462 080**	–	**462 080**
Other receivables	10	**7 672**	**13 794**	**21 466**
Cash at bank	11	**67 981**	–	**67 981**
Total		**1 230 470**	**13 794**	**1 244 264**
Guarantees		**15 000**		
Maximum exposure to credit risk		**1 245 470**		
2012				
Non-current assets				
Loans to employees	6	9 580	–	9 580
Current assets				
Trade receivables – Retail	10	583 528	–	583 528
Loans receivable – Financial Services	10	411 646	–	411 646
Other receivables	10	13 105	12 498	25 603
Cash at bank	11	10 192	–	10 192
Money market investments	11	–	–	–
Total		1 028 051	12 498	1 040 549
Guarantees		15 000		
Maximum exposure to credit risk		1 043 051		

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				
2013				
Non-current liabilities				
Listed bonds	16	**98 063**	**–**	**98 063**
Borrowings from bank	16	**49 382**	**–**	**49 382**
Suspensive sale agreements	16	**40 764**	**–**	**40 764**
Non-current other payables	17	**3 510**	**–**	**3 510**
Current liabilities				
Trade payables	18	**99 897**	**–**	**99 897**
Other payables	18	**31 445**	**3 210**	**34 655**
Listed bonds	16	**1 545**		**1 545**
Borrowings from bank	16	**5 252**	**–**	**5 252**
Suspensive sale agreements	16	**14 351**	**–**	**14 351**
Total		**344 209**	**3 210**	**347 419**
2012				
Non-current liabilities				
Borrowings from bank	16	84 026	–	84 026
Suspensive sale agreements	16	6 951	–	6 951
Non-current other payables	17	3 480	–	3 480
Current liabilities				
Trade payables	18	87 337	–	87 337
Other payables	18	18 502	6 879	25 381
Borrowings from bank	16	7 248	–	7 248
Suspensive sale agreements	16	1 930	–	1 930
Total		209 474	6 879	216 353

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENT DISCLOSURE (continued)

3.3 Credit risk management

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

Customer acquisition takes into account the risk level, repurchase propensity and profitability of new customers. Bespoke scorecards predict the level of risk of new customers and relatively small instalment accounts are granted. Industry-wide fraud databases are used to identify potentially fraudulent applications. The group maintains a suite of behaviour scorecards which provide a sound basis for extending further instalment credit to good-paying customers. These scorecards are regularly reviewed and upgraded.

All group data is taken into account when a customer is considered for credit extension. The quality of the customer base is closely monitored and early default models are maintained to detect any signs of early customer default. External collection agents are used to supplement collections activities to recover outstanding balances. The group does not hold any collateral against receivable balances.

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

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

Trade receivables

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

The group manages the ageing of trade receivables on a contractual basis and regards the ageing of balances as an important indicator of the quality of the book. 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.

	% of gross trade receivables		% of net trade receivables	
	2013	2012*	**2013**	2012
Contractual				
Retail				
Satisfactory paid	**70,9**	71,9	**77,4**	77,9
Current	**49,6**	48,1	**55,5**	53,3
Past due less than 30 days	**21,3**	23,8	**21,9**	24,6
Past due 31 – 60 days	**9,3**	9,8	**8,5**	9,1
Past due 61 – 90 days	**5,5**	5,5	**4,2**	4,3
Past due more than 91 days	**14,3**	12,8	**9,9**	8,7
	100,0	100,0	**100,0**	100,0

** The 2012 percentages include the combined ageing information for Trade Receivables – HomeChoice and Trade Receivables – Other Retail, which were previously separately disclosed.*

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENT DISCLOSURE (continued)

3.3 Credit risk management (continued)

Loans receivable

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

The group manages the ageing of loans receivable on a recency basis. Recency refers to the number of payment cycles that have elapsed since the last qualifying payment was received. The aging of customers, as presented below, are expressed as a percentage of the value of outstanding balances, based on both the gross loans receivable book before provisions and the net loans receivable book after provisions.

	% of gross loans receivable		% of net loans receivable	
	2013	2012	**2013**	2012
Recency				
Financial Services				
Current	**88,3**	88,9	**93,9**	93,4
Not paid 1 – 30 days	**6,2**	6,1	**4,6**	4,8
Not paid 31 – 60 days	**2,5**	2,2	**1,1**	1,1
Not paid more than 61 days	**3,0**	2,8	**0,4**	0,7
	100,0	100,0	**100,0**	100,0

	2013 **%**	2012 %
Loan product weighting		
Financial Services		
1-month loan*	**1,9**	1,1
6-month loan	**18,4**	21,1
12-month loan	**20,0**	21,4
24-month loan	**51,4**	51,6
36-month loan	**5,0**	4,1
Other	**3,3**	0,7
	100,0	100,0

** The 2012 product weightings now include a separate 1,1% weighting for the one month loan product, which had previously been disclosed as part of Other.*

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:

Retail	**10,6**	8,8
Financial Services	**4,0**	3,3

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

Cash and cash equivalents

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

Loans to employees

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

Financial guarantees

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

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENT DISCLOSURE (continued)

3.4 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the group's reputation. The risk is managed through optimisation of daily cash management and regular reviews of cash flow projections to ensure that appropriate borrowing facilities are in place.

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

	Weighted average interest rate %	On demand R'000	Less than 1 month R'000	1 to 3 months R'000	3 months to 1 year R'000	1 to 2 years R'000	Over 2 years R'000
2013							
Non-interest-bearing liabilities							
Non-current other payables	**–**	**–**	**–**	**–**	**–**	**770**	**2 740**
Trade and other payables	**–**	**81 464**	**48 551**	**860**	**870**	**–**	**–**
Financial guarantees	**–**	**15 000**	**–**	**–**	**–**	**–**	**–**
Interest-bearing liabilities							
Listed bonds	**8,29**	**–**	**2 264**	**–**	**6 420**	**8 751**	**106 725**
Borrowings from the bank	**9,70**	**–**	**764**	**1 528**	**6 877**	**9 169**	**54 252**
Suspensive sale agreements	**8,50**	**–**	**1 113**	**6 025**	**12 946**	**13 106**	**28 628**
		96 464	**52 692**	**8 413**	**27 113**	**31 796**	**192 345**
2012							
Non-interest-bearing liabilities							
Non-current other payables	–	–	–	–	–	770	2 710
Trade and other payables	–	49 204	49 161	6 611	953	–	–
Financial guarantees	–	15 000	–	–	–	–	–
Interest-bearing liabilities							
Borrowings from the bank	7,94	–	764	1 528	9 236	15 269	97 987
Suspensive sale agreements	8,77	–	218	436	1 963	2 617	5 189
		64 204	50 143	8 575	12 152	18 656	105 886

The group has the following undrawn borrowing facilities available:

	2013 R'000	2012 R'000
General banking facilities available	**165 000**	125 000
Guarantees	**9 300**	9 300
Suspensive sale agreements facility available	**139 155**	25 000
	313 455	159 300
Amounts drawn against these facilities	**(177 473)**	(96 539)
Unutilised borrowing facilities at 31 December	**135 982**	62 761

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENT DISCLOSURE (continued)

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 2013 amounting to R66,518 million (2012: R23,085 million). There were no outstanding forward exchange contracts at the reporting dates.

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

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

	Effect on profit after taxation	
	2013 **R'000**	2012 R'000
15% appreciation in ZAR/USD exchange rates	**7 184**	2 493
15% depreciation in ZAR/USD exchange rates	**(7 184)**	(2 493)
The following line items on the group's statement of financial position includes balances denominated in US Dollar:		
Trade and other payables	**17 632**	20 567
Bank overdraft	**48 886**	2 518
	66 518	23 085

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENT DISCLOSURE (continued)

3.5 Market risk management (continued)

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 (2012: 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**	
		2013 R'000	2012 R'000
Cash and cash equivalents	+100	**489**	73
	-100	**(489)**	(73)
Money market investments	+100	**–**	–
	-100	**–**	–
Listed bonds	+100	**(717)**	–
	-100	**717**	–
Borrowings from the bank	+100	**(393)**	(657)
	-100	**393**	657
Suspensive sale agreement	+100	**(397)**	(64)
	-100	**397**	64

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 and 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 from 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.

	2013 Cost R'000	 Accumulated depreciation R'000	 Carrying value R'000	2012 Cost R'000	 Accumulated depreciation R'000	 Carrying value R'000
4. PROPERTY, PLANT AND EQUIPMENT						
Land and buildings	**233 970**	**(5 781)**	**228 189**	155 166	(4 592)	150 574
Motor vehicles	**1 834**	**(1 148)**	**686**	1 831	(989)	842
Computer equipment	**38 553**	**(15 604)**	**22 949**	18 581	(12 285)	6 296
Equipment, furniture, fittings and plant	**55 287**	**(14 326)**	**40 961**	19 375	(11 649)	7 726
Total	**329 644**	**(36 859)**	**292 785**	194 953	(29 515)	165 438

Analysis of movements

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
2013					
Land and buildings	**150 574**	**78 804**	**–**	**(1 189)**	**228 189**
Motor vehicles	**842**	**3**	**–**	**(159)**	**686**
Computer equipment	**6 296**	**19 972**	**–**	**(3 319)**	**22 949**
Equipment, furniture, fittings and plant	**7 726**	**35 921**	**(6)**	**(2 680)**	**40 961**
Total	**165 438**	**134 700**	**(6)**	**(7 347)**	**292 785**
2012					
Land and buildings	121 654	30 085	–	(1 165)	150 574
Motor vehicles	792	156	–	(106)	842
Computer equipment	6 476	2 868	(34)	(3 014)	6 296
Equipment, furniture, fittings and plant	8 039	2 355	–	(2 668)	7 726
Total	136 961	35 464	(34)	(6 953)	165 438

Land and buildings comprise:

- Land and buildings, being remainder erf 66592 Cape Town at Wynberg situated in the City of Cape Town, in extent of 2 858 square metres (acquired in 2007);
- Land and buildings, being remainder erf 91380 Cape Town at Wynberg situated in the City of Cape Town, in extent of 4 936 square metres (acquired in 2011); and
- Industrial-site land and building, being remainder of portion 240 of the farm Wimbledon 454 situated in the City of Cape Town and measuring 3,314 hectares (acquired in 2005).

The carrying value of property, plant and equipment subject to suspensive sale agreements (refer to note 16) as at 31 December 2013 was R49,074 million (2012: R3,710 million).

Included in property, plant and equipment are assets with a cost of R15,143 million (2012: R12,429 million) that are in use but fully depreciated.

Land and buildings include a carrying value of R209,1 million (2012: R132,281 million) currently encumbered as shown in note 16. Included in additions are borrowing costs of R4,637 million which have been capitalised to the cost of a warehouse development during the 2013 year (2012: R0,791 million). Included in disposals are equipment, furniture and fittings and plant with a cost of R0,010 million (2012: R0,324 million) and accumulated depreciation of R0,010 million (2012: R0,324 million), and computer equipment with a cost of Rnil (2012: R0,134 million) and accumulated depreciation of Rnil (2012: R0,134 million), which had no further economic value and have been removed from the register.

	2013			2012		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
5. INTANGIBLE ASSETS						
Licences	**27 620**	**(11 320)**	**16 300**	24 357	(8 263)	16 094
Computer software	**54 276**	**(9 339)**	**44 937**	30 656	(6 072)	24 584
Total	**81 896**	**(20 659)**	**61 237**	55 013	(14 335)	40 678

Analysis of movements

	Opening balance R'000	Additions R'000	Disposals R'000	Amortisation R'000	Closing balance R'000
2013					
Licences	**16 094**	**3 263**	**–**	**(3 057)**	**16 300**
Computer software	**24 584**	**23 620**	**–**	**(3 267)**	**44 937**
Total	**40 678**	**26 883**	**–**	**(6 324)**	**61 237**
2012					
Licences	13 529	4 734	–	(2 169)	16 094
Computer software	7 384	19 878	–	(2 678)	24 584
Total	20 913	24 612	–	(4 847)	40 678

The net carrying value of intangible assets subject to suspensive sale agreements at 31 December 2013 was R8,874 million (2012: R9,183 million). Included in computer software are internally generated intangible assets with a carrying value of R42,115 million (2012: R7,229 million). Included in intangible assets are assets with a cost of R4,630 million (2012: R4,388 million) that are in use but fully amortised, and development costs of R31,347 million (2012: R29,991 million) incurred on assets which have not yet been brought into use by the group and have not been amortised.

	2013 R'000	2012 R'000
6. LOANS TO EMPLOYEES		
Opening balance	**9 580**	11 664
Loans repaid	**(4 115)**	(3 609)
Amortised cost adjustment	**260**	538
Notional interest recognised	**637**	987
Loans to employees	**6 362**	9 580

In terms of the group's employee share incentive scheme, loans have been 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 are interest-free for the first five years after acquisition date, after which the loans are repayable on demand and bears interest charged at the prime interest rate. The shares are pledged to and held by the trustees of the HomeChoice Share Trust.

The employees are unconditionally bound to repay the loans. The group has no obligation to purchase the shares when an employee resigns or retires.

The amortised cost adjustment is based on an effective interest rate of prime less 2% at date of issue.

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

	2013 R'000	2012 R'000
7. INVESTMENT IN ASSOCIATES		
Carrying amount of investments	**6 536**	3 951

En-commandite partnership (founded in 2011)

During 2011 the group entered into a new en-commandite partnership formed for the transportation of passengers by air for fare. The group holds a 25% interest in the partnership and accounts for this minority interest as an associate. The principal place of business for the associate is Cape Town.

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

	2013 R'000	2012 R'000
Opening balance	**3 951**	1 677
Contributions made	**4 403**	4 371
Share of loss of associate	**(1 818)**	(2 097)
Closing balance	**6 536**	3 951

The summarised financial information of the associate is presented below:

	2013 R'000	2012 R'000
Summarised statement of comprehensive income:		
Revenue	**2 390**	2 197
Depreciation	**(1 346)**	(1 400)
Other operating expenses	**(4 894)**	(4 933)
Net interest paid	**(847)**	(1 057)
Loss for the year	**(4 697)**	(5 193)
Summarised statement of financial position:		
Current		
Trade and receivables	**1 207**	455
Cash and cash equivalents	**377**	19
Total current assets	**1 584**	474
Trade and other payables	**(1 036)**	(373)
Interest-bearing liabilities	**(2 980)**	(2 765)
Total current liabilities	**(4 016)**	(3 138)
Non-current		
Property, plant and equipment	**63 533**	64 865
Total non-current assets	**63 533**	64 865
Interest-bearing liabilities	**(7 034)**	(10 032)
Total non-current liabilities	**(7 034)**	(10 032)
Net asset value of associate	**54 067**	52 169
Reconciliation of summarised financial information:		
Opening net assets, as at 1 January	**52 169**	51 149
Additional owner contributions	**6 595**	6 213
Loss for the year	**(4 697)**	(5 193)
Closing net assets, as at 31 December 2013	**54 067**	52 169
Share of assets	**16 279**	16 335
Share of liabilities	**(10 272)**	(12 890)
Other contributions	**529**	506
	6 536	3 951

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 liability is payable over five years in monthly instalments of R0,305 million (2012: R0,302 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.

	2013 R'000	2012 R'000
8. DEFERRED TAXATION		
The analysis of deferred tax assets and liabilities is as follows:		
Deferred tax assets	**18 133**	13 206
Deferred tax liabilities	**(68 015)**	(60 097)
Net deferred tax liabilities	**(49 882)**	(46 891)
The gross movements on the deferred income tax account are as follows:		
At 1 January	**(46 891)**	(32 281)
Charged to profit and loss	**(2 991)**	(14 610)
At 31 December	**(49 882)**	(46 891)

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 2012	7 547	7 547
Charged to profit and loss	930	930
At 31 December 2012	8 477	8 477
Charged to profit and loss	**(2 453)**	**(2 453)**
At 31 December 2013	**6 024**	**6 024**

	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 2012	(7 675)	(31 459)	(694)	(39 828)
Charged to profit and loss	(1 729)	(14 052)	241	(15 540)
At 31 December 2012	(9 404)	(45 511)	(453)	(55 368)
Charged to profit and loss	**(1 081)**	**93**	**450**	**(538)**
At 31 December 2013	**(10 485)**	**(45 418)**	**(3)**	**(55 906)**

Deferred tax liabilities include amounts of R10,484 million (2011: R9,404 million) that are non-current.

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

	2013 R'000	2012 R'000
9. INVENTORIES		
Merchandise for resale	**118 492**	75 670
Provision for inventory obsolescence	**(10 484)**	(9 942)
Goods in transit	**36 956**	44 513
	144 964	110 241

Inventory sold at less than cost during the current year amounted to R12,402 million (2012: R8,403 million).

10. TRADE AND OTHER RECEIVABLES

	2013 R'000	2012 R'000
Trade receivables – Retail*	**845 730**	716 006
Provision for impairment	**(159 355)**	(132 478)
	686 375	583 528
Loans receivable – Financial Services	**525 116**	464 438
Provision for impairment	**(63 036)**	(52 792)
	462 080	411 646
Other receivables	**21 466**	25 603
Total trade and other receivables	**1 169 921**	1 020 777
Total trade and loan receivables	**1 370 846**	1 180 444
Provision for impairment	**(222 391)**	(185 270)
Other receivables	**21 466**	25 603

** The 2012 balances include the combined information for Trade receivables – HomeChoice and Trade receivables – Other retail, which were previously separately disclosed at values of R526,142 million and R57,142 million respectively.*

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

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

	2013 R'000	2012 R'000
Opening balance	**(132 478)**	(92 486)
Movement in provision	**(26 877)**	(39 992)
Debtor costs charged to profit and loss	**(212 002)**	(149 997)
Debts written off during the year, net of recoveries	**185 125**	110 005
Closing balance	**(159 355)**	(132 478)

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

	2013 R'000	2012 R'000
Opening balance	**(52 792)**	(35 334)
Movement in provision	**(10 244)**	(17 458)
Debtor costs charged to profit and loss	**(104 461)**	(77 772)
Debts written off during the year, net of recoveries	**94 217**	60 314
Closing balance	**(63 036)**	(52 792)

Trade and loan receivables have repayment terms of between 1 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 R185,996 million (2012: R115,227 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.

	2013 R'000	2012 R'000
11. CASH AND CASH EQUIVALENTS		
Cash at bank	**67 981**	10 192
	67 981	10 192
Bank overdraft	**48 886**	2 518

Cash at bank earns interest based on daily bank deposit rates. Money market investments are made depending on cash requirements and earn interest at the respective prevailing investment rates.

The bank overdraft facility is secured by bank balances held with the lending bank. The group is not entitled to set off the bank overdraft with cash and cash equivalents.

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2013 R'000	2012 R'000
Cash and cash equivalents	**67 981**	10 192
Bank overdraft	**(48 886)**	(2 518)
	19 095	7 674

12. STATED CAPITAL, SHARE CAPITAL AND SHARE PREMIUM

12.1 Stated and share capital

	2013 R'000	2012 R'000
Authorised		
200 000 000 (2012: 200 000 000) ordinary shares with no par value	**2 000**	2 000
Issued		
103 869 438 (2012: 103 869 438) ordinary shares with no par value	**30 980**	1 039
Share premium transferred upon conversion of shares to no par value shares (refer to note 12.2)	**–**	29 941
Stated capital	**30 980**	30 980

	'000	'000
Reconciliation of movement in issued shares		
Number of issued shares at the beginning and end of the year	**103 869**	103 869
Treasury shares held by share trust	**(3 090)**	(3 090)
Number of issued shares, net of treasury shares	**100 779**	100 779
Treasury shares as a % of issued shares	**3,0**	3,0

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

	R'000	R'000
12.2 Share premium		
Balance at the beginning of the year	**–**	29 941
Reduction in share premium	**–**	–
Transferred to stated capital upon conversion of shares to no par value shares (refer to note 12.1)	**–**	(29 941)
Balance at the end of the year	**–**	–

	2013 R'000	2012 R'000
13. TREASURY SHARES		
Balance at the beginning of the year	**(11 331)**	(9 732)
Shares sold during the year	**134**	–
Shares purchased during the year	**(2 536)**	(1 599)
Balance at the end of the year	**(13 733)**	(11 331)

	'000	'000
Balance at the beginning of the year	**3 090**	2 970
Shares purchased during the year	**230**	120
Shares sold during the year	**(230)**	–
Balance at the end of the year	**3 090**	3 090

14. SHARE-BASED PAYMENT

The group has established a share option incentive scheme in which options to acquire shares in HomeChoice Holdings Limited have been granted to employees of subsidiaries of HomeChoice Holdings Limited. All options have been granted with an exercise price equal to the market price of the shares on the date of the grant and 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:

	2013		2012	
	Average exercise price per share (cents)	Number of options	Average exercise price per share (cents)	Number of options
At 1 January	**938**	**3 173 400**	748	1 385 250
Options granted during the year	**1 116**	**669 500**	1 066	2 175 750
Options forfeited during the year	**1 007**	**(247 500)**	981	(387 600)
At 31 December	**966**	**3 595 400**	938	3 173 400

No options were exercisable at the reporting dates. Share options outstanding at the end of the year have the following vesting dates and exercise prices:

	2013		2012	
	Average exercise price per share (cents)	Number of options	Average exercise price per share (cents)	Number of options
2012	**–**	**–**	–	–
2013	**–**	**–**	747	201 550
2014	**652**	**430 250**	584	250 000
2015	**800**	**771 600**	798	830 100
2016	**1 064**	**1 746 050**	1 066	1 891 750
2017	**1 108**	**647 500**	–	–
Total	**966**	**3 595 400**	938	3 173 400

14. SHARE-BASED PAYMENT (continued)

Analysis of options outstanding:

Grant date	29 Nov 2010	20 May 2011	20 May 2011	1 Oct 2011	31 Mar 2012	Sub-total
Number of share options outstanding	250 000	180 250	456 600	315 000	557 000	1 758 850
Grant price (cents)	584	747	747	876	1 064	
Fair value of option (cents)	118	80	94	101	82	

Grant date	Sub-total	15 Apr 2012	29 Jun 2012	1 Oct 2012	20 Mar 2013	Sub-total
Number of share options outstanding	1 758 850	100 000	1 019 050	70 000	400 000	3 347 900
Grant price (cents)		876	1 064	1 329	1 000	
Fair value of option (cents)		94	76	188	160	

Grant date	Sub-total		20 Mar 2013	1 Aug 2013	27 Aug 2013	Total
Number of share options outstanding	3 347 900		147 500	10 000	90 000	3 595 400
Grant price (cents)			1 388	1 388	1 100	
Fair value of option (cents)			121	134	165	

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

Grant date	29 Nov 2010	20 May 2011	20 May 2011	1 Oct 2011	31 Mar 2012	15 Apr 2012
Grant price (cents)	584	747	747	876	1 064	876
Expected option life (years)	4	1	4	4	4	4
Expected volatility (%)	35,00	35,00	35,00	35,00	27,13	27,13
Expected dividend yield (%)	6,80	8,43	8,43	8,56	9,59	9,59
Expected employee attrition (%)	–	10,00	10,00	10,00	10,00	10,00
Risk-free interest rate (%)	6,40	6,10	7,87	6,80	6,89	6,89

Grant date	29 Jun 2012	1 Oct 2012	20 Mar 2013	20 Mar 2013	1 Aug 2013	27 Aug 2013
Grant price (cents)	1 064	1 329	1 000	1 388	1 388	1 100
Expected option life (years)	4	4	4	4	4	4
Expected volatility (%)	26,63	26,37	25,55	25,55	25,09	25,09
Expected dividend yield (%)	9,59	3,35	10,40	7,49	7,49	9,45
Expected employee attrition (%)	10,00	10,00	10,00	10,00	10,00	10,00
Risk-free interest rate (%)	6,18	5,66	6,02	6,02	7,55	7,55

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

Total expenses of R0,818 million (2012: R0,539 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.

	Share-based payment reserve R'000	Total R'000
15. OTHER RESERVES		
Balance at 1 January 2012	545	545
Share-based payment	539	539
Total changes	539	539
Balance at 1 January 2013	1 084	1 084
Share-based payment	**818**	**818**
Total changes	**818**	**818**
Balance at 31 December 2013	**1 902**	**1 902**

	2013 R'000	2012 R'000
16. INTEREST-BEARING LIABILITIES		
Long-term portion		
Listed bonds	**98 063**	–
Mortgage bonds	**49 382**	54 645
Building loan	**–**	29 381
Suspensive sale agreements	**40 764**	6 951
Total non-current interest-bearing liabilities	**188 208**	90 977
Short-term portion payable within one year		
Listed bonds	**1 545**	–
Mortgage bonds	**5 252**	4 874
Building loan	**–**	2 374
Suspensive sale agreements	**14 351**	1 930
Total current interest-bearing liabilities	**21 148**	9 178
Total interest-bearing liabilities	**209 356**	100 155

Listed bonds

Listed bonds consist of Domestic Medium-term Notes. During the current year the group issues 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 have a term of three years. Floating interest rate payments are made quarterly.

Movements in listed bonds were as follows:		
Opening balance	**–**	–
Borrowings raised	**100 000**	–
Bond-raising costs incurred	**(1 937)**	–
Interest and administration fees	**1 545**	–
Closing balance	**99 608**	–

16. INTEREST-BEARING LIABILITIES (continued)

Mortgage bonds

Mortage bonds include a Standard Bank of South Africa Limited facility, secured by a general covering bond over the remaining extent of erf 91380 Cape Town and a FirstRand Bank Limited facility, secured by a general covering bond over portion 240 of Farm Wimbledon Number 454 during 2012.

The FirstRand Bank Limited facility carried interest at prime and was settled in full during the prior year.

The Standard Bank of South Africa Limited bond carries interest at prime less 1% and has a remaining repayment term of eight years (2012: nine years).

	2013 R'000	2012 R'000
Movements in mortgage bonds were as follows:		
Opening balance	**59 519**	71 674
Borrowings raised	**–**	–
Interest and administration fees	**4 284**	5 253
Payments made	**(9 169)**	(17 408)
Closing balance	**54 634**	59 519

Building loan

The building loan includes a Rand Merchant Bank building loan and VAT facility, secured by a general covering bond over portion 240 of Farm Wimbledon Number 454. The loan carried interest at prime less 0,25% and was settled in full during the current year. A term loan of R105,5 million replacing the building loan will be drawn on during 2014.

	2013 R'000	2012 R'000
Movements in the building loan were as follows:		
Opening balance	**31 755**	–
Borrowings raised	**81 509**	30 964
Interest and administration fees	**4 637**	791
Payments made	**(117 901)**	–
Closing balance	**–**	31 755

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 R1,113 million (2012: R0,218 million) including interest and capital.

Interest rates are linked to the prime overdraft rate and varied between 7,25% and 8,5% (2012: 7,5% and 8,5%) during the year. There were no breaches in payments during the current or prior year. The suspensive sale agreements are secured over various items of property, plant and equipment as indicated in note 4, and intangible assets as indicated in note 5.

	2013 R'000	2012 R'000
Movements in suspensive sale agreements were as follows:		
Opening balance	**8 881**	10 654
Borrowings raised	**48 440**	621
Interest and administration fees	**1 434**	934
Payments made	**(3 640)**	(3 328)
Closing balance	**55 115**	8 881

	2013 R'000	2012 R'000
17. OTHER PAYABLES		
Non-current other payables		
Amounts owed to prize winners payable in excess of 12 months	**3 510**	3 480
18. TRADE AND OTHER PAYABLES		
Trade payables	**99 897**	87 337
Annual leave pay accrual	**5 151**	3 900
Value-added taxation	**2 632**	6 164
Other payables	**26 872**	15 317
	134 552	112 718

Refer to note 26 for disclosure on commitments regarding lease liabilities.

	Opening balance R'000	Utilised during the year R'000	Raised R'000	Closing balance R'000
19. PROVISIONS				
Analysis of movements				
2013				
Bonus	**18 934**	**(18 934)**	**–**	**–**
Ex-gratia payments	**–**	**–**	**9 000**	**9 000**
	18 934	**(18 934)**	**9 000**	**9 000**
2012				
Bonus	17 064	(17 367)	19 237	18 934
	17 064	(17 367)	19 237	18 934

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

	2013 R'000	2012 R'000
20. REVENUE		
Retail sales	**929 730**	841 480
Finance charges earned	**452 912**	363 474
Initiation fees earned	**166 936**	134 647
Fees from ancillary services	**112 374**	94 758
Administration fees	**94 139**	76 298
Other fees	**18 235**	18 460
	1 661 952	1 434 359

Refer to the segmental report for an analysis of revenue per segment.

	2013 R'000	2012 R'000
21. OTHER NET GAINS AND LOSSES		
Foreign exchange gains/(losses)	**(2 321)**	793
(Gains)/losses on disposal of property, plant and equipment and intangible assets	**2**	(34)
	(2 319)	759
22. OTHER INCOME		
Interest on loans to employees	**637**	879
Prescription of amounts owing	**1 072**	3 266
Other	**952**	891
	2 661	5 036
23. TOTAL TRADING EXPENSES		
Expenses by nature		
Debtor costs		
Trade receivables – HomeChoice	**212 002**	149 997
Loans receivable – FinChoice	**104 461**	77 772
Total debtor costs	**316 463**	227 769
Auditor's remuneration	**1 817**	2 027
Consultation fees	**3 790**	3 029
Amortisation of intangible assets	**6 324**	4 847
Depreciation of property, plant and equipment	**7 347**	6 953
Operating lease charges for immovable property	**27**	–
Total operating lease charges	**12 415**	11 616
Less: Disclosed under cost of retail sales	**(12 388)**	(11 616)
Marketing costs	**138 809**	119 789
Staff costs	**173 850**	164 490
Total staff costs	**192 435**	180 003
Less: Disclosed under cost of retail sales	**(18 585)**	(15 513)
Other costs	**102 775**	96 985
Total other trading expenses	**434 739**	398 120
	751 202	625 889

	2013 R'000	2012 R'000
24. INTEREST PAID		
Bank borrowings	**291**	49
Listed bonds	**1 545**	–
Mortgage bonds	**4 284**	5 253
Building loan	**4 637**	791
Suspensive sale agreements	**1 434**	934
Total interest paid	**12 191**	7 027
Less: Amounts capitalised on qualifying assets	**(4 637)**	(791)
	7 554	6 236
25. TAXATION		
South African normal income taxation		
Current year	**(117 625)**	(100 230)
Prior year over/(under)provision	**(1 080)**	2 184
Deferred taxation		
Current year	**(4 049)**	(12 426)
Prior year underprovision	**1 058**	(2 184)
	(121 696)	(112 656)

	%	%
Reconciliation of effective taxation rate:		
Standard taxation rate	**28,0**	28,0
Non-deductible expenditure	**0,4**	0,6
Exempt income	**(0,3)**	(0,2)
Dividends withholdings tax	**0,1**	–
Prior year adjustment	**–**	–
Effective taxation rate	**28,2**	28,4

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.

The prior year's adjustment to taxation relates to the taxation of proceeds from the sale in 2007 of a portion of the legal book of a subsidiary of the group as a fully taxable recoupment. These proceeds were previously assessed and taxed by the South African Revenue Service as a capital gain.

26. 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 23.

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

	2013 R'000	2012 R'000
Properties		
Payable within one year	**1 960**	9 499
Payable between two and five years	**2 116**	2 136
	4 076	11 635
Suspensive sale agreements		
Payable within one year	**20 083**	2 617
Payable between two and five years	**41 734**	7 806
	61 817	10 423
Future finance charges on suspensive sale agreements	**(6 702)**	(1 542)
	55 115	8 881
The present value of suspensive sale agreement payments is as follows:		
Payable within one year	**16 494**	1 957
Payable between two and five years	**38 622**	6 924
	55 116	8 881
Capital commitments for property, plant and equipment:		
Approved by the directors	**68 457**	8 554
Approved by the directors and contracted for	**–**	60 863
	68 457	69 417

	2013 R'000	2012 R'000
27. RECONCILIATION OF CASH GENERATED FROM OPERATIONS		
Profit before taxation	**431 019**	397 153
Share of loss of associates	**1 818**	2 097
(Gains)/losses on disposal of property, plant and equipment and intangible assets	**(3)**	34
Loans to employees – amortised cost adjustment	**(260)**	(538)
Notional interest on loans to employees	**(637)**	(987)
Depreciation and amortisation	**13 671**	11 800
Share-based employee service expense	**818**	539
Interest paid	**7 554**	6 236
Interest received	**(2 070)**	(2 624)
Operating cash flows before working capital changes	**451 910**	413 710
Movements in working capital	**(173 900)**	(259 992)
Increase in inventories	**(34 723)**	(18 092)
Increase in trade receivables – Retail	**(102 847)**	(141 251)
Increase in loans receivable – Financial Services	**(50 434)**	(115 066)
Increase in other receivables	**4 129**	(14 747)
Increase in trade and other payables	**19 909**	27 294
Increase/(decrease) in provisions	**(9 934)**	1 870
	278 010	153 718

28. TAXATION PAID

	2013 R'000	2012 R'000
Amounts owing at the beginning of the year	**(5 839)**	(1 234)
Amounts charged to profit and loss	**(121 696)**	(112 656)
South African normal taxation	**(118 705)**	(98 046)
Deferred taxation	**(2 991)**	(14 610)
Deferred taxation movement	**2 991**	14 610
Amounts owing at the end of the year	**8 876**	5 839
	(115 668)	(93 441)

29. 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.

30. RELATED PARTY TRANSACTIONS

Holding company

At the reporting date the ultimate controlling party of the group was GFM Limited, a company incorporated in Malta. Further details regarding significant shareholders are set out in the shareholder analysis in note 31.

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 page 57.

Other related parties

The HomeChoice Provident Fund

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

Associates

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

	2013 **R'000**	2012 R'000
Contributions to the provident fund	**15 889**	13 330
Fees paid to associates for transportation services	**4 403**	2 558

Remuneration

Details regarding executive and non-executive directors' remuneration are disclosed in note 36.

Interest of directors in contracts

As disclosed in note 7, the group holds a 25% interest in an en-commandite partnership formed for the transportation of passengers by air for fare. Mr Garratt, a director, is a related party to another entity with significant influence in the partnership.

Mr Jungschläger, a director of the company, has a controlling interest in an entity which provided consultation services to the group during the year in the amount of R126 084 (2012: R63 000).

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.

	2013 **R'000**	2012 R'000
Loans to employees as reported in the annual financial statements	**6 362**	9 580
Unearned notional interest	**468**	1 365
Total loans receivable	**6 830**	10 945
Made up as follows:		
Non-executive directors of HomeChoice Holdings Limited	**746**	933
Operational directors of the group	**4 776**	7 199
Other employees	**1 308**	2 813
	6 830	10 945

Share options

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

30. 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. Directors of the company's main subsidiaries, HomeChoice (Pty) Limited and FinChoice (Pty) Limited, have been classified as key management personnel. Emoluments paid are summarised below:

	2013 R'000	2012 R'000
Remuneration	**27 079**	26 049
Bonuses	**4 773**	5 048
Share-based payment cost	**424**	228
Retirement and medical aid	**1 503**	1 204
	33 779	32 529

31. SHAREHOLDER ANALYSIS

	Shareholders		Shares held	
	Number	%	Number	%
Range of shareholding				
1 – 500	2	3,2	39	–
501 – 5 000	26	41,3	52 396	0,1
5 001 – 50 000	14	22,2	286 119	0,3
50 001 – 500 000	17	27,0	3 581 433	3,6
Over 500 000	4	6,3	96 859 364	96,0
	63	100,0	100 779 351	100,0
Share trust	1		3 090 087	
	64		103 869 438	
Public and non-public shareholding				
Non-public				
Directors	5	7,9	85 200 575	84,5
Directors of subsidiaries	5	7,9	1 650 000	1,6
Public	53	84,2	13 928 776	13,9
	63	100,0	100 779 351	100,0

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

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

	Number	%
GFM Limited	83 449 531	82,8
RMB Securities (a division of FirstRand Bank Limited)	9 487 033	9,4
	92 936 564	92,2

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:

	2013		2012	
	Gross R'000	**Net R'000**	Gross R'000	Net R'000
Profit for the year		**309 323**		284 497
Adjusted for the after-tax effect of:				
(Gains)/losses on disposal of property, plant and equipment and intangible assets	**(2)**	**(2)**	34	24
Headline earnings		**309 321**		284 521
Weighted average number of ordinary shares in issue ('000)		**100 779**		100 860
Earnings per share (cents)				
Basic		**306,9**		282,1
Headline		**306,9**		282,1

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:

	2013 '000	2012 '000
Weighted average number of ordinary shares in issue	**100 779**	100 860
Number of shares issuable under the share option scheme for no consideration	**448**	696
Diluted weighted average number of ordinary shares in issue	**101 227**	101 556
Earnings per share (cents)		
Diluted	**305,6**	280,1
Diluted headline	**305,6**	280,2

	2013 '000	2012 '000
33. DISTRIBUTIONS PER SHARE		
The company has made cash distributions to shareholders comprising dividends and reductions in share premium.		
Distributions paid (cents)	**110,0**	50,0
Interim	**44,0**	–
Final	**66,0**	50,0
Nature of distributions (cents)	**110,0**	50,0
Dividend paid	**110,0**	50,0
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 13).		
Net asset value per share (cents)	**1 275,8**	1 062,0
Net tangible asset value per share (cents)	**1 215,0**	1 021,7

35. RECLASSIFICATIONS AND RESTATEMENTS

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

35.1 Disclosure of revenue

The group has effected amendments to its revenue disclosures. These amendments are considered to enhance the transparency of information provided to the user and to better reflect the nature of the group's retail operations, being that of a direct marketing retailer.

At 30 June 2013 the revenue recognition accounting policy was reviewed and amended as follows:

- Initiation fee income has been reclassified from "Fees from ancillary services" and has now been disclosed as part of "Finance charges and initiation fees earned".

The impact of the disclosure changes on the results reported as at 31 December 2012 is as follows:

	Now disclosed R'000	Previously disclosed R'000	Difference R'000
Finance charges and initiation fees earned	498 121	363 474	134 647
Finance charges earned	363 474	363 474	–
Initiation fees earned	134 647	–	134 647
Fees from ancillary services	94 758	229 405	(134 647)
	592 879	592 879	–

35.2 Segmental results

The group has effected amendments to the disclosure of divisional results in the segmental report and now reports "Segmental results" for each division rather than "Segmental operating profit". The amendments have been made to improve the comparability of the group's Financial Services operations with that of other credit providers.

The impact of the disclosure changes on the results reported as at 31 December 2012 is as follows:

	Retail R'000	Financial Services R'000	Property R'000	Other R'000	Eliminations R'000	Total R'000
Previously disclosed						
Segmental operating profit	262 960	129 465	15 782	146 313	(151 658)	402 862
Adjusted for:						
Interest received	–	120	–	30 455	(30 149)	426
Interest paid	–	(30 149)	–	–	30 149	–
Now disclosed						
Segmental results	262 960	99 436	15 782	176 768	(151 658)	403 288

36. REMUNERATION

	Short-term benefits				
R'000	**Months paid**	**Director's fees**	**Salary**	**Other benefits**	**Performance bonus**
2013					
Executive directors					
Richard Garratt	**12**	**–**	**3 583**	**1 749**	**1 000**
Shirley Maltz	**12**	**–**	**2 304**		**1 729**
Annalize Kirsten	**12**	**–**	**1 645**		**1 347**
		–	**7 532**	**1 749**	**4 076**
Non-executive directors					
John Bester	**12**	**287**	**–**	**–**	**–**
Pierre Joubert**	**12**	**–**	**–**	**–**	**–**
Willem Jungschläger	**12**	**519**	**–**	**–**	**–**
Amanda Chorn	**12**	**227**	**–**	**–**	**–**
		1 033	**–**	**–**	**–**
Total remuneration		**1 033**	**7 532**	**1 749**	**4 076**
2012					
Executive directors					
Richard Garratt	12	–	3 357	2 568	2 000
Shirley Maltz	12	–	1 753	5	1 985
Annalize Kirsten	12	–	1 551	3	1 594
		–	6 661	2 576	5 579
Non-executive directors					
John Bester	12	250	–	–	–
Pierre Joubert**	12	–	–	–	–
Willem Jungschläger	12	500	–	–	–
Amanda Chorn	12	173	–	–	–
		923	–	–	–
Total remuneration		923	6 661	2 576	5 579

* *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.*

** *Pierre Joubert waived his fees as a director in respect of the periods under review.*

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

	Vesting date	Number of share options '000	Exercise price per share R
Director			
Shirley Maltz	20 May 2015	25	7,47
	31 March 2016	25	10,64
	29 June 2016	450	10,64
	27 Aug 2017	50	11,00
		550	
Annalize Kirsten	20 May 2015	25	7,47
	31 March 2016	25	10,64
	29 June 2016	50	10,64
	20 March 2017	10	13,88
		110	
		660	

Post-retirement benefits	Long-term benefits			
Provident fund contributions	**Interest benefit on financial assistance**	**Total remuneration**	**Value of equity-settled share options granted***	**Financial assistance granted pursuant to share scheme**
–	**–**	**6 332**	**–**	**–**
277	**–**	**4 310**	**144**	**–**
197	**138**	**3 327**	**29**	**1 642**
474	**138**	**13 969**	**173**	**1 642**
–	**–**	**287**	**–**	**–**
–	**–**	**–**	**–**	**–**
–	**52**	**571**	**–**	**746**
–	**–**	**227**	**–**	**–**
–	**52**	**1 085**	**–**	**746**
474	**190**	**15 054**	**173**	**2 388**
31	–	7 956	–	–
211	–	3 954	53	–
186	182	3 516	15	2 652
428	182	15 426	68	2 652
–	34	284	–	–
–	–	–	–	–
–	62	562	–	933
–	–	173	–	–
–	96	1 019	–	933
428	278	16 445	68	3 585

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COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2013

	Notes	2013 R'000	2012 R'000
ASSETS			
Non-current assets			
Investments in subsidiaries	1	**1 906**	1 088
Loan to employee share trust	2	**11 761**	10 657
Loans to subsidiaries	3	**302 569**	319 194
		316 236	330 939
Current assets			
Loans to subsidiaries	3	**136 049**	34 210
Taxation receivable		**77**	–
Cash and cash equivalents	4	**1 960**	1 057
		138 086	35 267
Total assets		**454 322**	366 206
EQUITY AND LIABILITIES			
Stated and share capital	5	**30 982**	30 982
Share premium	6	**–**	–
Other reserves	7	**1 902**	1 084
Retained earnings		**161 239**	238 877
Total equity		**194 123**	270 943
Non-current liabilities			
Interest-bearing liabilities	8	**98 064**	–
Current liabilities			
Interest-bearing liabilities	8	**1 545**	–
Trade and other payables		**1 045**	709
Taxation payable		**–**	922
Loans from subsidiaries	3	**159 545**	93 632
		162 135	95 263
Total equity and liabilities		**454 322**	366 206

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Notes	**2013** **R'000**	2012 R'000
Revenue		**–**	151 781
Dividends received		**–**	151 781
Other trading expenses	9	**247**	(6 645)
Operating profit		**247**	145 136
Interest paid		**(1 545)**	–
Interest received		**29 074**	30 454
Profit before taxation		**27 776**	175 590
Taxation	10	**(7 777)**	(8 445)
Total comprehensive income for the year		**19 999**	167 145

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Stated and share capital R'000	Share premium R'000	Other reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2012	1 039	29 943	545	123 667	155 194
Changes in equity	29 943	(29 943)	539	115 210	115 749
Total comprehensive income for the year	–	–	–	167 145	167 145
Share option scheme	–	–	539	–	539
Conversion to no par value shares	29 943	(29 943)	–	–	–
Dividends paid	–	–	–	(51 935)	(51 935)
Balance at 1 January 2013	30 982	–	1 084	238 877	270 943
Changes in equity	**–**	**–**	**818**	**(77 638)**	**(76 820)**
Total comprehensive income for the year	**–**	**–**	**–**	**19 999**	**19 999**
Share option scheme	**–**	**–**	**818**	**–**	**818**
Dividends paid	**–**	**–**	**–**	**(97 637)**	**(97 637)**
Balance at 31 December 2013	**30 982**	**–**	**1 902**	**161 239**	**194 123**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	2013 R'000	2012 R'000
Cash flows from operating activities		
Cash generated from operations	**583**	(6 243)
Profit before taxation	**27 776**	175 590
Interest received	**(27 529)**	(30 454)
Dividends received	**–**	(151 781)
Increase in trade and other payables	**336**	402
Interest received	**29 074**	30 454
Dividends received	**–**	151 781
Dividends paid	**(97 637)**	(51 935)
Taxation paid	**(8 776)**	(7 612)
Amounts (payable)/receivable at the beginning of the year	**(922)**	(89)
Current taxation charged to profit and loss	**(7 777)**	(8 445)
Amounts payable at the end of the year	**(77)**	922
Net cash inflow from operating activities	**(76 756)**	116 445
Cash flows from investing activities		
Loans advanced to subsidiaries	**(101 856)**	(133 300)
Loans repaid by subsidiaries	**16 625**	–
Loans (advanced to)/repaid by employee share trust	**(1 104)**	3 307
Net cash (outflow)/inflow from investing activities	**(86 335)**	(129 993)
Cash flows from financing activities		
Reduction in share premium	**–**	–
Proceeds from subsidiary borrowings	**65 930**	–
Proceeds from corporate bond issue	**98 064**	–
Net cash inflow/(outflow) from financing activities	**163 994**	–
Net increase/(decrease) in cash and cash equivalents	**903**	(13 548)
Cash and cash equivalents at the beginning of the year	**1 057**	14 605
Cash and cash equivalents at the end of the year	**1 960**	1 057

	2013 R'000	2012 R'000
1. INVESTMENTS IN SUBSIDIARIES		
Wholly-owned subsidiaries' shares at cost	**4**	4
Share options issued in subsidiary companies	**1 902**	1 084
	1 906	1 088

		Number of company shares issued and held	
	% interest held	2013	2012
Operating companies			
HomeChoice (Pty) Limited	100%	**1**	1
HomeChoice Property Company (Pty) Limited	100%	**60**	60
HomeChoice Investments (Pty) Limited	100%	**120**	120
FinChoice (Pty) Limited	100%	**1 700**	1 700
Odvest 189 (Pty) Limited	100%	**120**	120
Matyana van der Merwe (Pty) Limited	100%	**1 700**	1 700
The HomeChoice Share Trust	100%	**–**	–
The HomeChoice Development Trust	100%	**–**	–
Dormant companies			
HC Direct (Pty) Limited	100%	**60**	60
HomeChoice Nominees (Pty) Limited	100%	**120**	120
FoneChoice (Pty) Limited	100%	**60**	60
HomeChoice (Pty) Limited (incorporated in Namibia)	100%	**1**	1
HomeChoice (Pty) Limited (incorporated in Botswana)	100%	**100**	100

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

	2013 R'000	2012 R'000
2. LOAN TO EMPLOYEE SHARE TRUST		
Balance at the beginning of the year	**10 657**	13 964
Amount advanced/(repaid) during the year	**1 104**	(3 307)
Balance at the end of the year	**11 761**	10 657

The loan is unsecured, interest-free and repayable on demand.

	2013 R'000	2012 R'000
3. LOANS TO/(FROM) SUBSIDIARIES		
Wholly-owned subsidiaries' loans		
Operating companies		
HomeChoice (Pty) Limited	**(157 001)**	(91 071)
HomeChoice Property Company (Pty) Limited	**117 617**	16 499
HomeChoice Investments (Pty) Limited	**15**	(2)
FinChoice (Pty) Limited	**302 569**	319 194
Odvest 189 (Pty) Limited	**18 375**	17 666
Matyana van der Merwe (Pty) Limited	**57**	45
Dormant companies		
HC Direct (Pty) Limited	**(2 559)**	(2 559)
	279 073	259 772
Non-current assets	**302 569**	319 194
Current assets	**136 049**	34 210
Current liabilities	**(159 545)**	(93 632)
	279 073	259 772

The loans are unsecured, interest-free and repayable on demand, except for the FinChoice (Pty) Limited loan, which carries interest at the prime interest rate effective from 1 July 2013 (2012: prime plus 2%).

	2013 R'000	2012 R'000
4. CASH AND CASH EQUIVALENTS		
Cash at bank	**1 960**	1 057
	1 960	1 057
5. STATED AND SHARE CAPITAL		
Authorised		
200 000 000 ordinary no par value shares	**2 000**	2 000
Issued		
103 869 438 ordinary no par value shares	**30 982**	30 982
6. SHARE PREMIUM		
Balance at the beginning of the year	**–**	29 943
Amount repaid during the year	**–**	–
Converted to no par value shares	**–**	(29 943)
Balance at the end of the year	**–**	–

7. OTHER RESERVES

The group has established a share option incentive scheme in terms of which options to acquire shares in HomeChoice Holdings Limited have been granted to employees of subsidiaries. All share options have been granted with an exercise price equal to the prevailing market price of the shares on the date of the grant, and are conditional on the participant remaining in service with the group's subsidiaries. The group has no legal or constructive obligation to repurchase or settle the share options in cash.

	2013 **R'000**	2012 R'000
Balance at the beginning of the year	**1 084**	545
Share-based payment	**818**	539
Balance at the end of the year	**1 902**	1 084

Details regarding the number of share options outstanding and their exercise prices are more fully set out in note 14 to the group annual financial statements.

8. INTEREST-BEARING LIABILITIES

	2013 **R'000**	2012 R'000
Long-term portion		
Listed bonds	**98 064**	–
Short-term portion payable within one year		
Listed bonds	**1 545**	–
Total interest-bearing liabilities	**99 609**	–

Listed bonds

Listed bonds consist of Domestic Medium-term Notes. During the current year 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 have a term of three years. Floating interest rate payments are made quarterly.

Movements in listed bonds were as follows:	**2013** **R'000**	2012 R'000
Opening balance	**–**	–
Borrowings raised	**100 000**	–
Bond-raising costs incurred	**(1 936)**	–
Interest and administration fees	**1 545**	–
Closing balance	**99 609**	–

9. OTHER TRADING EXPENSES

	2013 **R'000**	2012 R'000
Auditor's remuneration	**145**	825
Consultation fees	**101**	2 048
Legal fees	**13**	2 817
Staff costs	**2 118**	685
Other costs	**536**	270
Management fee	**(3 160)**	–
	(247)	6 645

10. TAXATION

	2013 **R'000**	2012 R'000
South African normal income taxation – current year	**(7 777)**	(8 445)

	%	%
Reconciliation of effective taxation rate:		
Standard taxation rate	**28,0**	28,0
Non-deductible expenditure	**–**	1,1
Exempt income	**–**	(24,3)
	28,0	4,8

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 are to sustain it's ability to continue as a going concern while enhancing returns to shareholders. The company primarily makes use of equity for capital management purposes. Equity consists of ordinary share capital and reserves as disclosed in the statement of changes in equity.

In addition to share capital and reserves, the company's capital structure also consists of debt, which includes the borrowings disclosed in note 4.

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.

From time to time the company repurchases its own shares or reduces share premium. The timing of these repurchases or share premium reductions depends 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 company does not have a defined share buy-back plan. There was no reduction of share premium during the current or prior year.

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

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	
	2013 R'000	2012 R'000
Assets		
Loan to employee share trust	**11 761**	10 657
Loans to subsidiaries	**438 618**	353 404
Cash and cash equivalents	**1 960**	1 057
	452 339	365 118
Liabilities		
Trade and other payables	**1 045**	709
Loans from subsidiaries	**159 545**	93 632
Interest-bearing liabilities	**99 609**	–
	260 199	94 341

11. RISK MANAGEMENT AND DINANCIAL 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 the employee share trust and subsidiaries, cash and cash equivalents, and credit guarantees. The company's maximum exposure to credit risk at the reporting date in respect of financial assets is set out in note 11.2.

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

Loans to the employee share trust and subsidiaries

These related party loans are unsecured and repayable on demand, except for the FinChoice (Pty) Limited loan, and are therefore recorded at cost.

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 regular reviews of cash flow projections and ensuring 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. The only market risk to which the company is exposed is interest rate risk in respect of interest-bearing loans to certain subsidiaries and cash and cash equivalents.

The company measures sensitivity in interest rates as the effect of a change in the Reserve Bank repo rate on the profit after taxation based on the company's exposure at the reporting date. The company regards a 100 basis points (2012: 100 basis points) change in the Reserve Bank repo rate as being reasonably possible at the reporting dates.

	Movement in basis points	Effect on profit after taxation	
		2013 R'000	2012 R'000
Loans to subsidiaries	+100	**2 178**	2 298
	-100	**(2 178)**	(2 298)
Cash and cash equivalents	+100	**14**	8
	-100	**(14)**	(8)

12. RELATED PARTIES

The following entities are regarded as related parties:

Subsidiaries

Subsidiaries are listed in note 1.

Associates of a subsidiary company

En-commandite partnerships.

Balances and transactions

Related party balances at the reporting date are set out in notes 1 and 3. The company has provided, in favour of the group's bankers, unlimited suretyship to HomeChoice (Pty) Limited and suretyship limited to R1,000 million to FinChoice (Pty) Limited. During the year the company entered into the following transactions with related parties:

	2013 R'000	2012 R'000
Dividends received from related parties		
HomeChoice (Pty) Limited	**–**	151 781
Interest received from a related party		
FinChoice (Pty) Limited	**28 989**	30 149
Dividends paid to a related party		
The HomeChoice Share Trust	**2 520**	1 485
Directors' emoluments	**15 054**	16 292
Non-executive directors		
Fees	**1 033**	1 019
Executive directors		
Remuneration	**9 471**	9 255
Bonus	**4 076**	5 579
Retirement, medical, disability and death benefits	**474**	439

DEFINITIONS

Adspend efficiency Marketing material and telemarketing costs as a percentage of net sales value.

Adspend cost per new customer The advertising spend (material, telemarketing, creative, mailing costs) incurred in attracting new customers over the period, divided by the number of new customers in the period.

Average retail sales per existing customer Sum of the sales value (inclusive of tax, delivery and initiation fee) of all the goods despatched to existing customers over the period less goods returned, divided by the average number of existing customers over the period.

Cash flow per share Cash inflow from operations for the period divided by the weighted average number of shares.

Credit active customers All customers with a balance outstanding of > R0 that have not been transferred to legal.

Credit inactive customer All customers who were previously active but have paid up their accounts, i.e. currently have a balance outstanding of < = 0, and have made a payment in the last 24 months.

Current ratio Current assets divided by current liabilities.

Current stock ratio Stock that is planned for marketing activity in the next 12-month period (and not considered obsolete or discontinued) as a percentage of all stock on hand.

Debt-equity ratio Net borrowings expressed as a percentage of total equity.

Debtor costs Bad debts written off, net of recoveries, plus the movement in provision for impairment.

Distribution cover Basic earnings per share divided by share premium reduction and dividend declared per share.

Earnings per share Profit for the period attributable to owners of the parent divided by the weighted average number of shares in issue for the year.

Existing customer base Currently active customers plus recently inactive customers.

Finance charge cover Operating profit before finance charges divided by interest paid.

Gross margin Gross profit divided by retail sales.

Intake Gross sales value for orders captured.

Inventory turnover Cost of sales for the period divided by the average inventories on hand at the end of the current and prior reporting period.

LSM Refers to the SAARF Universal Living Standards Measure. This is a means of segmenting the South African market into LSM groups, from 1 (lowest) to 10 (highest).

Name-gathering campaign An acquisition campaign targeting customers whose contact information we have but who have not had an order completed before. Largest contributors are catalogue requests, names gathered by sales agents and customers whose previous orders have failed, been cancelled or returned.

New customers Customers who had their first-item-ever despatch in the period.

Net asset value per share Net assets divided by the total number of shares in issue, net of treasury shares

Notional interest Interest recognised on a time apportionment basis using the effective interest rate implicit in the underlying transaction.

Operating margin Operating profit divided by revenue.

Provision for impairment of receivables Provision held against accounts and loans receivable for expected future losses, net of expected recoveries, discounted at the interest rate implicit in the underlying transaction.

Retail sales Sale of merchandise and associated delivery fees from direct marketing and the head office clearance store.

Return on equity Profit for the period divided by the average of the current and prior period's total equity.

Return on assets Profit before interest and tax divided by the average total assets at the end of the current and prior reporting period.

Roll rate The proportion of people whose arrears status increases each cycle.

Weighted average number of shares in issue The number of shares in issue at the beginning of the period, increased by shares issued during the period, and decreased by share repurchases, weighted on a time basis for the period during which they were in issue, excluding treasury shares.

HomeChoice
HOLDINGS LIMITED