HiL PLC

Annual financial statements

for the year ended 31 December 2018

HOMECHOICE INTERNATIONAL PLC

DIRECTORS' **APPROVAL**

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

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

The external auditors are engaged to express an independent opinion on the financial statements. The financial statements are prepared in accordance with IFRS as issued by the IASB as adopted by the EU and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

The financial statements of HomeChoice International plc for the year ended 31 December 2018 are included in the Annual Financial Statements Report 2018, which is published in hard copy printed form and is made available on the company's website at: www.homechoiceinternational.com. The directors are responsible for the maintenance and integrity of the Annual Financial Statements Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

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

- the financial statements give a true and fair view of the financial position of the group and the parent company as at 31 December 2018, and of the financial performance and the cash flows for the year then ended in accordance with IFRS as adopted by the EU and IFRS as issued by the IASB;
- the annual report includes a fair review of the development and performance of the business, the position of the group and the parent company, together with a description of the principal risks and uncertainties that the group and the parent company face;
- the group has adequate resources to continue in operation for the foreseeable future and will therefore continue to prepare the annual financial statements on the going concern basis; and
- no event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

The financial statements set out on pages 14 to 83 which have been prepared on the going concern basis, were approved by the directors on 14 March 2019 and are signed on their behalf by:

S Portelli
Chairman

P Burnett
Finance Director

AUDIT AND RISK COMMITTEE **REPORT**

The audit and risk committee is pleased to present its report for the financial year ended 31 December 2018 to the shareholders of HomeChoice International plc.

Role of the committee

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

- reviewing the annual financial statements and any other financial information presented to shareholders, ensuring compliance with International Financial Reporting Standards;
- overseeing integrated reporting and considering factors and risks that could impact on the integrity of the integrated report;
- nominating the external auditors for appointment, monitoring and reporting on their independence, approving the terms of engagement and scope of the audit, and fees paid;
- overseeing the group's risk management processes, identifying and reviewing the group's exposure to significant risks and its risk mitigation strategy;
- providing assurance on the adequacy and effectiveness of the group's systems of internal financial and operational control, and compliance with laws and procedures;
- monitoring and supervising the effective functioning and performance of internal audit, ensuring that it operates independently of management and approving the annual audit plan;
- considering the appropriateness of the expertise and experience of the finance director and group's finance function;
- ensuring that a combined assurance model is designed and implemented to provide a co-ordinated approach to all assurance activities to address activities that assesses all the significant risks facing the company;
- reviewing legal and regulatory updates and ensuring the effectiveness of compliance therewith; and
- reviewing any material litigation in the group and the impact it may have on the external reports.

Committee composition and meetings

The committee currently comprises three independent non-executive directors, namely Charles Rapa (chairman), Amanda Chorn and Stanley Portelli. Meetings are also attended by invitees including the finance director, head of internal audit and the external auditors.

The board has approved the application of the governance principles contained in the King IV Report on Corporate Governance for South Africa 2016 (King IV™).

King IV™ recommends that the chairman of the board should not be a member of the audit committee to manage any undue concentration and balance of power being placed in the chairman of the board. The board agreed that, given the size and composition of the board (four independent non-executive directors, two non-executive directors and one alternate non-executive director), the balance of power had not been compromised by the board chairman being a member of the audit and risk committee. The board has, as part of its annual review process and in line with ensuring it has the appropriate diversity, skills and expertise to manage and provide oversight for its operations and that of its subsidiaries, reconsidered the composition of the board and audit committee as a whole and in line with the application of King IV™. In doing so, the board will recommend at the annual general meeting the appointment of Pierre Joubert as an independent non-executive director of the board and, subject to such approval, his appointment as a member of the audit and risk committee (a detailed profile of Pierre Joubert is set out in the notice of annual general meeting). Failing such appointment, the board proposes the re-election of Stanley Portelli to perform the dual role of chairman of the board and member of the audit committee.

The committee typically meets three times during the year and has established an annual meeting plan agenda. The chairman of the committee reports to the board after each committee meeting and also attends the annual general meeting of shareholders to answer any questions that may arise concerning the activities of the committee. The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

Committee attendance

Member	Number of meetings	Percentage of attendance
Charles Rapa	3	100%
Stanley Portelli	3	100%
Amanda Chorn	3	100%

Activities of the committee

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

Annual financial statements

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

Integrated annual report

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

External audit

The committee nominated PricewaterhouseCoopers (Malta) as external auditor, reviewed the proposed audit plan, terms of engagement and the audit fee. It reviewed the external auditor's opinion on the financial statements and considered any reports on risk exposure and weaknesses in internal controls. The committee also met with the external auditor separately without management being present and determined the nature and extent of any non-audit services.

The committee is satisfied that the external auditor and the engagement partner are independent of the group and management and are able to express an independent and objective opinion on the group's annual financial statements and have appropriate safeguards to maintain its independence when providing non-audit services. Therefore, the committee nominates their reappointment for the approval of the shareholders.

Internal control and risk management

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

Compliance with laws and regulations

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

Internal audit

The internal audit function provides assurance to the board on the adequacy and effectiveness of the group's internal control and risk management processes. The committee has ensured that the internal audit department has functioned independently and has the authority to enable it to fulfil its duties. The committee has approved the internal audit plan and has reviewed the activities and findings of the internal audit function. The committee has reviewed reports on the controls regarding information technology, 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 services of a professional audit firm were engaged in the 2018 financial year to evaluate the internal audit function and the result thereof confirmed that its performance standards are acceptable with areas for improvement identified.

Expertise of the finance director and finance function

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

Significant financial reporting matters

The significant financial reporting matters the committee considered in the year are trade and loan receivables and inventory. The committee also considered the adoption of two significant accounting policies during the year, namely *IFRS 9, Financial Instruments* and *IFRS 15, Revenue from Contracts with Customers*. The adoption of these accounting policies resulted in adjustments to the amounts recognised in the financial statements as disclosed under note 1.33 in the annual financial statements. The committee considers these adjustments to be fairly stated.

The major risk relating to trade and loan receivables is credit risk. Trade and loan receivables have been highlighted as an area where judgement is needed in note 1.32 of the annual financial statements. The executive team is responsible for assessing credit extended through a process of multiple-level risk filtering. Management applies strict affordability criteria and in-house developed scorecards based on credit bureau data and fraud databases, as well as risk-based variable credit limits. The committee has assessed that these processes are adequate.

Based on the books' ageing and management's judgement of the receivables' collectability, a provision for doubtful debts is raised. The committee considers the carrying value of trade and loan receivables to be fairly stated. Refer to note 10 of the consolidated annual financial statements for the amounts concerned.

The major risks relating to inventory are the verification and valuation thereof. The retail business counts inventory on a regular cyclical basis and processes any discrepancies to the accounting records. There were no material adjustments during the year. Inventory is valued at the lower of cost or net realisable value. Impairments have been raised using a consistent group methodology applied by management that considers stock ageing, condition and saleability. The committee considers the carrying value of inventory to be fairly stated. Refer to note 9 in the consolidated annual financial statements for the amounts concerned.

Proactive monitoring

The committee confirms that it has considered the findings contained in the Johannesburg Stock Exchange's 2017 and 2018 Proactive Monitoring report when preparing the annual financial statements for the year ended 31 December 2018.

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 and/or re-election to the committee and will propose to shareholders for consideration and approval at the annual general meeting:

- Charles Rapa;
- Amanda Chorn;
- Pierre Joubert; and/or
- failing the appointment of Pierre Joubert, Stanley Portelli.

Approval of the audit and risk committee report

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

C Rapa
Chairman of the audit and risk committee

Qormi, Republic of Malta
14 March 2019

REPORT OF THE DIRECTORS

for the year ended 31 December 2018

Nature of business

HomeChoice International plc (HIL) is an investment holding company incorporated in Malta and listed in the General Retailers sector on the JSE Limited. The group has operated for more than 30 years in southern Africa and has developed considerable expertise in both retail and credit management targeted at the mass market LSM 4 – 8 consumers. As an omni-channel retailer, we provide the customer with the convenience to engage with our group through their preferred channel. Retail engagement is through digital platforms, contact centres, sales agents' networks, catalogues and showrooms. Engagement with our Financial Services business is via digital platforms with the contact centre providing additional support.

The Retail product offering is mainly driven by homeware textiles and related products with a strongly increasing contribution of branded electronics, home appliances, apparel and footwear. Personal loans and insurance products comprise the Financial Services offering.

Regulatory and supervisory structure

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

Audit and risk committee

The audit and risk committee is governed by a board-approved charter that guides the committee in terms of its authority and objectives. The directors confirm that the audit and risk committee has addressed the specific responsibilities required in terms of this charter. Further details are contained within the audit and risk committee report on pages 3 to 5.

Directors

The following directors held office during the year:

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

Appointment of non-executive director

In terms of article 25.1.2 of the company's articles of association (articles) all directors, not filling a vacancy, shall be elected by an ordinary resolution of the shareholders at a general or annual general meeting. The shareholders will be required to vote on the appointment of Pierre Joubert as a non-executive director of the company at the annual general meeting of Shareholders on 9 May 2019 (annual general meeting).

The nominations committee, having reviewed Pierre Joubert's profile, is of the view that the he is a suitable candidate for directorship and that he will bring along a wealth of knowledge and objectivity required at board level.

Rotation of directors

Stanley Portelli and Charles Rapa, who retire in terms of article 25.4.1 of the articles, have made themselves available for re-election as directors at the annual general meeting.

Company secretary

The company secretary is George Said. His business and postal addresses appear on the inside back cover of this report.

Subsidiary companies

Details of the company's investments in subsidiaries are set out in note 1 to the company annual financial statements. The interest of the company in the aggregate profits before taxation of the subsidiary companies is R670 million (2017: R663 million).

Trading and financial performance

Group revenue increased by 8.5% to R3.2 billion, with a solid contribution from the Financial Services business with loan disbursements up 21.5%. This was diluted by weaker Retail sales of 6.3% growth, largely attributable to significant upheavals at the South African Post Office (SAPO), currently a key delivery business partner of HomeChoice.

Pleasingly, the group continues to attract new customers with more than 20 000 acquired monthly. The group's customer base increased by 10.0% over the period.

The group's strategy to diversify its income streams beyond finance income was boosted by fees from ancillary services, comprising insurance and service fees, increasing by 19.3% to R371 million.

Gross profit reduced to 49.6% with higher marketing and fulfilment costs and an increase in promotional activity in response to sales challenges.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 3.6% to R821 million. A reduction in expenses could not sufficiently mitigate the weaker top-line growth.

As a result the EBITDA margin declined by 130 bps to 25.2%. Operating profit increased by 2.6% to R763 million. Headline earnings increased by 1.3% to R529 million and HEPS increased by 0.7% to 507.7 cents.

The group declared a final dividend of 99 cents, bringing the total dividend for the year to 194 cents per share, up 1.6% on the previous year. A dividend cover of 2.6 times was maintained.

Digital transformation is a key strategic focus across the group. Credit extended via digital channels increased by 43.9% to R1.6 billion and now accounts for 38.5% (2017: 32.4%) of total credit extended. The rapid adoption of FinChoice MobiMoney™, our three-month digital-only facility product, has increased transactions generated on digital platforms to 81.4% of all loan transactions (2017: 70.7%).

Capital and financial risk management

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

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

Distributions to shareholders

Interim

The directors declared an interim dividend of 95 (2017: 82) cents per share, which was paid on Monday, 17 September 2018, to shareholders recorded in the books of the company at the close of business on Friday, 14 September 2018.

Final

The directors declared a final dividend of 99 (2017: 109) cents per share, which will be paid on Monday, 15 April 2019, to shareholders recorded in the books of the company at the close of business on Friday, 12 April 2019.

Stated and share capital

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

Treasury shares and share buy-back transactions

The company has 600 000 treasury shares which are held by the HomeChoice Development Trust. Further details are contained in note 13 to the group annual financial statements. The percentage of called up share capital held as treasury shares is 0.6%.

Share incentive schemes

The group has established a share option and a share forfeiture incentive scheme.

The share option scheme grants options to employees of the group to acquire shares in HomeChoice International plc. All options are conditional on the participant remaining in service with the group. The group has no legal or constructive obligation to repurchase or settle the options in cash.

The share forfeiture scheme awards shares to senior employees of the group for no consideration. Shares are forfeitable should the employee leave the group within a four-year period.

Further details are reflected in note 14 to the group annual financial statements.

Borrowing powers

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

Going concern

The annual financial statements have been prepared on the going concern basis. The directors have reviewed the group's cash flow forecast for the 12 months to 31 December 2019 and, in the light of this review and the current financial position, they are satisfied that the group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

Events subsequent to the reporting date

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

Auditors

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

By order of the board

G Lartigue
Chief Executive Officer

P Burnett
Finance Director

14 March 2019

INDEPENDENT AUDITOR'S **REPORT**

to the shareholders of HomeChoice International plc

Report on the audit of the financial statements

Our opinion

In our opinion:

- HomeChoice International plc's group financial statements and parent company financial statements (the financial statements) give a true and fair view of the group's and the parent company's financial position as at 31 December 2018, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with IFRSs as issued by the International Accounting Standards Board; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

HomeChoice International plc's financial statements, set out on pages 14 to 83, comprise:

- the group and company statements of financial position as at 31 December 2018;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

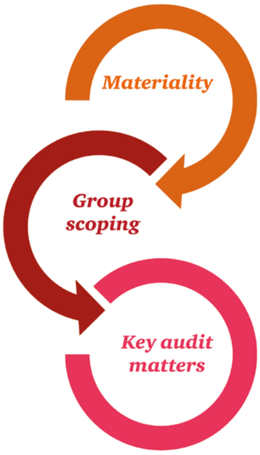
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality R33 800 000, which represents 5% of group profit before tax.
Group audit scope The components in the group include one Retail and two Financial Services components. We performed full scope audits of the three components. For the remaining operating segments, we performed analytical procedures.
Key audit matter Impairment of trade and other receivables in accordance with *IFRS 9, Financial Instruments.*

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

Materiality

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

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

Overall group materiality	R33 800 000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

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

We have determined the following key audit matter in respect of the group financial statements. No key audit matters were identified in respect of the parent company financial statements.

Consolidated financial statements

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of trade and other receivables in accordance with IFRS 9, Financial Instruments

Refer to notes 1.13 – Trade and other receivables; 1.19 – Impairment of financial assets; 1.32 – Significant accounting judgements, estimates and assumptions; 1.33.1 – IFRS 9, Financial Instruments: Classification and Measurement – Impact of adoption, 3.3 – Credit risk management and 10 – Trade and other receivables.</td></tr>
<tr><td>The group has recognised trade and other receivables at reporting date amounting to R2 903 million which includes retail trade receivables, other receivables and Financial Services loan receivables.

Included in the trade and other receivables balance is a provision for impairment amounting to R611 million.

The adoption of IFRS 9, Financial Instruments (IFRS 9) from 1 January 2018 (previously IAS 39, Financial Instruments: Recognition and Measurement was applied) has resulted in a change in accounting policy in relation to impairment of financial assets. An adjustment was made to opening retained earnings to account for the change in accounting policy. The comparative figures were not restated as a result of this.

The impairment of trade and other receivables was considered to be of most significance to the current year audit due to the following:
• the first-time adoption of IFRS 9 by the group;
• the degree of judgement applied by management in determining whether there has been a significant increase in credit risk (SICR); and
• the assumptions around determining the macro economic variables.

The group assesses on a forward-looking basis the expected credit losses (ECLs) associated with debt instruments carried at amortised cost. ECLs are the discounted product of the probability of default (PD) and exposure at default (EAD). The PD represents the likelihood of a customer defaulting on her financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.</td><td>Our audit addressed the impairment of trade and other receivables as follows:

We obtained an understanding of and tested the relevant controls relating to the process over customer approvals and the controls over the review of the ECL model and parameters.

We reviewed and assessed the methodology applied by management in their IFRS 9 model documentation which forms the basis of the ECL calculation. We have involved our actuarial and accounting specialists to assess that the model methodology and financial statement disclosures are in line with the requirements of IFRS 9.

We utilised our actuarial specialists to assess the following:
• reasonability of the key assumptions, i.e. effective interest rate, PD, SICR and forward-looking Information applied in the ECL calculation; and
• accuracy and completeness of the data used in the calculation.

Our actuarial specialists assessed the principles underlying the ECL calculation, the practical implementation of these principles as well as consistency with current industry best practices and regulatory expectations on the requirements of the standard.

We are comfortable that the principles and methodology applied in the model are consistent with the requirements of IFRS 9.

To conclude on the accuracy and completeness of the data testing, we independently extracted the data from the system and compared it to the data used by management, noting no inconsistencies.

Our data testing involved extracting a sample of accounts with various key input fields, such as customer transaction data, including recoveries and sales transactions and other fees or charges. No material exceptions were noted.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
The measurement of the ECL allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. In determining the ECLs on trade and other receivables the following has been considered: **Significant increase in credit risk (SICR)** The impairment methodology applied depends on whether there has been a SICR since initial recognition. The group assesses at the end of the reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition by applying the general impairment approach under IFRS 9. SICR is applied on a monthly basis at a portfolio and individual level for all customers. A financial instrument is considered to have experienced SICR since initial recognition when one or more of the following quantitative, qualitative or backstop criteria has been met: • the customer has not met his or her minimum contractual obligations for at least one month; • the customer applies for or enters into debt review, the customer is allocated a higher risk score category based on the group's various behaviour scorecards, or where the customer has demonstrated a SICR on other group credit products; and • the borrower is more than 30 days past due on their contractual payments. Where a SICR has been identified, the ECL is measured at an amount equal to the lifetime ECL of the receivable. Where there is no SICR the ECL is measured at an amount equal to a 12-month ECL of the receivable. The 12-month and lifetime ECL is determined based on the probability of write-off, which varies by product type. **Forward-looking information** The group has performed historical analysis and identified certain macroeconomic variables correlating with credit losses.	**Significant increase in credit risk (SICR)** Our approach involved an assessment and a full independent reperformance of the following procedures: • As per the data testing above, the model inputs used such as the type of product and the effective interest rate were found to be consistent with management's application in the model and methodology. • We tested the staging of the raw data and noted no material inconsistencies. • We tested the application of the SICR criteria and found no material variances. • The forecasted loss given write-off (LGW) and subsequent exposure at write-off (EAW) were independently reperformed and no material differences were noted. **Forward-looking information** We evaluated the reasonability of the key judgemental inputs as well as the statistical validity of the variables used in the forward-looking models and different economic scenarios applied. No material differences were noted.

How we tailored our group audit scope

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

The group has two principal operating segments, being Retail and Financial Services. The group operates predominantly in South Africa, with its Financial Services operations comprising two components.

We performed audits of three components, being the Retail and the two Financial Services components. In addition, we performed analytical review procedures over the remaining operating segments. This, together with additional procedures performed at the group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual financial statements for the year ended 31 December 2018, which we obtained prior to the date of this auditor's report and the integrated annual report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

When we read the integrated annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance in accordance with ISA.

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU, with IFRSs as issued by the International Accounting Standards Board and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

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

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

PricewaterhouseCoopers
78 Mill Street
Qormi
Malta

Joseph Camilleri
Partner
14 March 2019

GROUP STATEMENT
OF FINANCIAL POSITION

at 31 December 2018

	Notes	2018 Rm	Restated* 2017 Rm	Restated* 2016 Rm
Assets				
Non-current assets				
Property, plant and equipment	4	**464**	429	426
Intangible assets	5	**116**	86	90
Investment in associates	6	**–**	14	15
Financial assets at fair value through profit and loss	7	**24**	30	9
Deferred taxation	8	**1**	–	38
		605	559	578
Current assets				
Inventories	9	**304**	257	214
Taxation receivable		**–**	4	5
Trade and other receivables	10	**2 903**	2 642	2 205
Trade receivables – Retail		**1 506**	1 464	1 212
Loan receivables		**1 347**	1 163	970
Other receivables		**50**	15	23
Cash and cash equivalents	11	**108**	130	187
		3 315	3 033	2 611
Total assets		**3 920**	3 592	3 189
Equity and liabilities				
Equity attributable to equity holders of the parent				
Stated and share capital	12.1	**1**	1	1
Share premium	12.2	**3 005**	3 003	2 999
Reorganisation reserve	12.3	**(2 961)**	(2 961)	(2 961)
		45	43	39
Treasury shares	13	**(3)**	(3)	(3)
Other reserves	14, 15	**18**	14	6
Retained earnings		**2 624**	2 319	1 981
Total equity		**2 684**	2 373	2 023
Non-current liabilities				
Interest-bearing liabilities	16	**756**	616	579
Deferred taxation	8	**66**	120	132
Other payables	17	**6**	6	5
		828	742	716
Current liabilities				
Interest-bearing liabilities	16	**92**	166	32
Taxation payable		**46**	8	12
Trade and other payables	18	**267**	241	214
Provisions	19	**3**	38	32
Derivative financial instruments	20	**–**	5	–
Bank overdraft	11	**–**	19	–
Shareholder loan	21	**–**	–	160
		408	477	450
Total liabilities		**1 236**	1 219	1 166
Total equity and liabilities		**3 920**	3 592	3 189
Additional information				
Rand/Euro exchange rate at 31 December		**0.0607**	0.0674	0.0689

* *See note 1 for details regarding the restatement as a result of the adoption of IFRS 15.*

These financial statements were approved by the board of directors, authorised for issue on 14 March 2019 and signed on its behalf by:

S Portelli
Chairman

P Burnett
Finance Director

GROUP STATEMENT
OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	2018 Rm	Restated* 2017 Rm
Revenue		**3 247**	2 993
Retail sales		**1 860**	1 749
Finance income		**1 016**	933
Fees from ancillary services	22	**371**	311
Cost of Retail sales		**(938)**	(853)
Other operating costs		**(1 550)**	(1 408)
Credit impairment losses	23	**(557)**	(502)
Other trading expenses	23	**(993)**	(906)
Other net gains and losses	24	**(5)**	1
Other income	25	**9**	11
Operating profit		**763**	744
Interest received		**3**	7
Interest paid		**(89)**	(83)
Share of loss of associates		**(1)**	(9)
Profit before taxation		**676**	659
Taxation	27	**(148)**	(145)
Profit and total comprehensive income for the year		**528**	514
Earnings per share (cents)			
Basic	33.1	**506.8**	496.4
Diluted	33.2	**499.8**	491.7

* *See note 1 for details regarding the restatement as a result of the adoption of IFRS 15.*

GROUP STATEMENT
OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Stated and share capital Rm	Share premium Rm	Treasury shares Rm	Reorgan-isation reserve Rm	Other reserves Rm	Retained earnings Rm	Equity attributable to owners of the parent Rm
Balance at 1 January 2017 as originally presented	1	2 999	(3)	(2 961)	6	1 988	2 030
Change in accounting policy (note 1.33)	–	–	–	–	–	(7)	(7)
Restated balance as at 1 January 2017	1	2 999	(3)	(2 961)	6	1 981	2 023
Changes in equity							
Profit and total comprehensive income for the year	–	–	–	–	–	514	514
Shares issued	–	4	–	–	–	–	4
Dividends paid	–	–	–	–	–	(175)	(175)
Share incentive schemes	–	–	–	–	7	–	7
Total changes	–	4	–	–	7	339	350
Balance at 1 January 2018	**1**	**3 003**	**(3)**	**(2 961)**	**13**	**2 320**	**2 373**
Change on initial application of IFRS 9 (note 1.33)	**–**	**–**	**–**	**–**	**–**	**(11)**	**(11)**
Restated equity at the beginning of the period	**1**	**3 003**	**(3)**	**(2 961)**	**13**	**2 309**	**2 362**
Changes in equity							
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**528**	**528**
Shares issued	**–**	**2**	**–**	**–**	**–**	**–**	**2**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(213)**	**(213)**
Share incentive schemes	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Total changes	**–**	**2**	**–**	**–**	**5**	**315**	**322**
Balance at 31 December 2018	**1**	**3 005**	**(3)**	**(2 961)**	**18**	**2 624**	**2 684**

GROUP STATEMENT
OF CASH FLOWS

for the year ended 31 December 2018

	Notes	2018 Rm	Restated* 2017 Rm
Cash flows from operating activities			
Operating cash flows before working capital changes	29	**809**	806
Movements in working capital	29	**(335)**	(447)
Cash generated from operations	29	**474**	359
Interest received		**3**	7
Interest paid	26	**(85)**	(78)
Taxation paid	30	**(156)**	(123)
Net cash inflow from operating activities		**236**	165
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(70)**	(28)
Proceeds on disposal of property, plant and equipment		**1**	–
Purchase of intangible assets	5	**(56)**	(28)
Investment in associates		**14**	(12)
Financial assets at fair value through profit and loss		**19**	(8)
Net cash outflow from investing activities		**(92)**	(76)
Cash flows from financing activities			
Proceeds from the issuance of shares		**2**	4
Proceeds from interest-bearing liabilities		**271**	715
Repayments of interest-bearing liabilities		**(207)**	(700)
Finance-raising costs paid		**–**	(9)
Dividends paid		**(213)**	(175)
Net cash outflow from financing activities		**(147)**	(165)
Net decrease in cash and cash equivalents and bank overdrafts		**(3)**	(76)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**111**	187
Cash, cash equivalents and bank overdrafts at the end of the year	11	**108**	111

* *See note 1 for details regarding the restatement as a result of the adoption of IFRS 15.*

GROUP
SEGMENTAL INFORMATION

for the year ended 31 December 2018

		2018					
		Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intragroup Rm
Segmental revenue		**3 305**	**2 501**	**746**	**58**	–	–
Retail sales		1 860	1 860	–	–	–	–
Finance income		1 016	484	532	–	–	–
Fees from ancillary services		429	157	214	58	–	–
Intersegment revenue		(58)	–	–	(58)	–	–
Revenue from external customers		3 247	2 501	746	–	–	–
Total trading expenses (refer to note 23)		1 550	1 153	396	26	22	(47)
EBITDA		**821**	**453**	**357**	**33**	**(22)**	–
Depreciation and amortisation		(59)	(54)	(4)	(1)	–	–
Interest received		3	–	2	–	66	(65)
Interest paid		(62)	–	(63)	–	(64)	65
Segmental operating profit**		**703**	**399**	**292**	**32**	**(20)**	–
Interest received		–	–	–	–	–	–
Interest paid		(27)	(5)	–	(22)	–	–
Profit before taxation		**676**	**394**	**292**	**10**	**(20)**	–
Taxation		(148)	(89)	(60)	(3)	4	–
Profit after taxation		**528**	**305**	**232**	**7**	**(16)**	–
Segmental assets		**3 920**	**2 443**	**1 465**	**343**	**704**	**(1 035)**
Segmental liabilities		**1 236**	**583**	**816**	**278**	**594**	**(1 035)**
Operating cash flows before working capital changes		809	444	354	33	(22)	–
Movements in working capital		(335)	(134)	(198)	–	(3)	–
Cash generated/(utilised) by operations		474	310	156	33	(25)	–
Capital expenditure							
Property, plant and equipment		70	68	2	–	–	–
Intangible assets		56	45	3	–	8	–
Change in Retail sales	(%)	6.3	6.3				
Change in EBITDA	(%)	3.6	(2.9)	13.7	(0.1)	(6.3)	
Change in debtor costs	(%)	11.0	6.9	20.1			
Change in other trading expenses	(%)	9.6	9.5	2.4	10.4	211.6	
Gross profit margin	(%)	49.6	49.6				
Segmental results margin	(%)	21.3	16.0	39.14	55.2		

* *See note 1 for details regarding the restatement as a result of the adoption of IFRS 15.*
** *Refer to note 1.31 for further details on segments and segmental results.*

	2017 Restated*				
Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intragroup Rm
3 049	2 328	665	56	–	–
1 749	1 749	–	–	–	–
933	450	483	–	–	–
367	129	182	56	–	–
(56)	–	–	(56)	–	–
2 993	2 328	665	–	–	–
1 408	1 061	361	24	7	(45)
793	467	314	33	(21)	–
(58)	(53)	(4)	(1)	–	–
4	–	4	–	61	(61)
(54)	–	(57)	–	(58)	61
685	414	257	32	(18)	–
3	3	–	–	–	–
(29)	(4)	–	(25)	–	–
659	413	257	7	(18)	–
(145)	(99)	(46)	1	(1)	–
514	314	211	8	(19)	–
3 592	2 137	1 387	341	1 015	(1 288)
1 219	501	1 066	283	658	(1 289)
806	470	309	33	(7)	–
(447)	(263)	(180)	(4)	(1)	–
359	208	130	29	(8)	–
28	26	–	2	–	–
28	20	8	–	–	–
16.8	16.8				
13.0	11.1	20.3	5.0	94.0	
5.0	10.5	(5.4)			
14.7	11.7	27.3	7.7	(26.2)	
51.2	51.2				
22.5	17.8	38.6	57.1		

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. Accounting policies

1.1 Presentation of annual financial statements

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

All IFRS issued by the IASB and effective at the beginning of the financial period covered by these consolidated and separate financial statements have been adopted by the EU through the endorsement procedures established by the European Commission. The standards and amendments endorsed by the EU have a different implementation date to that of the IASB.

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

Note 2.2 sets out standards and interpretations that are not yet effective in terms of IFRS issued by the IASB but relevant to the group. IFRS 17 has not yet been endorsed for use in the EU.

1.2 Basis of consolidation

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

1.3 Basis of preparation

These annual financial statements have been prepared on the historical cost basis. The consolidated and separate annual financial statements are expressed in South African Rand (R or ZAR). The principal accounting policies applied in the preparation of these annual financial statements are set out below and have been consistently applied to all the years presented, unless otherwise stated.

1.4 Investment in subsidiaries

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

1.5 Investment in associate

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. Refer to note 1.9 for the impairment of non-financial assets, including goodwill. The group's share of its associates' post-acquisition profits or losses is recognised in profit and loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the group reduces its level of significant influence or 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 Cell captive insurance contracts

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

Mauritian insurance cell

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

South African insurance cell

The group has an economic interest in an insurance cell domiciled in South Africa. The insurance cell captive satisfies the conditions for classification as financial assets at fair value through profit and loss (refer to note 1.12) and hence there is no change to the measurement of these assets.

The net profit or loss after tax is accounted for in "fees from ancillary services" in the statement of comprehensive income. The net profit or loss after tax from insurance cell operations is the net insurance result of the investment in insurance contracts. The net result takes into account insurance premium revenue, insurance claims, salvage and recoveries, acquisition costs, reinsurance and taxes as accounted for by the insurance cell. The amounts are payable to the group in terms of the contract subject to certain liquidity and solvency requirements of the insurance cell.

The net investment is no longer shown under "investment in associates and other" in the statement of financial position together with the group's investment in associates, but was reclassified in the current year separately under financial assets at fair value through profit and loss.

1.7 Property, plant and equipment

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

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

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 effect of changes to useful lives or residual values will be accounted for in profit and loss. 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	25.0%
Plant and machinery	14.3% – 33.3%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.8 Intangible assets

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

Licences	10.0% – 33.3%
Computer software	12.5% – 25.0%

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

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

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

1.9 Impairment of non-financial assets

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

1.10 Inventory

Inventory is valued at the lower of cost, determined on the first-in-first-out basis, and net realisable value. Cost consists of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition, net of insurance; freight; and customs duties attributable to inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and cost necessary to make the sale.

1.11 Leases

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

1.12 Financial instruments

Initial recognition and measurement

Financial instruments recognised on the statement of financial position include trade and other receivables, cash and cash equivalents, trade and other payables, interest-bearing borrowings and derivative financial instruments. 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.

Derecognition

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.

Classification and subsequent measurement

(i) Financial assets

From 1 January 2018 the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit and loss; and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the group classifies its financial instruments:

Amortised cost

These are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost.

Interest income from these financial assets is included in finance charges earned using the effective interest rate method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: (a) purchased or originated credit-impaired financial assets. For these financial assets the group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; and (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For these financial assets, the group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Initiation fees which are considered to be an integral part of the effective interest rate 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.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in gains and losses arising from the derecognition of financial assets measured at amortised cost.

Fair value through profit and loss

These are assets that do not meet the criteria for amortised cost or fair value through other comprehensive income and are measured at fair value through profit and loss. A gain or loss on derivative financial instruments that are subsequently measured at fair value through profit and loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. Changes in the fair value of equity instruments that is measured at fair value through profit and loss are recognised in "fees from ancillary services" in the statement of profit or loss.

(ii) Financial liabilities

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit and loss.

1.13 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.

1.14 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.

1.15 Financial guarantee contracts

Financial guarantee contracts are accounted for as financial liabilities and they are initially recognised at fair value. Subsequent to initial recognition, financial guarantee contracts are accounted for at the higher of:

- the amount determined in accordance with the expected credit loss model; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

1.16 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, and the interest through the amortisation process.

1.17 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.

1.18 Derivative financial instruments

All derivative financial instruments are classified as financial assets or financial liabilities at fair value through profit or loss unless they are designated as a hedging instrument in an effective hedge.

1.19 Impairment of financial assets

From 1 January 2018 the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group applies the general impairment approach. The group assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition.

Where there has been a significant increase in credit risk since initial recognition the group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. Where there has not been a significant increase in credit risk since initial recognition the group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. The group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the end of the reporting period.

Note 1.32 provides more detail of how the group determines a significant increase in credit risk and how the expected credit loss allowance is measured.

Accounting policy applied until 31 December 2017

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired and a provision for impairment of receivables is established and impairment losses incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. A default or delinquency in payment is regarded as the primary objective evidence that a receivable might be impaired. Other objective evidence includes historical loss experience of groups of financial assets with similar repayment terms, or data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. The latter would include adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group. For trade and loans receivable the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. Trade and loans receivable are written off and, if previously impaired, the doubtful debt allowance utilised when there is no realistic prospect of future recovery and all collateral (where applicable) has been realised or transferred to the group. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

1.20 Share capital and equity

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

Stated and share capital

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

Share premium

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

Treasury shares

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

1.21 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.

1.22 Share-based payments

The group operates equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments 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 equity instruments 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 equity instruments 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 equity instruments 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 equity instruments over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent stand-alone accounts.

1.23 Provisions and contingencies

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost. For further details on the nature of provisions raised within the group refer to note 19. A contingent liability is a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised.

1.24 Revenue recognition

Revenue is recognised at the amount of the transaction price that is allocated to that performance obligation excluding amounts collected on behalf of third parties. Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The following specific criteria must also be met before revenue is recognised:

Retail sales

Retail sales comprises revenue from the sale of goods, income earned from the delivery of such goods and related product protection insurance, and is recognised when control of the products has transferred, usually on delivery of the goods. It is the group's policy to sell its products to retail customers with a right to return within 14 days. The group records a liability for estimated returns based on 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 *IFRS 9, Financial Instruments* these initiation fees are considered an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale, using the effective interest rate. Trade receivables are reduced by the deferred portion of these fees. The group does not defer any related operating costs, as these are all internal costs which are not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs.

Fees from ancillary services

Fees from ancillary services include revenue earned for administration of transactions with customers, as well as insurance profits received on credit life products and group schemes. These fees are recognised in revenue in the accounting period in which the services are rendered.

Dividends received

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

1.25 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.

1.26 Debtor costs

Debtor costs relates to all trade and loan receivables owed to the group that have been written off, less all amounts previously written off and which are recovered during the period, plus the movement in the provision for impairment of trade and loan receivables. These costs are recognised in profit or loss when it is probable that the outflow of economic benefits associated with a transaction will occur and that outflow can be measured reliably.

1.27 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.

1.28 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.

1.29 Taxation

The income tax expense is determined based on taxable income for the year and includes deferred tax 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 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 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
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.

1.30 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.

1.31 Segmental reporting

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

- **Retail:** The retail segment reflects the results of HomeChoice and FoneChoice. HomeChoice is an omni-channel home-shopping retailer providing a range of homewares and selected apparels and footwear products whilst FoneChoice retails technology-related products to HomeChoice customers.
- **Financial Services:** The Financial Services segment reflects the results of FinChoice. FinChoice provides personal loans and insurance products.
- **Property:** This segment holds land and buildings which are primarily used by Retail and Financial Services.
- **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.

1.32 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.

Measurement of expected credit loss allowance (ECL)

The measurement of the ECL allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed below.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

The key judgements and assumptions adopted by the group in addressing the accounting requirements of the standard for ECL measurement are discussed below:

(a) Significant increase in credit risk (SICR)

The group considers a financial instrument to have experienced a SICR since the time of initial recognition when one or more the following quantitative, qualitative or backstop criteria has been met.

Quantitative criteria

- Where a customer has not met his or her minimum contractual obligations for at least one month

Qualitative criteria

- Where a customer applies for or enters into debt review; where a customer is allocated a higher risk score category based on the group's various behaviour scorecards; or where the customer has demonstrated a significant increase in credit risk on other group credit products

Backstop

A backstop is applied if the borrower is more than 30 days past due on its contractual payments

The assessment of SICR happens on a monthly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the credit risk team.

(b) Definition of default and credit-impaired assets

The group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Retail

- Where a customer has not met their minimum contractual obligations for a period of three months

Financial Services

- Where a customer has not met their minimum contractual obligations for three consecutive months

(c) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. ECL's are the discounted product of the probability of default (PD) and exposure at default (EAD) defined as follows:

- The PD represents the likelihood of a customer defaulting on her financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- EAD is based on the amounts the group expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD).

- The group calculates loss given write-off (LGW) as discounted EAD/EAW less discounted post write-off recoveries.

These three components are multiplied together. This effectively calculates the ECL, which is then discounted back to the reporting date and aggregated. The discount rate used in the ECL calculation is the original effective interest rate, or an approximation thereof. ECL is a probability weighted outcome.

The lifetime PD is developed by applying a behavioural matrix against the current balances. The behavioural matrix looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the contracts. The behavioural matrix is based on historically observed data and is assumed to be the same across all assets within a portfolio and credit band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the probability of write-off, which varies by product type.

(d) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The group has performed historical analyses and identified certain macroeconomic variables correlating with credit losses.

Macroeconomic variables used for Retail include nominal wage rate in private sector, petrol price and prime overdraft rate. Macroeconomic variables used for Financial Services include G7 real GDP growth, total unemployment rate (both formal and informal) and nominal wage rate. The selected macroeconomic variables are appropriate drivers of default rates.

Due to the relative short-term nature of the book and constantly evolving credit criteria being applied the impact of extrapolating the forward-looking information against credit variables was not material, however will continue to be monitored and be reassessed at year-end.

(e) Write-off policy

The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. This is usually the case when the group's in-house collection department and external collection companies which supplement the group's collection activities are unable to recover outstanding balances. The group's write-off policy by segment is as follows:

Retail

- Where the customer has not met his or her minimum contractual obligations for six months and has not made any payment at all within the last 90 days; or

Financial Services

- Where the debtor has not met his or her minimum contractual obligations for at least four months and has not made any payment at all within the last four months.

Significant accounting judgements, estimates and assumptions applied until 31 December 2017

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.

1.33 Changes in accounting policies

1.33.1 IFRS 9, Financial Instruments: Classification and Measurement – Impact of adoption

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The adoption of *IFRS 9, Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 (7.2.15), comparative figures have not been restated.

The total impact on the group's retained earnings is as follows:

	Notes	Rm
Closing retained earnings at 31 December 2017		**2 332**
Net decrease in trade receivables	(iii)	**(19)**
Net increase in loans receivable	(iii)	**3**
Increase in deferred tax assets relating to above		**5**
Adjustment to retained earnings from adoption of IFRS 9		**(11)**
Opening retained earnings at 1 January 2018 (before restatement for IFRS 15)		**2 321**

(i) Classification and measurement

IFRS 9 requires all debt instruments to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The group's management has assessed which business models apply to the financial assets held by the group and has classified financial instruments into the appropriate IFRS 9 categories.

There has been no change to the classification of the group's financial liabilities and they continue to be classified and measured at amortised cost.

(a) All other financial assets

All of the group's other financial assets which were classified as loans and receivables satisfy the conditions for classification at amortised cost and hence there is no change to the classification and measurement of these assets.

(ii) Derivatives and hedging activities

The group does not currently apply hedge accounting and continues to account for forward exchange contracts at fair value through profit and loss.

1.33 Changes in accounting policies (continued)

1.33.1 IFRS 9, Financial Instruments: Classification and Measurement – Impact of adoption (continued)

(iii) Impairment of financial assets – ECL model

IFRS 9 has introduced new ECL impairment requirements that result in the earlier recognition of credit provisions. The ECL requirements apply to debt financial assets measured at either amortised cost or at fair value through other comprehensive income (FVOCI), loan commitments where there is a present commitment to extend credit (unless these are measured at fair value through profit or loss (FVTPL)) and financial guarantees.

ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL of the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.

The group has the following types of financial assets measured at amortised cost that are subject to IFRS 9's new ECL model:

- Trade receivables – Retail
- Loans receivable – Financial Services

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The group applies the IFRS 9 general approach to measuring ECL's for all trade, loans and other receivables. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table above.

1.33.2 IFRS 15, Revenue from Contracts with Customers – Impact of adoption

IFRS 15, which replaces IAS 18, is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The adoption of *IFRS 15, Revenue from Contracts with Customers* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 1.33.2(i) below. In accordance with the transition provisions in IFRS 15, the group has adopted the new standard retrospectively and has restated comparatives for the 2017 financial year.

The total impact on the group's retained earnings is as follows:

	Notes	2017 Rm
Opening retained earnings at 1 January before IFRS 15 restatement (see note 1.33.3)		1 988
Restatement for finance income	(i)	(12)
Decrease in debtor costs	(i)	2
Decrease in deferred tax liabilities	(i)	3
Adjustment to retained earnings from adoption of IFRS 15		(7)
Opening retained earnings at 1 January after IFRS 15 restatement		1 981

(i) Accounting for finance income

In previous reporting periods a portion of initiation fees were allocated based on IAS 18 multiple element recognition criteria to be recognised upfront as part of revenue. This recognition criteria was applied to the separately identifiable components of the transaction in order to reflect the substance of the transaction.

IFRS 15 provides additional guidance on multiple element contracts and, based on this guidance and the trade receivables being at fair value based on the interest and initiation fees charged, it was determined that there are no longer separately identifiable components with regards to initiation fees charged to customers.

The impact of IFRS 15 on the financial statements is disclosed under note 1.33.3 below.

1.33 Changes in accounting policies (continued)

1.33.3 Impact on the financial statements

The following tables sets out the impact of the changes in accounting policies and retrospective adjustments made for each individual line item affected in the financial statements. IFRS 9 was adopted without restating comparative information and the impact is not reflected in the restated comparatives but recognised in the opening statement of financial position on 1 January 2018.

Group statement of financial position

	Audited 31 Dec 2017 Rm	IFRS 15 Rm	Restated 31 Dec 2017 Rm	IFRS 9 Rm	Restated 1 Jan 2018 Rm
Current assets					
Trade receivables – Retail	1 482	(18)	1 464	(19)	1 445
Loans receivable – Financial services	1 163	–	1 163	3	1 166
Equity					
Retained earnings	2 332	(13)	2 319	(11)	2 308
Non-current liabilities					
Deferred taxation	125	(5)	120	(5)	115

Group statement of financial position

	Audited 31 Dec 2016 Rm	IFRS 15 Rm	Restated 31 Dec 2016 Rm
Current assets			
Trade receivables – Retail	1 222	(10)	1 212
Equity			
Retained earnings	1 988	(7)	1 981
Non-current liabilities			
Deferred taxation	135	(3)	132

1.33 Changes in accounting policies (continued)

1.33.3 Impact on the financial statements (continued)

Group statement of comprehensive income

	Audited year ended Dec 2017 Rm	IFRS 15 Rm	Restated year ended Dec 2017 Rm
Revenue	3 003	(10)	2 993
Retail sales	1 749		1 749
Finance income	943	(10)	933
Finance charges earned	647		647
Initiation fees earned	296	(10)	286
Fees from ancillary services	311		311
Other operating costs	(1 410)	2	(1 408)
Credit impairment losses	(504)	2	(502)
Other trading expenses	(906)		(906)
Operating profit	752	(8)	744
Profit before taxation	667	(8)	659
Taxation	(147)	2	(145)
Profit and total comprehensive income for the period	520	(6)	514
Earnings per share (cents)			
Basic	501.9	(5.5)	496.4
Diluted	496.7	(5.0)	491.7

Group statement of cash flows

	Audited year ended Dec 2017 Rm	IFRS 15 Rm	Restated year ended Dec 2017 Rm
Cash flows from operating activities			
Operating cash flows before working capital changes	814	(8)	806
Movement in working capital	(455)	8	(447)

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current period

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

- *IFRS 9, Financial Instruments*
- *IFRS 15, Revenue from Contracts with Customers*
- Classification and measurement of share-based payment transactions – Amendments to IFRS 2

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

Standard/interpretation (effective years beginning on or after 1 January 2018)

- Annual Improvements 2014 – 2016 cycle
- Transfers to investment property – Amendments to IAS 40
- *IFRIC 22, Foreign Currency Transactions and Advance Consideration*
- Annual Improvements to IFRS Standards 2015 – 2017 cycle

The above new standards and amendments have an implementation date of 1 January 2018 as per EU endorsement.

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. This is disclosed in note 1.33. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 Standards and interpretations not yet effective but relevant

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2019 or later periods:

New standard	Nature of the change	Impact
IFRS 16, Leases	IFRS 16 will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard an asset (the right to use the leased item) and a lease liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	The group has reviewed its leasing arrangements over the last year in light of IFRS 16. The standard will affect primarily the accounting for the group's operating leases. The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption but rather recognise the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. The group expects that net profit after tax will decrease by approximately R2 million for 2019 as a result of adopting the new standard. The group expects to recognise right-of-use assets of approximately R39 million and lease liabilities of R46 million after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018.

2. New standards and interpretations (continued)

2.2 Standards and interpretations not yet effective but relevant (continued)

New standard	Nature of the change	Impact
IFRS 17, Insurance Contracts	IFRS 17 was issued as replacement for *IFRS 4, Insurance Contracts.* IFRS 17 requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows; • an explicit risk adjustment; and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts.	The group is currently assessing the impact of IFRS 17. *Transition* IFRS 17 is mandatory for financial years commencing on or after 1 January 2022, subject to being adopted by the EU. At this stage the group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3 Standards and interpretations not yet effective or relevant

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

- Amendments to *IFRS 10, Consolidated Financial Statements* and *IAS 28, Investments in Associates and Joint Ventures* on sale or contribution of assets
- Amendments to *IAS 28, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Annual improvements cycle 2015 – 2017
- *IFRIC 23, Uncertainty over Income Tax Treatments*
- *Practice statement 2, Making Materiality Judgements*

3. Risk management and financial instrument disclosure

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

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

3.1 Capital risk management

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

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the group to fund its capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital. The board monitors the return on equity and seeks to maintain a balance between the higher returns that may be possible with higher levels of borrowings and the security and other benefits afforded by a sound capital position. The directors have determined a medium-term debt to equity target of 25% to 30%. This target will be reviewed at the next strategy cycle with regard to the increased dividend cover and interest expense for group funding requirements.

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

There were no changes in the group's approach to capital maintenance during the year. During the current and prior years there were no defaults or breaches of any of the group's agreements with its lenders.

3. Risk management and financial instrument disclosure (continued)

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:

	Notes	At fair value through profit and loss Rm	At amortised cost Rm	Non-financial assets Rm	Total Rm
Assets					
2018					
Current assets					
Trade receivables – Retail	10	**–**	**1 506**	**–**	**1 506**
Loans receivable – Financial Services	10	**–**	**1 347**	**–**	**1 347**
Other receivables	10	**–**	**–**	**50**	**50**
Investment in cell captives		**24**	**–**	**–**	**24**
Cash at bank	11	**–**	**108**	**–**	**108**
Total		**24**	**2 961**	**50**	**3 035**
Maximum exposure to credit risk			**2 961**		
2017					
Current assets					
Trade receivables - Retail	10	–	1 464	–	1 464
Loans receivable - Financial Services	10	–	1 163	–	1 163
Other receivables	10	–	–	15	15
Investment in cell captives		30	–	–	30
Cash at bank	11	–	130	–	130
Total		30	2 757	15	2 802
Maximum exposure to credit risk			2 757		

3. Risk management and financial instrument disclosure (continued)

3.2 Financial risk management (continued)

	Notes	At amortised cost Rm	Non-financial liabilities Rm	At fair value through profit and loss Rm	Total Rm
Liabilities					
2018					
Non-current liabilities					
Mortgage bonds	16	**205**	**–**	**–**	**205**
Suspensive sale agreements	16	**29**	**–**	**–**	**29**
Commercial term loan facilities	16	**522**	**–**	**–**	**522**
Non-current other payables	17	**6**	**–**	**–**	**6**
Current liabilities					
Trade payables	18	**214**	**–**	**–**	**214**
Other payables	18	**51**	**2**	**–**	**53**
Mortgage bonds	16	**15**	**–**	**–**	**15**
Suspensive sale agreements	16	**15**	**–**	**–**	**15**
Commercial term loan facilities	16	**62**	**–**	**–**	**62**
Total		**1 119**	**2**	**–**	**1 121**
2017					
Non-current liabilities					
Mortgage bonds	16	123	–	–	123
Suspensive sale agreements	16	13	–	–	13
Commercial term loan facilities	16	480	–	–	480
Non-current other payables	17	6	–	–	6
Current liabilities					
Trade payables	18	204	–	–	204
Other payables	18	36	1	–	37
Mortgage bonds	16	87	–	–	87
Suspensive sale agreements	16	14	–	–	14
Commercial term loan facilities	16	65	–	–	65
Bank overdraft	11	19	–	–	19
Derivative financial instruments	20	–	–	5	5
Total		1 047	1	5	1 053

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the group. The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The average group customer is female and falls within LSM groups 4 to 8. There is no further concentration of credit risk as the group has a large, widespread customer base. Credit risk consists principally of trade and loan receivables and short-term cash deposits. The group's maximum exposure to credit risk at year-end in respect of financial assets is shown in note 3.2.

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

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

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

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

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

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

From 1 January 2018 the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group applies the general impairment approach. The group assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition.

Where there has been a significant increase in credit risk since initial recognition the group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. Where there has not been a significant increase in credit risk since initial recognition the group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. The group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the end of the reporting period.

Note 1.32 provides more detail on how the group determines a significant increase in credit risk and how the expected credit loss allowance is measured.

Up until 31 December 2017 a provision for impairment was raised when there is objective evidence that the business will not be able to collect all amounts due according to the original terms of the receivable. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. Accordingly a percentage of all trade and loans receivable is provided for. The group establishes an allowance for impairment that represents its estimate of incurred losses using delinquency roll rate models. The estimation of credit losses makes use of detailed models that are used to determine credit impairments. These are complex data-driven models based on account performance over a period of time. A committee consisting of credit risk, finance and company directors review the output of the models to ensure that a consistent and rigorous approach is followed. The model uses roll rates as a primary indicator in determining the future impaired population from the latest balances. These balances are split by contractual delinquency that each carry a future impairment percentage, based on historical default and recovery rates. In order to ensure that the model is robust and accurate the data is divided into several segments based on customer type, term, month on books and product. The provision model does not assess each account on an individual basis, but rather at a portfolio level. Debt restructuring and debt review portfolios are provided for independently and then incorporated into the overall provision number.

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

In preparation that IFRS 9 will replace IAS 39 in 2018 the group has invested in new models following the IFRS 9 approach. These models were developed in 2017 and are currently being tracked against the IAS 39 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 one to 36 months and attract interest based on rates determined by the National Credit Act. Methods used to grant credit to customers comply with the requirements of the Act.

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

Company internal credit rating – Retail	Expected credit loss rate	Basis for recognition of expected credit loss provision (lifetime vs 12 months)	Estimated gross carrying amount at default Rm	Carrying amount (net of impairment provision) Rm	Basis for calculation of interest revenue
Performing	15.6%	12-month expected credit loss	159	964	Current outstanding balance
Underperforming	45.8%	Lifetime expected credit loss	179	252	Gross carrying amount
Non-performing	75.9%	Lifetime expected credit loss	394	290	Net carrying amount
Totals			732	1 506	

Company internal credit rating – Financial Services	Expected credit loss rate	Basis for recognition of expected credit loss provision (lifetime vs 12 months)	Estimated gross carrying amount at default Rm	Carrying amount (net of impairment provision) Rm	Basis for calculation of interest revenue
Performing	7.7%	12-month expected credit loss	56	1 193	Current outstanding balance
Underperforming	37.3%	Lifetime expected credit loss	114	114	Gross carrying amount
Non-performing	40.9%	Lifetime expected credit loss	109	40	Net carrying amount
Totals			279	1 347	

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

The company uses three categories for trade and loan receivables which reflect their credit risk and how the loss provision is determined for each of these categories. A summary of the assumptions underpinning the company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	All accounts that have not had a significant increase in credit risk since initial recognition.	12-month expected credit loss
Underperforming	Accounts that have had a significant increase in credit risk since initial recognition	Lifetime expected credit loss
Non-performing	Accounts that have objective evidence of impairment at the reporting date	Lifetime expected credit loss

The loss allowance for trade and loan receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Total	
Description	**Retail Rm**	**Financial Services Rm**
Opening balance as at 31 December 2017 (calculated under IAS 39)	(320)	(189)
Amounts restated through opening retained earnings*	(64)	(38)
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	(384)	(227)
Write-offs net of recoveries	397	160
Other changes through profit and loss	(372)	(185)
Closing loss allowance as at 31 December 2018 (calculated under IFRS 9)	(359)	(252)

* *Note that accounting for other recoveries has mitigated the impact to retained earnings due to the increase in provisions for impairment on adoption of IFRS 9 to R11 million.*

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

	Gross trade receivables		Net trade receivables		Provision as a % of gross trade receivables	
	2018 Rm	Restated 2017 Rm	2018 Rm	Restated 2017 Rm	2018 %	Restated 2017 %
Contractual						
Retail						
Satisfactory paid	**1 350**	1 272	**1 224**	1 138	**9.3**	10.5
Current	**1 024**	954	**967**	883	**5.6**	7.4
Past due less than 30 days	**326**	318	**257**	255	**21.2**	19.8
Past due 31 – 60 days	**159**	163	**102**	113	**35.8**	30.7
Past due 61 – 90 days	**101**	98	**54**	58	**46.5**	40.8
Past due more than 91 days	**255**	251	**126**	155	**50.6**	38.2
	1 865	1 784	**1 506**	1 464	**19.2**	17.9
Trade receivables gross, net (Rm)	**1 865**	1 784	**1 506**	1 464	**(359)**	(320)

Loans receivable

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

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

	Gross loans receivable		Net loans receivable		Provision as a % of gross loan receivables	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 %	2017 %
Recency						
Financial Services						
Current	**1 386**	1 176	**1 219**	1 063	**12.0**	9.6
Not paid 1 – 30 days	**118**	81	**86**	64	**27.1**	21.0
Not paid 31 – 60 days	**43**	44	**25**	21	**41.9**	52.3
Not paid more than 61 days	**52**	51	**17**	15	**67.3**	70.6
	1 599	1 352	**1 347**	1 163	**15.8**	14.0
Loans receivable gross, net (Rm)	**1 599**	1 352	**1 347**	1 163	**(252)**	(189)

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

	2018 %	2017 %
Loan product weighting		
Financial Services		
1-month loan	**6.5**	2.6
6-month loan	**5.4**	7.0
12-month loan	**20.0**	22.5
24-month loan	**41.9**	43.9
36-month loan	**10.5**	10.9
Other	**15.8**	13.2
	100.0	100.0

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

	2018 %	2017 %
Retail	**9.6**	9.9
Financial Services	**4.0**	4.2

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.

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 Rm	1 year Rm	2 years Rm	3 years Rm	4 years Rm	Over 4 years Rm	Total Rm	Carrying value Rm
2018									
Non-interest-bearing liabilities									
Non-current other payables	**–**	**–**	**1**	**1**	**1**	**1**	**2**	**6**	**6**
Trade and other payables	**–**	**58**	**217**	**–**	**–**	**–**	**–**	**275**	**267**
Financial guarantees	**–**	**14**	**–**	**–**	**–**	**–**	**–**	**14**	**14**
Interest-bearing liabilities									
Mortgage bonds	**9.62**	**–**	**36**	**37**	**38**	**38**	**173**	**322**	**220**
Suspensive sale agreements	**10.19**	**–**	**18**	**12**	**9**	**8**	**6**	**53**	**44**
Commercial term loan facilities	**9.99**	**–**	**119**	**264**	**325**	**–**	**–**	**708**	**584**
		72	**391**	**314**	**373**	**47**	**181**	**1 378**	**1 135**
2017									
Non-interest-bearing liabilities									
Non-current other payables	–	–	–	1	1	1	3	6	6
Trade and other payables	–	154	87	–	–	–	–	241	241
Derivative financial instruments	–	–	5	–	–	–	–	5	5
Financial guarantees	–	14	–	–	–	–	–	14	14
Interest-bearing liabilities									
Borrowings from the bank	9.59	–	106	23	23	23	98	274	211
Suspensive sale agreements	9.23	–	16	10	4	1	–	29	27
Commercial term loan facilities	9.98	–	117	109	102	325	–	653	544
		168	331	143	130	349	101	1 222	1 048

3. Risk management and financial instrument disclosure (continued)

3.4 Liquidity risk management (continued)

The group has the following borrowing facilities available:

	2018 Rm	2017 Rm
General banking facilities available	**260.7**	320.3
Guarantees	**14.2**	14.2
Suspensive sale agreements facility available	**65.0**	80.0
	339.9	414.5
Amounts drawn against these facilities	**(128.5)**	(208.0)
Unutilised borrowing facilities at 31 December	**211.4**	206.5

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 changes in market prices. Market risk comprises three types of risk: other price risk, 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.

Other price risk management
The group is not exposed to other 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 foreign liabilities (including foreign bank overdrafts) at 31 December 2018 amounting to R14.1 million (2017: R17.4 million). Refer to note 20 on outstanding forward exchange contracts at the reporting date.

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

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

	Effect on profit after taxation	
	2018 Rm	2017 Rm
15% appreciation in ZAR/USD exchange rates	**1.5**	(1.2)
15% depreciation in ZAR/USD exchange rates	**(1.5)**	1.2

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

	2018 Rm	2017 Rm
Cash and cash equivalents	**0.7**	28.3
Trade and other payables	**14.1**	17.4

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 (2017: 100 basis point) change in the Reserve Bank repo rate as being reasonably possible at the reporting dates.

		Effect on profit after taxation	
	Movement in basis points	**2018 Rm**	2017 Rm
Cash and cash equivalents	+100	**0.9**	0.9
	-100	**(0.9)**	(0.9)
Bank overdraft	+100	**–**	(0.1)
	-100	**–**	0.1
Borrowings from the bank	+100	**(5.8)**	(5.4)
	-100	**5.8**	5.4
Suspensive sale agreement	+100	**(0.3)**	(0.2)
	-100	**0.3**	0.2
Commercial term loan facilities	+100	**(4.2)**	(3.9)
	-100	**4.2**	3.9

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 level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes observable market data requires significant judgement by the entity. The entity considers observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

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 prevailing market rates for similar types of borrowings, with maturities consistent with those remaining for the debt instruments being valued.
- Trade and loan receivables: The carrying amounts reported in the statement of financial position approximate fair values. Discounted cash flow models are used for trade and loan receivables. The discount yields in these models use calculated rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, credit risk, collateral and interest rates.

3.7 Insurance risk

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

4. Property, plant and equipment

	2018 Cost Rm	2018 Accumulated depreciation Rm	2018 Carrying value Rm	2017 Cost Rm	2017 Accumulated depreciation Rm	2017 Carrying value Rm
Land and buildings	**351**	**(12)**	**339**	351	(11)	340
Motor vehicles	**6**	**(3)**	**3**	3	(2)	1
Computer equipment	**77**	**(51)**	**26**	73	(41)	32
Equipment, furniture, fittings and plant	**150**	**(54)**	**96**	94	(38)	56
Total	**584**	**(120)**	**464**	521	(92)	429

Analysis of movements

	Opening balance Rm	Additions Rm	Depreciation Rm	Closing balance Rm
2018				
Land and buildings	**340**	**–**	**(1)**	**339**
Motor vehicles	**1**	**3**	**(1)**	**3**
Computer equipment	**32**	**9**	**(15)**	**26**
Equipment, furniture, fittings and plant	**56**	**58**	**(18)**	**96**
Total	**429**	**70**	**(35)**	**464**
2017				
Land and buildings	339	2	(1)	340
Motor vehicles	1	–	–	1
Computer equipment	37	7	(12)	32
Equipment, furniture, fittings and plant	48	19	(11)	56
Total	425	28	(24)	429

Land and buildings comprise:

- land and buildings, being remainder erf 66592 Cape Town at Wynberg situated in the City of Cape Town, South Africa in extent of 2 858 square metres (acquired in 2007);
- land and buildings, being remainder erf 91380 Cape Town at Wynberg situated in the City of Cape Town, South Africa in extent of 4 936 square metres (acquired in 2011);
- erf 66592 and erf 91380 were consolidated on 6 November 2015 to form erf 160341, Wynberg, City of Cape Town, South Africa; and
- industrial-site land and building, being remainder of portion 240 of the farm Wimbledon Number 454 situated in the City of Cape Town, South Africa and measuring 33 140 square metres (acquired in 2005).

The carrying value of property, plant and equipment subject to suspensive sale agreements (refer note 16) as at 31 December 2018 was R34 million (2017: R43 million).

Included in property, plant and equipment are assets with a cost of R35 million (2017: R20 million) that are in use but fully depreciated.

Land and buildings include a carrying value of R340 million (2017: R340 million) currently encumbered as shown in note 16.

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

- equipment, furniture and fittings and plant with a cost of R2 million (2017: R4 million) and accumulated depreciation of R2 million (2017: R4 million); and
- computer equipment with a cost of R5 million (2017: R2 million) and accumulated depreciation of R5 million (2017: R2 million).

5. Intangible assets

	2018			2017		
	Cost Rm	**Accumulated amortisation Rm**	**Carrying value Rm**	Cost Rm	Accumulated amortisation Rm	Carrying value Rm
Licences	**24**	**(22)**	**2**	23	(19)	4
Computer software	**222**	**(108)**	**114**	172	(90)	82
Total	**246**	**(130)**	**116**	195	(109)	86

Analysis of movements

	Opening balance Rm	**Additions Rm**	**Amortisation Rm**	**Closing balance Rm**
2018				
Licences	**4**	**2**	**(4)**	**2**
Computer software	**82**	**54**	**(22)**	**114**
Total	**86**	**56**	**(25)**	**116**
2017				
Licences	7	1	(4)	4
Computer software	83	27	(28)	82
Total	90	28	(32)	86

The net carrying value of intangible assets subject to suspensive sale agreements at 31 December 2018 was Rnil (2017: R2 million). Included in intangibles are internally generated intangible assets with a carrying value of R89 million (2017: R68 million). Included in intangible assets are assets with a cost of R78 million (2017: R24 million) that are in use but fully amortised, and development costs of R46 million (2017: R22 million) incurred on assets which have not yet been brought into use by the group and have not been amortised.

6. Investment in associates

	2018 Rm	2017 Rm
Investment in en-commandite partnership	–	14
Carrying amount of investments	–	14

En-commandite partnership

The group held a 25% interest in a partnership that transported passengers by air and accounted for this non-controlling interest as an associate. The principal place of business for the associate was Cape Town, South Africa. The partnership was dissolved during 2018.

	2018 Rm	2017 Rm
Movements in the carrying value of the associate were as follows:		
Opening balance	**14**	15
Contributions (returned)/made	**(13)**	12
Share of loss of associate	**(1)**	(9)
Impairment of investment in associate	–	(5)
Closing balance	–	14

6. Investment in associates (continued)

	2018 Rm	2017 Rm
En-commandite partnership (continued)		
The summarised financial information of the associate is presented below:		
Summarised statement of comprehensive income:		
Revenue	–	2
Depreciation	–	(1)
Impairment of assets	–	(18)
Maintenance contract expense	–	(7)
Other operating expenses	**(4)**	(11)
Loss for the year	**(4)**	(35)
Summarised statement of financial position:		
Current		
Cash and cash equivalents	–	3
Total current assets	–	3
Non-current		
Property, plant and equipment	–	53
Total non-current assets	–	53
Net asset value of associate	–	56
Reconciliation of summarised financial information		
Opening net assets, as at 1 January	**56**	58
(Distributions to partners)/contributions	**(52)**	33
Loss for the year	**(4)**	(35)
Closing net assets, as at 31 December	–	56
Share of assets	–	14
Share of liabilities	–	–
	–	14

7. Financial assets at fair value through profit and loss

	2018 Rm	2017 Rm
Financial assets at fair value through profit and loss	**24**	30

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

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

	2018 Rm	2017 Rm
Opening balance	**30**	9
Purchased contracts	**–**	8
Return of capital	**(19)**	–
Movement in insurance cell assets	**2**	(27)
Movement in insurance cell liabilities	**11**	40
Closing balance	**24**	30

8. Deferred taxation

	2018 Rm	2017 Rm
The analysis of deferred tax assets and liabilities is as follows:		
Deferred tax assets	**1**	–
Deferred tax liabilities	**(66)**	(120)
Net deferred tax liabilities	**(65)**	(120)
The gross movements on the deferred income tax account are as follows:		
At 1 January	**(120)**	(94)
Charged to profit and loss	**55**	(26)
At 31 December	**(65)**	(120)

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 Rm	Other Rm	Total Rm
Deferred tax assets			
At 1 January 2017	16	3	19
Charged to profit and loss	(3)	2	(1)
At 31 December 2017	13	5	18
Charged to profit and loss	(9)	(2)	(11)
At 31 December 2018	**4**	**3**	**7**

8. Deferred taxation (continued)

	Accelerated tax wear and tear allowances Rm	Debtors' provisions and allowances Rm	Total Rm
Deferred tax liabilities			
At 1 January 2017	(43)	(70)	(113)
Charged to profit and loss	1	(26)	(25)
At 31 December 2017	(42)	(96)	(138)
Charged to profit and loss	2	64	66
At 31 December 2018	**(40)**	**(32)**	**(72)**

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through future taxable profits are probable.

9. Inventories

	2018 Rm	2017 Rm
Merchandise for resale	**286**	213
Provision for inventory obsolescence	**(15)**	(18)
Goods in transit	**33**	62
	304	257

Inventory sold at less than cost during the current year amounted to R29 million (2017: R39 million). The estimates used in the provisioning methodology were changed in the current year to reflect improved recovery rates in the realisation of obsolete stock. Had the estimates remained consistent with the prior year recovery rates, the provision would have been R23 million as at 31 December 2018.

10. Trade and other receivables

	2018 Rm	Restated* 2017 Rm
Trade receivables – Retail	**1 865**	1 784
Provision for impairment	**(359)**	(320)
	1 506	1 464
Loans receivable – Financial Services	**1 599**	1 352
Provision for impairment	**(252)**	(189)
	1 347	1 163
Other receivables	**50**	15
Total trade and other receivables	**2 903**	2 642
Total trade and loan receivables	**3 464**	3 136
Provision for impairment	**(611)**	(509)
Other receivables	**50**	15

A percentage of all trade and loan receivable balances past due has been provided for – refer to note 1.32 and note 3.3 for further details of credit risk management.

Movements in the provision for impairment were as follows:

	2018 Rm	Restated* 2017 Rm
Retail		
Opening balance	**(320)**	(284)
Change on initial application of IFRS 9	**(64)**	–
Restated opening balance	**(384)**	(284)
Movement in provision	**25**	(36)
Debtor costs charged to profit and loss	**(372)**	(348)
Debts written off during the year, net of recoveries	**397**	312
Closing balance	**(359)**	(320)

Financial Services

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

	2018 Rm	Restated* 2017 Rm
Opening balance	**(189)**	(178)
Change on initial application of IFRS 9	**(38)**	–
Restated opening balance	**(227)**	(178)
Movement in provision	**(25)**	(11)
Debtor costs charged to profit and loss	**(185)**	(154)
Debts written off during the year, net of recoveries	**160**	143
Closing balance	**(252)**	(189)

* *See note 1 for details regarding the restatement as a result of the adoption of IFRS 15.*

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

Included in trade and loan receivables are amounts approximating R806 million (2017: R718 million) that contractually fall due in excess of one year. These amounts are reflected as current as they form part of the normal operating cycle.

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

11. Cash and cash equivalents

	2018 Rm	2017 Rm
Cash at bank	**108**	130
Bank overdraft	**–**	19

Cash at bank earns interest based on daily bank deposit rates.

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

	2018 Rm	2017 Rm
Cash and cash equivalents	**108**	130
Bank overdraft	**–**	(19)
	108	111

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

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

Included in cash and cash equivalents is restricted cash of R38 million (2017: R37 million).

12. Stated capital, share capital and share premium

12.1 Stated and share capital

	2018 Rm	2017 Rm
Authorised		
200 000 000 (2017: 200 000 000) ordinary shares at one cent par value	**2.0**	2.0
Issued		
104 909 401 (2017: 104 762 901) ordinary shares at one cent par value	**1.0**	1.0
Total	**1.0**	1.0
Stated and share capital	**1.0**	1.0

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

12.1 Stated and share capital (continued)

	Millions	Millions
Reconciliation of movement in issued shares:		
Number of issued shares at the beginning of the year	**104.8**	103.5
Shares issued	**0.1**	1.3
Sub-total	**104.9**	104.8
Treasury shares held within the group	**(0.6)**	(0.6)
Number of issued shares, net of treasury shares	**104.3**	104.2
Treasury shares as a % of issued shares	**0.6**	0.6

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

12.2 Share premium

	Rm	Rm
Balance at the beginning of the year	**3 003**	2 999
Share issue	**2**	4
Balance at the end of the year	**3 005**	3 003

12.3 Reorganisation reserve

Reorganisation of Homechoice Holdings Limited into Homechoice International plc during 2014	**(2 961)**	(2 961)

13. Treasury shares

	2018 Rm	2017 Rm
Reconciliation of movement of treasury shares:		
Balance at the beginning of the year	**(3)**	(3)
Balance at the end of the year	**(3)**	(3)

	Millions	Millions
Number of shares:		
Balance at the beginning of the year	**0.6**	0.6
Balance at the end of the year	**0.6**	0.6

14. Share incentive schemes

14.1 Share option incentive scheme

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

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

	2018		2017	
	Average exercise price per share (cents)	**Number of options**	Average exercise price per share (cents)	Number of options
At 1 January	**2 121**	**2 296 239**	1 944	2 735 700
Options granted during the year	**4 414**	**324 950**	3 500	250 500
Options forfeited during the year	**3 504**	**(105 904)**	2 955	(302 961)
Options vested during the year	**1 422**	**(153 500)**	1 107	(387 000)
At 31 December	**2 420**	**2 361 785**	2 121	2 296 239

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

	2018		2017	
	Average exercise price per share (cents)	**Number of options**	Average exercise price per share (cents)	Number of options
2016	**1 064**	**229 000**	1 064	247 000
2017	**1 025**	**360 000**	1 025	360 000
2018	**1 445**	**494 500**	1 450	635 000
2019	**3 361**	**311 500**	3 361	314 500
2020	**2 849**	**477 535**	2 847	501 739
2021	**3 500**	**195 000**	3 500	238 000
2022	**4 414**	**294 250**	–	–
	2 420	**2 361 785**	2 121	2 296 239

14. Share incentive schemes (continued)

14.1 Share option incentive scheme (continued)

Analysis of options outstanding:

Date of offer	Grant price (cents)	Fair value at grant date (cents)	Number of options 2018	Number of options 2017
31 March 2012	1 064	82	**4 000**	22 000
29 June 2012	1 064	76	**225 000**	225 000
20 March 2013	1 000	160	**300 000**	300 000
20 March 2013	1 388	121	**10 000**	10 000
27 August 2013	1 100	83	**50 000**	50 000
31 March 2014	1 444	92	**487 500**	581 000
1 June 2014	1 444	90	**–**	5 000
30 September 2014	1 528	105	**7 000**	49 000
20 March 2015	3 370	663	**261 500**	264 500
1 June 2015	3 311	668	**50 000**	50 000
1 May 2016	2 800	598	**399 700**	423 904
1 July 2016	3 100	673	**77 835**	77 835
22 March 2017	3 500	789	**195 000**	238 000
31 March 2018	4 414	1 009	**294 250**	–
Balance at the end of the year			**2 361 785**	2 296 239

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

14.2 Share forfeiture incentive scheme

The group established a share forfeiture incentive scheme during 2017 whereby shares in HomeChoice International plc have been awarded to senior employees of the group for no consideration. Shares are forfeitable should the employee leave the group within a four-year period.

	2018		2017	
	Average exercise price per share (cents)	**Number of shares**	Average exercise price per share (cents)	Number of shares
At 1 January	**3 625**	**915 000**		
Forfeitable shares awarded during the year	**3 800**	**198 800**	–	915 000
Forfeitable shares forfeited during the year	**3 625**	**(50 000)**		
At 31 December	**3 658**	**1 063 800**	–	915 000

Analysis of options outstanding:

Date of offer	Market value (cents)	Fair value at grant date (cents)	Number of shares 2018	Number of shares 2017
4 May 2017	3 625	3 625	**865 000**	915 000
31 March 2018	3 800	3 757	**198 800**	–
Balance at the end of the year			**1 063 800**	915 000

Total expenses of R11 million (2017: R7.5 million) relating to equity-settled share-based payments were recognised during the year. Refer to note 15 for disclosure of the share-based payment reserve.

15. Other reserves

	Share-based payment reserve Rm
Balance at 1 January 2017	6
Share-based payment	7
Balance at 31 December 2017	**13**
Share-based payment	**5**
Balance at 31 December 2018	**18**

16. Interest-bearing liabilities

	2018 Rm	2017 Rm
Long-term portion		
Mortgage bonds	**205**	123
Suspensive sale agreements	**29**	13
Commercial term loan facilities	**522**	480
Total non-current interest-bearing liabilities	**756**	616
Short-term portion payable within one year		
Mortgage bonds	**15**	87
Suspensive sale agreements	**15**	14
Commercial term loan facilities	**62**	65
Total current interest-bearing liabilities	**92**	166
Total interest-bearing liabilities	**848**	782

Mortgage bonds

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

The Standard Bank of South Africa Limited bond carries interest at prime less 0.75% and has a remaining repayment term of eight years (2017: nine years). During the current year the group entered into a R101 million mortgage bond for the purpose of refinancing the previous bond and is repayable over seven years. The new bond carries interest at the one-month Jibar rate plus 2.80% and is repayable in 2025.

Movements in mortgage bonds were as follows:

	2018 Rm	2017 Rm
Opening balance	**211**	229
Borrowings raised	**101**	–
Interest and administration fees	**18**	21
Capital payments made	**(91)**	(18)
Interest payments made	**(19)**	(21)
Closing balance	**220**	211

16. Interest-bearing liabilities (continued)

Suspensive sale agreements

Suspensive sale agreements are instalment sale agreements which the group has entered into in respect of certain property, plant and equipment where the assets purchased are encumbered as security for the outstanding liability until such time that the liability is discharged. The suspensive sale agreements are repayable in monthly instalments of R1.6 million (2017: R1.3 million) including interest and capital.

Interest rates are linked to the prime overdraft rate and varied between 8.20% and 11.00% (2017: 8.20% and 11.00%) during the year. There were no breaches in payments during the current or prior year. The suspensive sale agreements are secured over various items of property, plant and equipment as indicated in note 4, and intangible assets as indicated in note 5.

Movements in suspensive sale agreements were as follows:

	2018 Rm	2017 Rm
Opening balance	**27**	36
Borrowings raised	**32**	5
Interest and administration fees	**2**	3
Capital payments made	**(15)**	(14)
Interest payments made	**(2)**	(3)
Closing balance	**44**	27

Commercial term loan facilities

The facilities consist of a revolving credit facility, a bullet term loan facility and an amortising term loan facility and are secured by the first ranking cession of Financial Services loans receivable, insurances, claims, subordination of intergroup loans and group cash and cash equivalents.

(2017: During 2017 the group entered into an R800 million commercial term loan facility for the purpose of settling the previous commercial term loan facility and other general corporate purposes. The facilities consist of a revolving credit facility, a bullet term loan facility and an amortising term loan facility and are secured by the first ranking cession of Financial Services loans receivable, insurances, claims, subordination of intergroup loans and group cash and cash equivalents.)

The revolving credit facility carries interest at the three-month Jibar rate plus 2.80% and has a term of three years with quarterly interest payments. The bullet term loan facility carries interest at the three-month Jibar rate plus 3.00% and has a term of four years with quarterly interest payments. The amortising term loan facility carries interest at the three-month Jibar rate plus 2.60% and has a term of four years with quarterly instalments of R15.625 million.

(2017: The revolving credit facility carries interest at the three-month Jibar rate plus 2.80% and has a term of three years with quarterly interest payments. The bullet term loan facility carries interest at the three-month Jibar rate plus 3.00% and has a term of four years with quarterly interest payments. The amortising term loan facility carries interest at the three-month Jibar rate plus 2.60% and has a term of four years with quarterly instalments of R15.625 million.)

Movements in commercial term loan facilities were as follows:

	2018 Rm	2017 Rm
Opening balance	**544**	346
Settlement of previous facilities	**–**	(346)
Borrowings raised	**138**	710
Interest and administration fees	**57**	41
Capital payments made	**(101)**	(161)
Interest payments made	**(57)**	(41)
Finance-raising costs paid	**–**	(9)
Finance-raising costs amortised	**3**	5
Closing balance	**584**	544

	2018 Rm	2017 Rm
17. Other payables		
Non-current other payables		
Amounts owed to customer prize winners payable in excess of 12 months	**6**	6

	2018 Rm	2017 Rm
18. Trade and other payables		
Trade payables	**214**	204
Annual leave pay accrual	**8**	8
Value-added taxation and employee-related accruals	**12**	12
Other payables	**33**	17
	267	241

19. Provisions

	Opening balance Rm	Utilised during the year Rm	Raised Rm	Closing balance Rm
Analysis of movements				
2018				
Bonus	**38**	**(38)**	**–**	**–**
Ex-gratia payment	**–**	**–**	**3**	**3**
	38	**(38)**	**3**	**3**
2017				
Bonus	32	(31)	37	38
	32	(31)	37	38

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

	2018 Rm	2017 Rm
20. Derivative financial instruments		
Current liabilities		
Foreign exchange contracts	–	5

	2018 Rm	2017 Rm
21. Shareholder loan		
GFM Limited	–	–

The company entered into a loan agreement with GFM Limited in May 2015. The loan carried interest at the South African prime interest rate and was fully repaid in 2017.

Movements in the shareholder loan was as follows:

	2018 Rm	2017 Rm
Opening balance	–	160
Interest fees	–	10
Capital payments made	–	(160)
Interest payments made	–	(11)
Finance-raising costs amortised	–	1
Closing balance	–	–

	2018 Rm	2017 Rm
22. Fees from ancillary services		
Service fees	**228**	198
Insurance fees	**126**	108
Other	**17**	5
	371	311

23. Total trading expenses

	2018 Rm	Restated* 2017 Rm
Expenses by nature		
Credit impairment losses		
Trade receivables – Retail	**372**	348
Loans receivable – Financial Services	**185**	154
Total credit impairment losses	**557**	502
Auditor's remuneration	**4**	3
Audit-related services	**3**	3
Other non-audit services	**1**	–
Consultation fees		
Amortisation of intangible assets	**25**	32
Depreciation of property, plant and equipment	**34**	26
Operating lease charges for immovable property	**3**	1
Total operating lease charges	**8**	8
Less: disclosed under cost of Retail sales	**(5)**	(7)
Marketing costs	**252**	220
Staff costs: short-term employee benefits	**411**	395
Total staff costs	**485**	441
Less: disclosed under cost of Retail sales	**(38)**	(27)
Less: staff costs capitalised to intangible assets	**(36)**	(19)
Other costs	**264**	229
Total other trading expenses	**993**	906
	1 550	1 408
Average number of employees during the year	**1 763**	1 578
Salaries	**454**	412
Unemployment insurance fund contributions	**4**	4
Provident fund and disability insurance contributions	**27**	25
Total staff costs	**485**	441

* *See note 1 for details regarding the restatement as a result of the adoption of IFRS 15.*

	2018 Rm	2017 Rm
24. Other net gains and losses		
Foreign exchange (losses)/gains	**(4)**	6
Impairment of investment in associate	**(1)**	(5)
	(5)	1
25. Other income		
Prescription of trade and loans receivables	**6**	10
Other	**3**	1
	9	11
26. Interest paid		
Bank borrowings	**7**	2
Mortgage bonds	**19**	21
Shareholder loan	**–**	11
Suspensive sale agreements	**2**	3
Commercial term loan facilities	**57**	41
Total interest paid	**85**	78

27. Taxation

	2018 Rm	2017 Rm
Income taxation		
Current year	**(156)**	(126)
Adjustments for current tax of prior periods	**(48)**	7
Deferred taxation		
Decrease in deferred tax assets	**(11)**	(38)
Decrease in deferred tax liabilities	**67**	12
	(148)	(145)

	%	%
Reconciliation of effective taxation rate:		
Standard taxation rate	**28.0**	28.0
Non-deductible expenditure	**1.0**	0.8
Effect of deferred tax assets not recognised	**–**	(0.1)
Withholding tax on interest	**1.6**	0.7
Effect of foreign income tax rates	**(8.7)**	(6.4)
Prior year adjustment	**–**	(0.9)
Effective taxation rate	**21.9**	22.1

28. 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:

	2018 Rm	2017 Rm
Properties		
Payable within one year	**16**	8
Payable between two and five years	**51**	31
	67	39
Suspensive sale agreements		
Payable within one year	**22**	15
Payable between two and five years	**41**	14
	63	29
Future finance charges on suspensive sale agreements	**(19)**	(3)
	44	27
The present value of suspensive sale agreement payments is as follows:		
Payable within one year	**15**	14
Payable between two and five years	**29**	13
	44	27
Capital commitments for property, plant and equipment and intangible assets:		
Approved by the directors	**3**	14
	3	13

29. Reconciliation of cash generated from operations

	2018 Rm	2017 Rm
Profit before taxation	**676**	659
Share of loss of associate	**1**	9
Profit from insurance cells	**(13)**	(13)
Impairment of investment in associate	**–**	5
Depreciation and amortisation	**59**	58
Share-based employee service expense	**5**	7
Exchange (profits)/losses on foreign exchange contracts	**(5)**	5
Interest paid	**85**	77
Interest received	**(3)**	(7)
Capitalised bond costs – amortised cost adjustment	**4**	6
Operating cash flows before working capital changes	**809**	806
Movements in working capital	**(335)**	(447)
Increase in inventories	**(47)**	(43)
Increase in trade receivables – Retail	**(63)**	(253)
Increase in loans receivable – Financial Services	**(181)**	(193)
Decrease/(increase) in other receivables	**(35)**	9
Increase in trade and other payables	**26**	27
(Decrease)/increase in provisions	**(35)**	6
	474	359

Included within operating cash flows is finance income from customers of R1 016 million (2017: R933 million) which approximates the cash flow amount for the year.

30. Taxation paid

	2018 Rm	2017 Rm
Amounts owing at the beginning of the year	**(4)**	(7)
Amounts charged to profit and loss	**(148)**	(147)
Income taxation	**(156)**	(119)
Deferred taxation	**8**	(28)
Deferred taxation movement	**(50)**	28
Amounts owing at the end of the year	**46**	4
Other	**–**	–
	(156)	(122)

31. 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.

32. Related party transactions

Holding company

At the reporting date the group's ultimate controlling party is the Maynard Trust. Further details regarding significant shareholders are set out in the shareholder analysis in the appendix. Refer to note 21 for details regarding the loan from the shareholder, GFM Limited.

Subsidiaries, associates and related trusts

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

Other related parties

Provident fund

The group provides retirement benefits for its permanent employees through a defined contribution plan.

Associate

Details regarding the group's associate are set out in note 6. Transactions with the associate were entered into at the prevailing partnership rates.

	2018 Rm	2017 Rm
Contributions to the provident fund	**27**	25
Fees paid to associates for transportation services	**–**	5
Contributions (from)/to associate	**(14)**	12

Remuneration

Details regarding executive and non-executive directors' remuneration are disclosed in note 38.

Interest of directors in contracts

As disclosed in note 6, the group held a 25% interest in an en-commandite partnership formed for the transportation of passengers by air for fare. Mr Garratt, a director, had a controlling interest in another entity with significant influence in the partnership.

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

Share-based incentives

Share-based incentives have been granted to certain executive directors of HomeChoice International plc and employees of its subsidiaries (refer to note 37).

Key management personnel

Key management personnel are those persons having authority for planning, directing and controlling activities directly or indirectly, including any director of the holding company or subsidiary. Key management of the company's main subsidiaries have been classified as key management personnel. Emoluments paid are summarised below:

	2018 Rm	2017 Rm
Remuneration	**40**	37
Bonuses	**–**	15
Share-based payment cost	**10**	6
Retirement	**3**	3
	52	61

33. Earnings per share

33.1 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:

	2018 Rm	Restated* 2017 Rm
Profit for the year	**528**	514
Adjusted for the after-tax effect of:		
Impairment of investment in associate and other	**1**	4
Share of impairment of property, plant and equipment of associate	**–**	4
Headline earnings	**529**	522
Weighted average number of ordinary shares in issue (million)	**104.3**	104.0
Earnings per share (cents)		
Basic	**506.8**	496.4
Headline	**507.7**	504.1

33.2 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:

	2018 Millions	Restated* 2017 Millions
Weighted average number of ordinary shares in issue	**104**	104
Number of shares issuable under the share option scheme for no consideration	**2**	1
Diluted weighted average number of ordinary shares in issue	**106**	105
Earnings per share (cents)		
Diluted	**499.8**	491.7
Diluted headline	**500.8**	499.4

* *See note 1 for details regarding the restatement as a result of the adoption of IFRS 15.*

34. Distributions per share

	Cents per share	
	2018	2017
Distributions proposed/paid	**194.0**	191.0
Interim	**95.0**	82.0
Final	**99.0**	109.0
Nature of distributions	**194.0**	191.0
Dividend proposed/paid	**194.0**	191.0

35. 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).

	2018 Cents	Restated* 2017 Cents
Net asset value per share	**2 573**	2 278
Net tangible asset value per share	**2 462**	2 196

* *See note 1 for details regarding the restatement as a result of the adoption of IFRS 15.*

36. Change in accounting estimate

During the current year the group reviewed the current condition of certain existing software and determined that its useful life is well above the previously determined estimate due to the fact that it is still in use. As a result the estimated useful life of the various software items included in intangible assets was revised from five years to eight years. The change in accounting estimate is accounted for prospectively from 1 January 2018. The net effect of the changes in the current financial year was a decrease in amortisation expense of R7 million. Assuming the assets are held until the end of their estimated useful lives, amortisation in future years in relation to these assets will be increased/(decreased) by the following amounts:

Year ending 31 December	Rm
2019	(7)
2020	(2)
2021	3
2022	5
2023	5
2024	3
2025	1

37. Remuneration

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

				Short-term remuneration				Long-term remuneration	
				Guaranteed pay		Variable		Variable	
	Notes	Directors' fees R'000	Fees earned from subsidiary companies R'000	Salary R'000	Benefits[1] R'000	Performance bonus R'000	Remuneration R'000	Value of equity-settled share-based incentives granted[2] R'000	Gains realised on share options vesting R'000
2018									
Executive directors									
Gregoire Lartigue		**–**	**–**	**329**	**–**	**–**	**329**	**–**	**–**
Shirley Maltz		**–**	**–**	**3 969**	**397**	**–**	**4 366**	**1 853**	**–**
Paul Burnett		**–**	**–**	**1 674**	**628**	**–**	**2 302**	**272**	**–**
				5 972	**1 025**	**–**	**6 997**	**2 125**	**–**
Non-executive directors									
Stanley Portelli		**164**	**–**	**–**	**–**	**–**	**164**	**–**	**–**
Amanda Chorn	3	**113**	**179**	**–**	**–**	**–**	**292**	**–**	**–**
Richard Garratt	3	**113**	**8 992**	**–**	**–**	**–**	**9 105**	**–**	**–**
Eduardo Gutierrez-Garcia	4	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Robert Hain		**113**	**–**	**–**	**–**	**–**	**113**	**–**	**–**
Charles Rapa		**133**	**–**	**–**	**–**	**–**	**133**	**–**	**–**
		636	**9 171**	**–**	**–**	**–**	**9 807**	**–**	**–**
Total remuneration		**636**	**9 171**	**5 972**	**1 025**	**–**	**16 804**	**2 125**	**–**
2017									
Executive directors									
Gregoire Lartigue		–	–	161	–	–	161	–	–
Shirley Maltz		–	–	3 325	338	3 528	7 191	1 097	3 843
Paul Burnett		–	–	1 490	679	579	2 748	167	840
				4 976	1 017	4 107	10 100	1 264	4 683
Non-executive directors									
Stanley Portelli		161	–	–	–	–	161	–	–
Amanda Chorn	3	106	174	–	–	–	280	–	–
Richard Garratt	3	–	10 000	–	–	–	10 000	–	–
Eduardo Gutierrez-Garcia	4	–	–	–	–	–	–	–	–
Robert Hain		106	–	–	–	–	106	–	–
Charles Rapa		129	–	–	–	–	129	–	–
		502	10 174	–	–	–	10 676	–	–
Total remuneration		502	10 174	4 976	1 017	4 107	20 776	1 264	4 683

Notes

1. *Benefits include retirement fund contributions and benefits appropriate to expatriate staff employed in Mauritius operations.*
2. *The value of equity-settled share options granted is the annual expense determined in accordance with* IFRS 2, Share-based Payment *and is presented for information purposes only as it is not regarded as constituting remuneration, given that the value was neither received nor accrued to the directors during the year. Gains made on the exercise of such share options are disclosed in the year when vesting occurs.*
3. *Amanda Chorn earns non-executive directors' fees from a South Africa subsidiary.*
   Richard Garratt has a consultancy agreement with a South African subsidiary from which he earns consultancy fees and other related benefits.
4. *Eduardo Gutierrez, as a representative of ADP II Holdings 3 Limited on the HIL board, does not earn any directors' fees.*
5. *The disclosed remuneration is based on an earned basis.*

37. Remuneration (continued)

Share-based incentives outstanding as at 31 December 2018 have the following vesting date and exercise prices:

Director	Award date	Vesting date	Number of share options awarded	Number of forfeiture shares awarded	Strike price (Rand)	Exercised during the year	Unvested and/or unexercised options at the end of the year
Shirley Maltz	23 June 2012	23 June 2016	195 000	–	10.64		195 000
	27 Aug 2013	27 Aug 2017	50 000	–	11.00		50 000
	31 March 2014	31 March 2018	100 000	–	14.44		100 000
	20 March 2015	20 March 2019	40 500	–	33.70		40 500
	1 May 2016	1 May 2020	52 000	–	28.00		52 000
	4 May 2017	4 May 2021	–	150 000	–		150 000
	23 October 2018	31 March 2022	–	48 300	–		48 300
			437 500	198 300			635 800
Paul Burnett	20 March 2015	20 March 2019	12 000	–	33.70		12 000
	1 May 2016	1 May 2020	12 000	–	28.00		12 000
	4 May 2017	4 May 2021	–	20 000	–		20 000
	23 October 2018	31 March 2022	–	7 500			7 500
			24 000	27 500			51 500

COMPANY STATEMENT **OF FINANCIAL POSITION**

at 31 December 2018

	Notes	2018 Rm	2017 Rm
Assets			
Non-current assets			
Investment in subsidiaries	1	**162.6**	157.2
		162.6	157.2
Current assets			
Intercompany loans	2	**158.5**	144.2
Loan to HomeChoice Mauritius PCC	3	**–**	–
Other receivables		**0.4**	0.3
Cash and cash equivalents	4	**0.6**	0.8
		159.4	145.3
Total assets		**322.0**	302.5
Equity and liabilities			
Share capital	5.1	**1.0**	1.0
Share premium	5.2	**3 004.8**	3 002.7
Reorganisation reserve	5.3	**(2 837.3)**	(2 837.3)
Other reserves	6	**19.3**	13.9
Retained earnings		**131.8**	120.6
Total equity		**319.6**	300.9
Current liabilities			
Shareholder loan	7	**–**	–
Other payables	8	**2.4**	1.6
Total liabilities		**2.4**	1.6
Total equity and liabilities		**322.0**	302.5
Additional information			
Rand/Euro exchange rate		**0.0607**	0.0674

These financial statements were approved by the board of directors, authorised for issue on 14 March 2019 and signed on its behalf by:

S Portelli
Chairman

P Burnett
Finance Director

COMPANY STATEMENT **OF COMPREHENSIVE INCOME**

for the year ended 31 December 2018

	Notes	2018 Rm	2017 Rm
Dividends received		**228.7**	289.0
Operating expenses	9	**(3.9)**	(4.4)
Interest paid		**–**	(10.1)
Other income		**–**	1.3
Interest received		**0.1**	10.4
Profit before taxation		**224.9**	286.2
Taxation	10	**–**	–
Total comprehensive income for the year		**224.9**	286.2

COMPANY STATEMENT **OF CHANGES IN EQUITY**

for the year ended 31 December 2018

	Share capital Rm	Share premium Rm	Reorganisation reserve Rm	Other reserves Rm	Retained earnings Rm	Total equity Rm
Balance at 1 January 2017	1.0	2 998.4	(2 837.3)	–	10.4	172.5
Changes in equity	–	4.3	–	13.9	110.2	128.4
Issue of shares	–	4.3	–	–	–	4.3
Dividend paid	–	–	–	–	(176.0)	(176.0)
Share incentive schemes	–	–	–	13.9	–	13.9
Profit for the year	–	–	–	–	286.2	286.2
Balance as at 31 December 2017	1.0	3 002.7	(2 837.3)	13.9	120.6	300.9
Balance at 1 January 2018	**1.0**	**3 002.7**	**(2 837.3)**	**13.9**	**120.6**	**300.9**
Changes in equity	**–**	**2.1**	**–**	**5.4**	**11.2**	**18.7**
Issue of shares	**–**	**2.1**	**–**	**–**	**–**	**2.1**
Dividend paid	**–**	**–**	**–**	**–**	**(213.7)**	**(213.7)**
Share incentive schemes	**–**	**–**	**–**	**5.4**	**–**	**5.4**
Profit for the year	**–**	**–**	**–**	**–**	**224.9**	**224.9**
Balance as at 31 December 2018	**1.0**	**3 004.8**	**(2 837.3)**	**19.3**	**131.8**	**319.6**

COMPANY STATEMENT **OF CASH FLOWS**

for the year ended 31 December 2018

	Notes	2018 Rm	2017 Rm
Cash flows from operating activities			
Operating cash flows before working capital changes	16	**(3.9)**	(3.1)
Decrease in other receivables		**0.1**	–
Increase in other payables		**0.8**	0.1
Net cash outflow from operations		**(3.0)**	(3.1)
Interest paid		**–**	(10.1)
Interest received		**0.1**	10.4
Dividends received		**228.7**	289.0
Net cash inflow from operating activities		**225.8**	286.2
Cash flows from investing activities			
Loans to related parties repaid		**–**	160.1
Intercompany loans advanced		**(14.3)**	(115.8)
Net cash (outflows)/inflows from investing activities		**(14.3)**	44.3
Cash flows from financing activities			
Proceeds from the issuance of shares		**2.1**	4.3
Shareholder loan repaid		**–**	(160.1)
Dividends paid		**(213.7)**	(176.0)
Net cash outflow from financing activities		**(211.6)**	(331.8)
Decrease in cash and cash equivalents		**(0.2)**	(1.3)
Cash and cash equivalents at the beginning of the year		**0.8**	2.0
Cash and cash equivalents at the end of the year	4	**0.6**	0.8

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. Investment in subsidiaries

	2018 Rm	2017 Rm
Wholly-owned subsidiaries' shares at cost		
HomeChoice South Africa Limited (incorporated in Malta)	**143.3**	143.3
HomeChoice Mauritius PCC (incorporated in Mauritius)	**–**	–
Share incentives issued in subsidiary companies	**19.3**	13.9
	162.6	157.2

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

	% interest held	Number of company shares issued and held 2018	2017
HomeChoice South Africa Limited operating subsidiary companies			
HomeChoice (Pty) Limited	100%	**2**	100
HomeChoice Property Company (Pty) Limited	100%	**61**	61
HSA Debt Solutions (Pty) Limited	100%	**120**	120
Related entities			
The HomeChoice Share Trust	100%	**–**	–
The HomeChoice Development Trust	100%	**–**	–
HomeChoice South Africa Limited dormant companies			
HomeChoice Nominees (Pty) Limited	100%	**120**	120
HomeChoice (Pty) Limited (incorporated in Namibia)	100%	**1**	1
HomeChoice (Pty) Limited (incorporated in Botswana)	100%	**100**	100
In terms of the investment in HomeChoice South Africa Limited, unless otherwise specified, all companies have been incorporated in South Africa.			
HomeChoice Mauritius PCC operating subsidiary companies:			
Finchoice Africa Limited (incorporated in Mauritius)	100%	**100**	100
FinChoice (Pty) Limited (incorporated in Botswana)	100%	**100**	100
FinChoice Personal Finance (Pty) Limited (incorporated in Namibia)	100%	**100**	100

	2018 Rm	2017 Rm
2. Intercompany loans		
Wholly-owned subsidiaries' loans		
HomeChoice (Pty) Limited	**25.3**	23.2
HomeChoice Mauritius PCC (incorporated in Mauritius)	**64.9**	69.0
FinChoice Africa Limited	**68.3**	52.0
Intercompany loans receivable/(payable)	**158.5**	144.2

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

3. Loan to HomeChoice Mauritius PCC

	2018 Rm	2017 Rm
HomeChoice Mauritius PCC	**–**	160.1
Movements in the subsidiary loan was as follows:		
Opening balance	**–**	160.1
Loan advanced	**–**	–
Interest earned	**–**	10.1
Capital payments received	**–**	(161.4)
Interest payments received	**–**	(10.1)
Financed-raising costs received	**–**	–
Financed-raising costs amortised	**–**	1.3
Closing balance	**–**	–

4. Cash and cash equivalents

	2018 Rm	2017 Rm
Cash at bank	**0.6**	0.8

		2018 Rm	2017 Rm
5.	**Stated capital, share capital, share premium and reorganisation reserve**		
5.1	Stated and share capital		
	Authorised		
	200 000 000 (2017: 200 000 000) ordinary shares at one cent par value	**2.0**	2.0
	Issued		
	104 909 401 (2017: 104 762 901) ordinary shares at one cent par value	**1.0**	1.0
	Reconciliation of movement in issued shares:		
	Number of issued shares at the beginning of the year	**104.8**	103.5
	Shares issued	**0.1**	1.3
	Total	**104.9**	104.8
5.2	Share premium		
	Balance at the beginning of the year	**3 002.7**	2 998.4
	Share issue	**2.1**	4.3
	Balance at the end of the year	**3 004.8**	3 002.7
5.3	Reorganisation reserve		
	Reorganisation of HomeChoice Holdings Limited into Homechoice International plc during 2014	**(2 837.3)**	(2 837.3)
6.	**Other reserves**		
	Share incentive schemes	**19.3**	13.9

The group has established a share option and share forfeited incentive scheme.

The share option scheme grants options to employees of the group to acquire shares in HomeChoice International plc. All options are conditional on the participant remaining in service with the group. The group has no legal or constructive obligation to repurchase or settle the options in cash.

The share forfeiture scheme awards shares to senior employees of the group for no consideration. Shares are forfeitable should the employee leave the group within a four-year period.

	2018 Rm	2017 Rm
7. Shareholder loan		
GFM Limited	–	–

The company entered into a loan agreement with GFM Limited in May 2015. The loan value was R160 million, it carried interest at the South African prime interest rate and was fully repaid during the prior period.

Movements in the shareholder loan was as follows:	2018 Rm	2017 Rm
Opening balance	–	160.1
Interest fees	–	10.1
Capital payments made	–	(160.0)
Interest payments made	–	(11.5)
Finance-raising costs paid	–	–
Finance-raising costs amortised	–	1.3
Closing balance	–	–

8. Other payables

	2018 Rm	2017 Rm
Other payables	**2.4**	1.6

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

9. Operating expenses

	2018 Rm	2017 Rm
Directors' emoluments	**(0.8)**	(0.4)
Auditor's remuneration	**(0.3)**	(0.1)
Audit-related services	**(0.3)**	(0.1)
Other non-audit services	–	–
Other operating expenses	**(2.7)**	(3.9)
	(3.9)	(4.4)

10. Taxation

	2018 Rm	2017 Rm
Current tax expense	–	–

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	2018 Rm	2017 Rm
Profit before tax	**224.9**	286.2
Tax at 35%	**78.7**	100.2
Tax effect of:		
Income not subject to tax	**(80.1)**	(101.2)
Expenses not deductible for tax purposes	**1.4**	1.0
Tax charge	–	–

11. Risk management and financial instrument disclosure

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

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

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

11.1 Capital risk management

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

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

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

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

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:

	2018 Rm	2017 Rm
	Loans and receivables	
Assets		
Current assets		
Loans to subsidiaries	**158.5**	144.2
Other receivables	**0.4**	0.4
Cash and cash equivalents	**0.6**	0.8
	159.4	145.3
	At amortised cost	
Liabilities		
Current liabilities		
Other payables	**2.4**	1.6
	2.4	1.6

11. Risk management and financial instrument disclosure (continued)

11.3 Credit risk management

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

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

Intercompany loans
These related party loans are unsecured and repayable on demand.

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

11.4 Liquidity risk management

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

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

11.5 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of market prices. Market prices comprised three types of risk: equity price risk, foreign currency risk and interest risk. Financial instruments affected by market risk include trade and other receivables, interest-bearing liabilities and cash and cash equivalents.

Equity price risk management
The company is not exposed to equity price risk.

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

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

The expected impact of a 15% change in the appreciation or depreciation of the ZAR against the USD and EUR does not have a material impact on the financial statements.

12. Related parties

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

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

	2018 Rm	2017 Rm
Directors' emoluments		
Executive director's fees		
Gregoire Lartigue	**0.3**	0.2
Non-executive directors' fees		
Stanley Portelli	**0.2**	0.2
Amanda Chorn	**0.1**	0.1
Robert Hain	**0.1**	0.1
Charles Rapa	**0.1**	0.1
Dividends received		
Dividend received from HomeChoice South Africa Limited	**228.7**	289.0

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

Shareholder loan
The company entered into a loan agreement with GFM Limited in May 2015. The loan value was R160 million, it carried interest at the South African prime interest rate and and it was fully repaid during the prior period. The company on-lent the shareholder loan funds to its subsidiary, HomeChoice Mauritius PCC, on the same terms as the shareholder loan. The subsidiary loan for R160 million was also repaid during the prior period.

13. Distributions per share

	2018 Cents	2017 Cents
Distributions proposed/paid (per share)	**194.0**	191.0
Interim	**95.0**	82.0
Final	**99.0**	109.0
Nature of distributions (per share)	**194.0**	191.0
Dividend proposed/paid	**194.0**	191.0

14. Net asset value per share

The calculation of net asset value per share is based upon net assets divided by the total number of shares in issue.

	2018 Cents	2017 Cents
Net asset value per share	**305**	287
Net tangible asset value per share	**305**	287

15. Events after the reporting period

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

16. Operating cash flows before working capital changes

	2018 Rm	2017 Rm
Profit before taxation	**224.9**	286.2
Interest received	**(0.1)**	(10.4)
Interest paid	**–**	10.1
Dividends received	**(228.7)**	(289.0)
	(3.9)	(3.1)

APPENDIX

Shareholder analysis

	Shareholders Number	Shareholders %	Shares held Number	Shares held %
Range of shareholding				
1 – 500	**103**	**40.1**	**10 124**	**–**
501 – 5 000	**65**	**25.3**	**141 784**	**0.1**
5 001 – 50 000	**53**	**20.6**	**987 579**	**0.9**
50 001 – 500 000	**32**	**12.5**	**5 315 656**	**5.1**
Over 500 000	**4**	**1.5**	**97 854 258**	**93.9**
	257	**100.0**	**104 309 401**	**100.0**
Development trust	**1**		**600 000**	
	258		**104 909 401**	
Public and non-public shareholding				
Non-public				
GFM Limited	**1**	**0.4**	**73 449 531**	**70.0**
ADP II HOLDINGS 3 Limited	**1**	**0.4**	**23 031 927**	**22.0**
HomeChoice Development Trust (treasury shares)	**1**	**0.4**	**600 000**	**0.6**
Directors of HomeChoice International plc	**3**	**1.2**	**546 844**	**0.5**
Directors of subsidiaries	**4**	**1.6**	**1 154 305**	**1.1**
Related parties	**1**	**0.4**	**47 027**	**–**
Public	**247**	**95.6**	**6 079 767**	**5.8**
	258	**100.0**	**104 909 401**	**100.0**

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

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

2018		
GFM Limited	**73 449 531**	**70.0**
ADP II Holdings 3 Limited	**23 031 927**	**22.0**
	96 481 458	**92.0**
2017		
GFM Limited	73 449 531	70.1
ADP II Holdings 3 Limited	23 031 927	22.0
	96 481 458	92.1

Directors' interest in the share capital of the company

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

Shirley Maltz, an executive director of HIL, has a direct beneficial interest in 492 344 shares (including 198 300 forfeitable shares), (2017: 381 044 shares).

Paul Burnett, an executive director of HIL, has a direct beneficial interest in 67 500 shares (including 27 500 forfeitable shares) (2017: 60 000 shares).

Amanda Chorn, an independent non-executive director of HIL, has an indirect beneficial interest in 50 000 shares (2017: 50 000 shares).

There has been no changes to the above since the end of the financial year and the date of approval of the annual financial statements.

HOMECHOICE INTERNATIONAL PLC
(Registration number C66099)
(Incorporated in the Republic of Malta)
(the "Company")

Dear Shareholder

NOTICE OF ANNUAL GENERAL MEETING

We have pleasure in enclosing the notice of annual general meeting and form of proxy for HomeChoice International plc's (the Company) 5th annual general meeting of shareholders (the Shareholders) to be held on Thursday, 9 May 2019 at 10:00 and at 78 Mill Street, Qormi, Republic of Malta. The Company's 2018 integrated annual report and the audited annual financial statements for the year ended 31 December 2018 are available for viewing and downloading on the Company's website: www.homechoiceinternational.com. Printed copies of the Company's 2018 integrated annual report will only be mailed to shareholders. Kindly e-mail governance@homechoiceinternational.com to request a copy be sent via e-mail.

Yours faithfully

George Said
Company Secretary

14 March 2019

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (or AGM) of shareholders (the Shareholders) of the Company will be held at 78 Mill Street, Qormi, Republic of Malta, on Thursday, 9 May 2019 commencing at 10:00 to deal with the matters set out in the agenda below, and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder, which meeting is to be participated in by Shareholders recorded in the Company's securities register as at the voting record date.

The record date to receive this notice of AGM is Friday, 22 March 2019. The integrated annual report for the year ended 31 December 2018 (integrated annual report) and audited annual financial statements for the year ended 31 December 2018 will be available on our website at www.homechoiceinternational.com and are incorporated by reference in so far as the information contained therein relates to the resolutions in this notice.

The record date on which Shareholders must be recorded in the securities register of the Company for purposes of being entitled to attend and vote at this meeting is Friday, 3 May 2019. The last date to trade in order to be entitled to vote at the meeting will therefore be Monday, 29 April 2019.

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

The percentage of voting rights required to pass the ordinary resolutions is more than 50% of the voting rights exercised (save for ordinary resolution number 7, which will require a majority of not less than 75% in accordance with the JSE Limited Listings Requirements (JSE Listings Requirements) and the percentage of voting rights required to pass the special resolutions is at least 75% of the voting rights exercised thereon.

Equity securities held by a share trust or scheme of the Company will not have their votes taken into account for the purposes of resolutions passed in terms of the JSE Listings Requirements.

Agenda

1. To receive and adopt the annual financial statements of the Company and its subsidiaries (the Group), which includes the report of the directors and the report of the audit and risk committee, for the year ended 31 December 2018, contained in the integrated annual report.

2. To appoint Pierre Joubert as an independent non-executive director of the Company.

3. To re-elect Stanley Portelli and Charles Rapa, who retire in terms of the Company's Articles of Association (Articles) and, being eligible for re-election in terms of the Articles, have made themselves available for re-election.

4. To appoint or reappoint, as applicable, the proposed members of the audit and risk committee.

5. To consider the reappointment of PricewaterhouseCoopers Malta as the Company's external auditors.

6. To provide the board with a general authority to issue shares.

7. To provide the board with a general authority to issue shares for cash, as required in terms of the JSE Listings Requirements.

8. To authorise the payment of the future remuneration of the non-executive directors for their services as non-executive directors on the board.

9. To consider and endorse, by way of separate non-binding advisory votes, the Group's remuneration policy and implementation report as set out in the integrated annual report.

10. To consider any other matters raised by Shareholders which are appropriate to be raised and discussed at an AGM.

Resolutions and advisory votes

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

Presentation and adoption of annual financial statements

Ordinary resolution number 1

"It is hereby resolved that the annual financial statements of the Group, incorporating the report of the directors and the report of the audit and risk committee for the year ended 31 December 2018, are hereby adopted and approved."

Explanatory information in respect of ordinary resolution number 1

The annual financial statements of the Group for the year ended 31 December 2018, which incorporate the reports of the directors, the auditors and the audit and risk committee, have been distributed as required and will be presented to the Shareholders. The financial statements are available at www.homechoiceinternational.com.

Confirmation of appointment of non-executive director

Ordinary resolution number 2

"It is hereby resolved that Pierre Joubert is appointed as an independent non-executive director of the Company with effect from 9 May 2019."

Explanatory information in respect of ordinary resolution number 2

In terms of Article 25.1.2 all directors shall be elected by an ordinary resolution of the Shareholders at a general or annual general meeting.

The nominations committee has reviewed the board structure as part of its annual review process. Recommendations were made to bolster the appropriate skills and diversity relevant to its operations. The nominations committee, having reviewed Pierre Joubert's profile, is of the view that the he is a suitable candidate for directorship and that he will bring along a wealth of knowledge and objectivity required at board level. A brief curriculum vitae of Pierre Joubert is set out in annexure 1 to this notice. The board supports the candidate's appointment.

Re-election of directors

Ordinary resolution number 3.1

"It is hereby resolved that Stanley Portelli who retires by rotation in terms of the Articles is re-elected as an independent non-executive director of the Company."

Ordinary resolution number 3.2

"It is hereby resolved that Charles Rapa who retires by rotation in terms of the Articles is re-elected as an independent non-executive director of the Company."

Explanatory information in respect of ordinary resolutions numbers 3.1 and 3.2

Article 25.4.1 requires one-third of the Company's non-executive directors to retire by rotation. The nominations committee has reviewed the past performance of the directors up for re-election and is of the view that the directors proposed in terms of ordinary resolution numbers 3.1 and 3.2 are suitable candidates for directorship given that they have added, and will continue to add, value to the board. The candidates, being eligible, offer themselves for re-election. Brief curricula vitae of the nominees for re-election are set out in annexure 1 to this notice. The board supports the re-election of the candidates.

Appointment and reappointment of audit and risk committee members

King IV™ recommends that the chairman of the board should not be a member of the audit committee to manage any undue concentration and balance of power being placed in the chairman of the board. The board previously agreed that, given the size and composition of the board (four independent non-executive directors, two non-executive directors and one alternate non-executive director), the balance of power is not compromised by the board chairman being a member of the audit and risk committee. The board has, as part of its annual review process and in line with ensuring it has the appropriate diversity, skills and expertise to manage and provide oversight for its operations and that of its subsidiaries, reconsidered the composition of the board and audit and risk committee as a whole and in line with the application of King IV™. In doing so, the board, together with the nominations committee, recommends, subject to the passing of ordinary resolution number 2, the appointment of Pierre Joubert as a member of the audit and risk committee. Failing such appointment, the board proposes, subject to the passing of ordinary resolution number 3.1, the re-election of Stanley Portelli to perform the dual role of chairman of the board and member of the audit and risk committee.

Ordinary resolution number 4.1

"It is hereby resolved that, subject to the passing of ordinary resolution number 2, Pierre Joubert is appointed as a member of the audit and risk committee."

Ordinary resolution number 4.2

"It is hereby resolved that, subject to the passing of ordinary resolution number 3.2, Charles Rapa is reappointed as a member of the audit and risk committee."

Ordinary resolution number 4.3

"It is hereby resolved that Amanda Chorn is reappointed as a member of the audit and risk committee."

Ordinary resolution number 4.4

"Subject to ordinary resolutions numbers 2 and 4.1 not being passed and ordinary resolution number 3.1 being passed, it is hereby resolved that Stanley Portelli, in addition to his position as chairman be reappointed as a member of the audit and risk committee."

Explanatory information in respect of ordinary resolution numbers 4.1 to 4.4

Brief curricula vitae of the nominees for election to the audit and risk committee are set out in annexure 1 to this notice. The nominations committee is satisfied that the nominees can make a valuable contribution to the deliberations of the audit and risk committee. The board supports the candidates' election.

Reappointment of auditors

Ordinary resolution number 5

"It is hereby resolved that PricewaterhouseCoopers Malta is reappointed as the external auditors of the Company, to hold office from the conclusion of the AGM until the conclusion of the next AGM."

Explanatory information in respect of ordinary resolution number 5

The audit and risk committee has nominated the reappointment of PricewaterhouseCoopers Malta as the external auditors of the Company and is of the opinion that they are independent from the Company. The effect of this resolution will be to authorise the reappointment of PricewaterhouseCoopers Malta as the independent auditors of the Company.

Issue of shares

Ordinary resolution number 6

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

Such authority shall be valid until the next AGM.

Explanatory information in respect of ordinary resolution number 6

The resolution authorises the board, subject to the JSE Listings Requirements, to issue, or grant rights exercisable for, the unissued authorised shares of the Company. Such authority shall endure until the forthcoming AGM of the Company (at which time this authority shall lapse, unless it is renewed at the aforementioned AGM).

Issue of shares for cash

Ordinary resolution number 7

"It is hereby resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares (and/or any options or convertible securities that are convertible into an existing class of securities) for cash as they in their discretion may deem fit, subject to the provisions of the Company's Articles, and the JSE Listings Requirements, provided that:

- the approval shall be valid until the date of the next AGM of the Company, provided it shall not extend beyond 15 months from the date of this resolution;
- the general issue of shares for cash under this authority may not exceed, in the aggregate, 15% of the Company's issued share capital, excluding treasury shares, as at the date of this notice of AGM. The calculation of the Company's listed equity securities is a factual assessment of the listed equity securities as at the date of this notice of AGM. As at the date of this notice of AGM, 15% of the issued shares of the Company, excluding treasury shares, amounts to 15 736 410 shares. Any shares issued under this authority prior to this authority lapsing shall be deducted from the 15 736 410 shares the Company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority. In the event of a subdivision or consolidation of shares, prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- in determining the price at which an issue of shares will be made in terms of this authority, the price (taking into consideration both the nominal value and the premium) shall not be lower than 90% of the weighted average traded price of such shares over the 30-business-day period prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded daily over such 30-business-day period;
- any such general issue will only be made to public Shareholders, as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements, and not to related parties;
- any such general issues are subject to exchange control regulations and approval at that point in time;
- any such issue will only comprise securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis within the period of this authority, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service."

In terms of the JSE Listings Requirements, in order for ordinary resolution number 7 to be adopted, the support of at least 75% of the total number of votes exercisable by Shareholders, present in person or by proxy, is required to pass this resolution.

Explanatory information in respect of ordinary resolution number 7

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or duly approved share incentive schemes), it is necessary for the board of the Company to obtain the prior authority of the Shareholders in accordance with the JSE Listings Requirements and the Articles. Accordingly, the reason for ordinary resolution number 7 is to obtain a general authority from Shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the Articles.

The resolution authorises the board, subject to the Articles, the JSE Listings Requirements and the Maltese Companies Act, to issue, or grant rights exercisable for, the unissued authorised shares of the Company. Such authority shall endure until the forthcoming AGM of the Company (at which time this authority shall lapse, unless it is renewed at the aforementioned AGM).

Directors' remuneration

Ordinary resolution number 8

"It is hereby resolved that payment of the following remuneration to each non-executive director for his/her services as director is hereby authorised up to a maximum amount of Euro 40 000.00 (forty thousand Euro) per annum for the year ending 31 December 2020."

Explanatory information in respect of ordinary resolution number 8

The resolution obtains the advance approval of the Shareholders for the remuneration of the non-executive directors for their services as directors of the Company.

Remuneration policy

Ordinary resolution number 9

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

For details of the remuneration policy, please refer to the integrated annual report.

Ordinary resolution number 10

"The Group's remuneration implementation report, as set out in the integrated annual report, is hereby endorsed by way of a non-binding advisory vote."

For details of the remuneration implementation report, please refer to the integrated annual report.

Explanatory information in respect of ordinary resolution number 9 and ordinary resolution number 10

In terms of principle 14 contained in King IV™, the Company's remuneration policy and implementation report should be tabled to the Shareholders for separate non-binding advisory votes at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

Accordingly, the Shareholders are requested to endorse the Group's remuneration policy and implementation report, respectively, by way of separate non-binding advisory votes in the same manner as an ordinary resolution. As the votes on this endorsement are non-binding the results will not be binding on the board. However, the board will take cognisance of the outcome of the vote when considering its remuneration policy and implementation report in future.

The remuneration policy also contains the measures that the Company will take if 25% or more of votes are cast against the policy at the AGM.

General

Shareholders are informed that:

- a Shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy (or more than one proxy) to attend, participate in and speak and vote at the AGM in the place of the Shareholder, and Shareholders are referred to the form of proxy included with this notice of AGM;
- a proxy need not also be a Shareholder of the Company;
- the proxy may delegate the authority granted to him/her/it as proxy, subject to any restriction in the form of proxy itself;
- a Shareholder entitled to vote may appoint more than 1 (one) proxy to exercise voting rights attached to different shares held by that Shareholder entitled to vote in respect of any Shareholders' meeting and may appoint more than 1 (one) proxy to exercise voting rights attached to different shares held by the Shareholder which entitle him/her/it to vote;
- Shareholders who wish to appoint proxies are required to complete and return the form of proxy to reach the registered office of the Company and/or via the company secretary: governance@homechoiceinternational.com at least 48 hours before the appointed time of the meeting. Alternatively, the form of proxy may be handed to the chairman of the AGM at any time prior to the commencement of the AGM; and
- any person attending or participating in a meeting of Shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as Shareholder or as proxy for a Shareholder) has been reasonably verified. Acceptable forms of identification include valid identity documents, driver's licences and passports.

Electronic participation

Shareholders are advised that they, or their proxies, will be able to participate in, but not to vote at, the AGM by way of electronic communication. A limited number of telecommunication lines will be made available for this purpose.

Shareholders who wish to participate by way of electronic communication must register such request in writing with the company secretary (governance@homechoiceinternational.com) by no later than 15:00 on Wednesday, 24 April 2019 and provide their e-mail and cell phone contact details.

Each participant will be contacted in advance of the meeting via e-mail and/or SMS and will be provided with a code and the relevant telephone number to allow them to dial into the AGM.

The cost of the Shareholder's phone call will be for his/her own expense. By registering the abovementioned request, the Shareholder acknowledges that the telecommunication lines are provided by a third party and indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines whether or not the problem is caused by any act or omission on the part of the Shareholder, the Company, the third-party service provider, or anyone else.

By order of the board

George Said
Company Secretary

Republic of Malta
14 March 2019

Annexure 1

NOTICE OF ANNUAL GENERAL MEETING

BRIEF CURRICULA VITAE OF DIRECTORS STANDING FOR RE-ELECTION AND ELECTION TO THE BOARD, AND RE-ELECTION AND ELECTION TO THE AUDIT AND RISK COMMITTEE

Pierre Joubert (53)
BBUSSCI, CA(SA)
Executive director of Universal Partners Limited listed on the Mauritian Stock Exchange and JSE AltX, South Africa.

Pierre is the CEO of Universal Partners Limited, a private equity-focused investment holding company with a dual listing on the Stock Exchange of Mauritius and the JSE AltX in South Africa.

Prior to joining Universal Partners, he was the chief investment officer of the Richmark Group of companies, which he joined in November 2015. Previously he spent 13 years at Rand Merchant Bank (RMB) fulfilling various roles including senior transactor in the Corporate Finance division, head of the Equities and co-head of the Global Markets divisions. Pierre is a member of the RMB investment committee, a position he has held for 16 years. He is also a member of the Ashburton Private Equity Fund 1 investment committee.

Previously, Pierre held various executive positions at Connection Group Holdings Limited including that of CEO of Connection Group for four years, leading the successful turnaround of the business that culminated in the group being bought by JD Group Limited. In his early career Pierre worked for various companies in the Reunert Limited group after completing his articles with Deloitte.

Stanley Portelli (46)
Independent non-executive chairman
Lawyer, LLD
Chairman of the board, chairman of the nominations committee and member of the audit and risk committee

Appointed 22 July 2014

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

Charles Rapa (67)
Independent non-executive director
FCCA, FIA, CPA, MIM, MBA (Henley)
Chairman of the audit and risk committee, chairman of the remunerations committee and member of the board

Appointed 22 July 2014

Charles is a non-executive director of a number of foreign Malta registered companies and has held such positions for a period of just under 10 years. During this time he served a term of office as the chairman of the Maltese Accountancy Board and its oversight committee. Prior to this Charles held the position of finance director of British American Tobacco (Malta) and was an audit manager in a major audit firm.

Amanda Chorn (60)
Independent non-executive director
BA, LLB, LLM
Member of the board and audit and risk committee

Appointed 30 September 2014

Amanda is an attorney of the High Court of South Africa and currently resides in the United Kingdom where she is a director of companies. Amanda is also a non-executive director of Spur Corporate Limited. Amanda is co-founder of a group providing private office services to clients, including portfolio management and international structuring.

FORM OF **PROXY**

HOMECHOICE INTERNATIONAL PLC
(Registration number C66099)
(Incorporated in the Republic of Malta)
(the "Company")

For completion by Shareholders who are unable to attend the annual general meeting of the Company to be held on Thursday, 9 May 2019 at 10:00 at 78 Mill Street, Qormi, Republic of Malta (the AGM).

I/We (full names) ____

of (address) ____

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

hereby appoint ______________________ or failing him/her ______________________

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

Proposed resolutions	For	Against	Abstain
Ordinary resolution number 1: to receive and adopt the annual financial statements			
Ordinary resolution number 2: to appoint Pierre Joubert as an independent non-executive director of the Company			
Ordinary resolution number 3.1: to re-elect Stanley Portelli as a non-executive director of the Company			
Ordinary resolution number 3.2: to re-elect Charles Rapa as a non-executive director of the Company			
Ordinary resolution number 4.1: subject to the passing of ordinary resolution number 2, to appoint Pierre Joubert as a member of the audit and risk committee			
Ordinary resolution number 4.2: subject to the passing of ordinary resolution number 3.2, to appoint Charles Rapa as a member of the audit and risk committee			
Ordinary resolution number 4.3: to appoint Amanda Chorn as a member of the audit and risk committee			
Ordinary resolution number 4.4: subject to ordinary resolutions numbers 2 and 4.1 not being passed and ordinary resolution number 3.1 being passed, to reappoint Stanley Portelli, in addition to his position as chairman, as a member of the audit and risk committee			
Ordinary resolution number 5: to reappoint PricewaterhouseCoopers Malta as external auditors			
Ordinary resolution number 6: to authorise the issue of shares			
Ordinary resolution number 7: to authorise the issue of shares for cash			
Ordinary resolution number 8: approval of directors' remuneration			
Ordinary resolution number 9: (non-binding advisory vote): approval of the Group's remuneration policy			
Ordinary resolution number 10: (non-binding advisory vote): approval of the Group's remuneration implementation report			

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

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

Signed this ______________________ day of ______________________ 2019.

Signature ______________________ assisted by ______________________ (where applicable)

NOTES TO THE FORM OF PROXY

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

2. This proxy form and power of attorney (if any) under which it is signed must be addressed to the company secretary and reach the registered office of the Company not less than 48 hours before the appointed time of the meeting and at the following address: governance@homechoiceinternational.com.

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

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

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

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

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

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

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

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

11. Where there are joint holders of shares:
    (a) all joint holders must sign the form of proxy; and
    (b) the vote(s) of the senior Shareholders (for that purpose seniority will be determined by the order in which the names of Shareholders appear in the Company's securities register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint Shareholder(s).

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

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

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

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

ADMINISTRATION

Country of incorporation
Republic of Malta

Date of incorporation
22 July 2014

Company registration number
C66099

Company secretary
George Said
gsaid@maltatransportlaw.com

Registered office
93 Mill Street
Qormi
QRM3012
Republic of Malta

Auditors
PricewaterhouseCoopers
Republic of Malta

Corporate bank
Butterfield Bank (Jersey) Limited

JSE listing details
Share code: HIL
ISIN: MT0000850108

Sponsor
Rand Merchant Bank, a division of FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited

SHAREHOLDERS' **DIARY**

Financial year-end
31 December

Annual general meeting
9 May 2019

Distributions to shareholders
April and September

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

HiL PLC